Sustainability Index: *transforming intention to outcomes*

July 2022

Life Is On Schneider Electric

Contents

Foreword

The world is currently transforming fast, as we know. Simultaneously, we are in the midst of a new energy revolution driven by the convergence of digitalisation and electrification at scale, which we at Schneider Electric call 'Electricity 4.0'.

We also know that the way we use energy today is massively inefficient, with more than half lost or wasted. Furthermore, the way we power much of our industrial activity is fuelled by 20th century technology, with most of our energy demand met by fossil fuels and primarily distributed through outdated infrastructure that is passive and disconnected.

Digital technology such as advanced automation, metering, and monitoring enables us to see how we use our energy, driving efficiency and eliminating waste. Adding smart devices, apps, analytics, and software enables us to deploy energy more efficiently. Digitalisation makes the invisible visible, enabling waste to be identified and therefore opportunity for efficiency gains.

Electricity is the most efficient energy and if we are to minimise the rise in global temperature – which is vital to the continuation of life as we know it – industry must embrace Electricity 4.0.

This is a quick win for carbon reduction, as the impact is immediate. It's far easier and better to save a unit of energy than it is to make one greener. After all, the greenest and cheapest kilowatt is the one you don't use.

In its most basic form, energy efficiency is about better insulation: reducing heating or cooling loss in family homes, warehouses, office buildings, airport terminals, shopping centres, even data centres. While double glazing and optimised air-con systems aren't as sexy as 100-metre wind turbines and EVs – the impact of energy efficiency is immense.

Electricity 4.0 supports corporate sustainability, promotes decarbonisation and circularity, increases operational efficiency, reduces material waste, prolongs equipment lifetime, and enables better emissions monitoring and management.

But this is just the beginning. In industry, automation and digital tools can optimise the processes, productivity, performance, and energy usage that goes into delivering machinery, or semiconductor chips, or even a humble milk carton.

In cities, buildings, and infrastructure, IoT-enabled management systems can significantly reduce energy use and waste by detecting leaky valves, or automatically adjusting heating, lighting, and other systems to suit the number of people present at any given time, using real-time data analysis.

Electrification is the best vector for energy efficiency and decarbonisation. Electricity can be generated by renewable sources and is virtually 100% efficient with its current uses today. For example, heat pumps and EVs are many times more efficient for the same effect delivered than their fossil-fuelled counterparts.

Integrating energy and process automation empowers manufacturers to drive sustainability across the world's most energy intensive sites, while software helps to connect assets across the full lifecycle, resulting in one, real-time view. This outcome is what Schneider knows as the 'industrial sustainability triad'.

These types of innovative technologies are key to achieving sustainability goals and enabling companies to conserve energy and safeguard the natural environment.

To be sure, governments, consumers and companies around the world are waking up to some of this potential.

It's also important to realise that much of this can be done now, with technologies that exist today.

The time to act is now.

Gareth O'Reilly
Pacific Zone President

About the research

Schneider Electric has undertaken an Australian market survey on the corporate approach to sustainability. The survey was designed to explore drivers and barriers affecting the sustainability journey of businesses, as well as the role of technology in achieving sustainability goals.

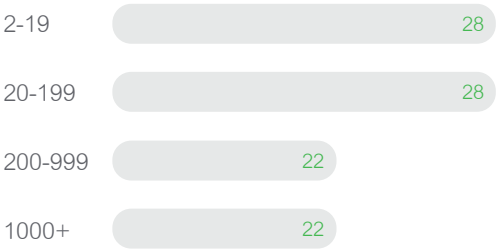
We spoke to 500 business decision-makers

1) **Management position:** C-level and senior or middle management.

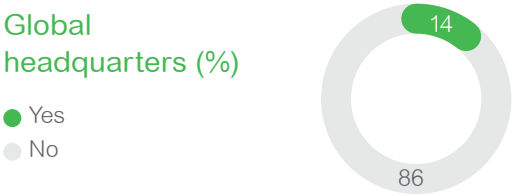
2) **Business functions:** operations, finance, technology, and sustainability.

3) **Industry groups:** construction, manufacturing, retail, financial and insurance services, health care and social services, and professional services.

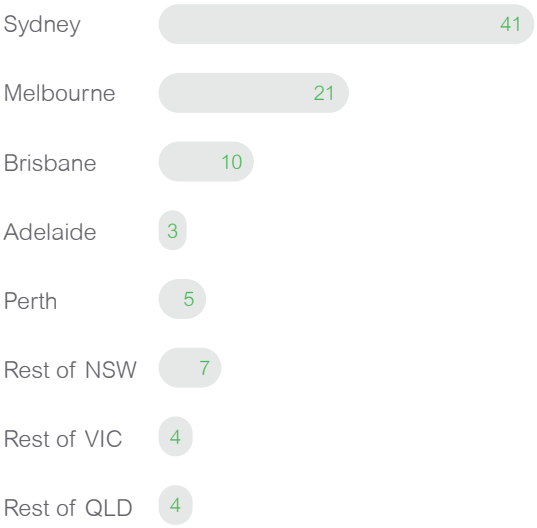
Company size (%)



Global headquarters (%)



AU head office (%)



Executive summary: how business is transforming from intention to outcomes and charting a path to net zero

There's never been a need for greater urgency when it comes to reducing greenhouse gas emissions. However, taking climate action and making the most of it for a business requires commitment, innovation, and the ability to translate ambition into meaningful action.

This study of 500 decision-makers investigates Australia's corporate position on sustainability and energy efficiency, and the challenges and opportunities that companies are facing. The findings present a corporate perspective on the drivers and barriers of the journey towards sustainability. This includes plans, areas of interest, and the role of technology, with the aim of stimulating discussion about corporate Australia's move from intention to outcomes on the net zero agenda.

In this report, we discuss and package the main findings of the research into six sections:

1) Climate change risk is seen as the main threat to business operations.

Climate Change is ranked as the top supply chain risk by Australian companies, mainly due to stakeholder pressure, supply chain disruption, and increased operational costs risks.

2) Businesses are embracing sustainability, but struggling to commit.

In addition to mitigating climate change risk, business leaders see a range of benefits for adopting sustainable solutions from gaining competitive advantage to making a positive impact on the planet and society. While leaders believe their companies should be more sustainable, many organisations are yet to gain momentum in setting targets and driving execution. The main barriers related to this are inadequate financial resources, lack of expertise, and difficulties in translating strategy into action. As a result, large companies tend to be further along on their decarbonisation journey.

3) With more opportunity to quantify Scope 1 & 3 emissions, reducing Scope 2 – electricity – is the low-hanging fruit.

Maturity in quantifying and addressing Scope 1,2, and 3 emissions vary across organisations. While addressing Scope 1 requires a longer-term process with operational technology and energy transformation, addressing Scope 2 emissions is the low-hanging fruit for business, as around two-thirds (62%) have already quantified Scope 2 and have started working on emission reduction. There is a clear knowledge and capability gap in quantifying Scope 3 emissions.

4) Investment priorities are in energy and resource efficiency, renewable energy, and electrification.

Companies recognise the value of technology in reducing emissions and are investing more in energy and resource efficiency, renewable energy, and electrification. In the coming 2 years, 75% are looking to invest in energy and resource efficiency. A majority of the respondents are seeking to invest in distributed energy resources, including on-site renewable generation, electrical vehicles, battery and storage, microgrid, combined heat and power (CHP).

5) Digital will also play a key role in achieving sustainability goals.

As most (79%) respondents agree that "digital is playing a key role in achieving sustainability goals", Australian companies are ramping up investment in digital transformation and automation. Specifically, monitoring and reporting, energy efficiency, real-time data, automation and demand response technologies are identified for short term investment by most companies.

6) Measurement and reporting of sustainability data can be further enhanced.

Only 14% of companies are "well on their way" regarding data capture and reporting, while 32% are still using spreadsheets in data collection. Companies using external partners seem to better leverage data from their measurement system, especially those in the manufacturing sector.

The decade of action

Climate action urgency is established across the world. "Action to deeply reduce emissions this decade will determine whether the climate system can or cannot be stabilised at warming of well below 2°C."

These are the sobering words of the Australia's Climate Council in its 2021 report, 'Aim High, Go Fast: Why Emissions Need to Plummet this Decade'. The report is one of many, from similar bodies around the world, that underscores the need for urgent and meaningful action on climate change.

The Climate Council reminds us that there is no safe level of global warming. "Already, at a global average temperature rise of 1.1°C, we're experiencing more powerful storms, destructive marine and land heatwaves, and a new age of megafires. Multiple lines of evidence strongly suggest the global average temperature rise will exceed 1.5°C during the 2030s."[1]

It's timely to consider this warning in a year when Australia continues to experience extreme weather – this time, devastating floods along the east coast. "Our response must match the scale and urgency of this worsening situation," the report says.

Schneider Electric Australia's 2021 whitepaper, ***Stepping up to sustainability: transforming business for a low-carbon future***, highlights that in the context of the world being disrupted by the pandemic, many stakeholders want to use the economic recovery as an opportunity to address longstanding ecological and social issues and to 'build back better'.

Three-quarters of Australians say 'the benefits of taking further action on climate change will outweigh the costs', and around 4 in 5 support setting a net zero target for 2050[2].

Investors in Australian companies are also applying ESG pressure – especially for those which are publicly listed. The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand institutional investors focused on the impact of climate change on investments, representing investors with total funds under management of over $3.6 trillion locally and $33 trillion around the world. This influential coalition expects governments and companies to not just plan for 2050, but to have "a clear and ambitious 2030 target in line with the Paris Agreement"[3].

This is echoed by retail investors, with research from the Responsible Investment Association of Australasia showing that 3 in 4 Australians consider environmental and social themes when investing, with renewable energy and energy efficiency the most important theme[4].

This year's research by Schneider Electric in Australia reveals that some businesses have made a commitment to eliminate greenhouse gas emissions by as early as 2025 or 2030. However, around 1 in 4 are looking at a timeline of 2035 or later, and almost 1 in 5 have no intention of making a commitment at all to either decarbonisation or net zero (including Scope 1, 2, and 3).

Outside of a net zero emissions target, many are still looking to reduce their energy usage and emissions. Yet their current measurement methods are, for the most part, unsophisticated, which will make it more difficult to drive decarbonisation in the long term.

1 Aim High, Go Fast: Why Emissions Need to Plummet this Decade, Climate Council, April 2021
2 Climate Poll 2021, The Lowy Institute, May 2021
3 Net zero by 2050 positive signal to investors, acute policy risks remain to 2030, IGCC, Oct 2021
4 From Values to Riches 2022: Charting consumer demand for responsible investing in Australia, RIAA, April 2022

The *Sustainability Index* results make it clear: for the vast majority of business leaders there is no question about the need to change. They understand the manifold risks that a warming planet poses to their business; they are looking at improving their impact on the planet and society, they recognise the power of sustainable transformation, and they agree that renewable generation, electrification, and digital are critical parts of the solution.

As most organisations already understand **why** decarbonisation is important, the key is **how** to move from ambition to action. It may mean completely re-envisioning a company and undertaking a massive change effort, requiring resources, innovation, and, above all, courage. Therefore, it's important to understand the primary hurdles to climate action. Knowing about and being prepared for these challenges can help organisations develop proactive strategies to address them.

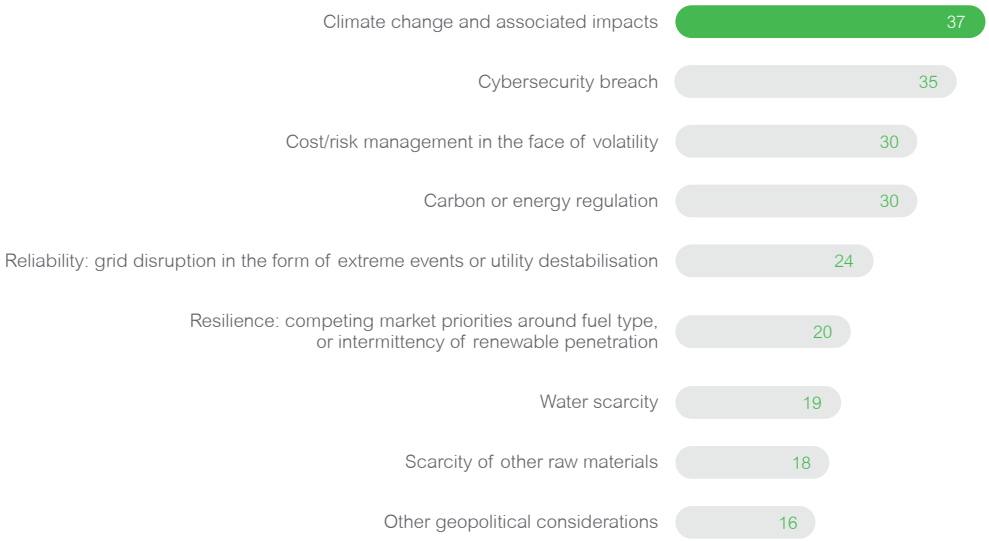
Changing consumption patterns, driven by an appetite for the progress that new technologies herald, will help bring about a less carbon-intensive economy. In other words, keeping global warming to 1.5˚C may be more feasible than we think, because as the economy modernises and provides increased benefits to people, it also decarbonises.

Vincent Petit, Head of the Schneider Electric™ Sustainability Research Institute, regarding the key findings of the 'Back to 2050' study of long-term impact on energy usage and associated CO2 emissions of changing social expectations and up-and-coming, disruptive technologies.

Climate change risk is seen as the main threat to business operations

Much like the pandemic, climate change will increasingly pose challenges to 'business as usual'. Organisations are not only threatened by environmental risks, and extreme weather impacts – there are also organisational impacts, with threats to supply chain, brand reputations, business models, and, ultimately, bottom line.

Chart 1: Risks to energy and resource supply (%)



Reconciliation with Schneider Electric's survey, The State of Corporate Climate Action in 2021, shows that climate change is ranked as the main risk both globally and in Australia. Grid reliability and resilience are not an Australian specificity as they were ranked similarly by global corporations. However, cybersecurity risk is ranked higher by Australian companies (2nd in Australia vs 4th globally), whereas Australian companies seem less concerned about regulatory risks (30% in Australia vs 48% globally).

When we asked business leaders how climate change is affecting their organisation, their responses were candid and wide-ranging. The physical effects of a changing climate are pervasive, and on top of this, leaders are faced with an unprecedented regulatory and business environment.

Chart 2:

Market pressure	Supply chain disruption	Increased running costs
"Increasing pressure from customers and shareholders to reduce impact."	"Real tangible risks are in the form of floods and extreme fires causing issues with or shutting down supply routes for goods."	"Rising energy costs, insurance and environmental approvals."
"We will be forced to change otherwise we will be left behind by competitors that are leading the way from corporate social responsibility."	"The instability of our climate is causing interruptions to our service delivery."	"Due to energy regulations and the cost they create, there are price increases in utilities and transportation that are passed on by suppliers to my organisation and we, in turn, pass them on to our customers."
"Our reputation taking a hit and losing stakeholders."	"Supply chain disruption."	"More expensive costs with rising fuel costs given lack of transition to electric vehicles."
"The public expect us to align with their values."	"Increasing instability in future energy resources."	"Prices are going up and resources are running out."
"Damaging brand equity for lack of action."	"We're unable to plan ahead without any risks."	

We see three main themes from the survey:

1) Increased pressure from a broad range of stakeholders.

As highlighted by the survey, different stakeholders have different expectations. For example: customers are demanding more sustainable products; investors or shareholders are adopting clean lending targets to 'green' their portfolios; employees are expecting employers to take a stand on addressing the climate crisis; supply chain partners are implementing responsible sourcing to tackle their Scope 3 emission reduction; and, of course, public opinion is influenced by the media.

2) Supply chain disruption due to tangible climate change risks.

Extreme weather events are presenting significant supply chain disruption to businesses. This assessment is consistent with the IPCC report noting that Australia's land areas have warmed by around 1.4°C since 1910 and extreme weather events are projected to intensify in Australia:

- fire will happen more often, and the fire season will get longer
- heavy rainfall events that can cause flooding will get worse
- drought will continue to get worse in south-western Australia
- the average intensity of cyclones is expected to increase.

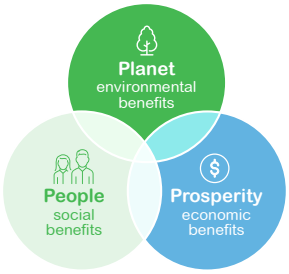
3) Increasing running costs.

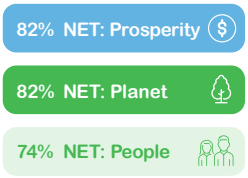
Climate change is also affecting business operations by increasing costs. Rising energy costs (utility and fuel), resources constraints and changing regulations are driving operating cost up for businesses. "Over the next 40 years, the cost of natural disasters to the Australian economy is expected to be at least $1.2tn in present value terms", "this cumulative cost would potentially increase by $125bn if a higher emission scenario eventuates", as stated in Special report: Update to the economic costs of natural disasters in Australia by Deloitte Access Economics.

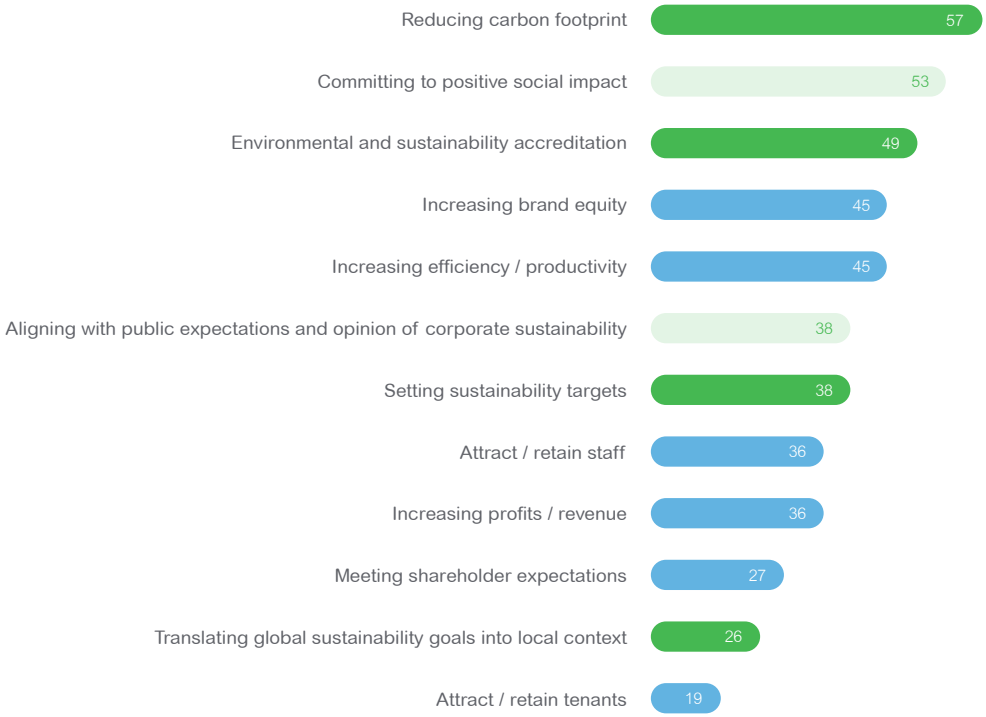
Businesses are embracing sustainability, but struggling to act

Australian business leaders see value and a range of benefits for adopting sustainable solutions, which can broadly be grouped under the categories of 'people, planet, and prosperity' (Chart 3).

Chart 3: Benefits of adopting sustainable solutions (%)







And indeed, the majority (76%) of Australian business leaders have recognised that companies embracing sustainable transformation are gaining a competitive edge. Almost half of the companies are exploring ways to adapt their business model to meet climate challenges over time.

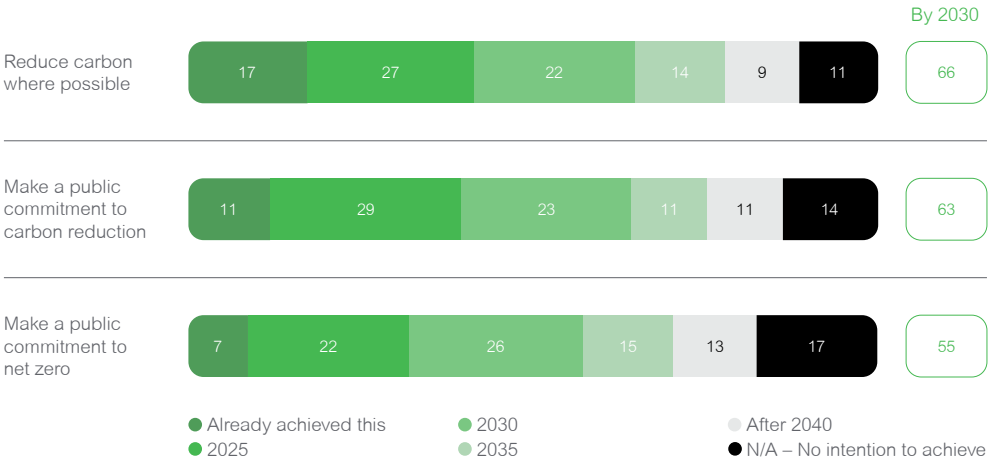
76% agree 'Companies that are embracing sustainable transformation are gaining a competitive edge'.

However, many organisations are yet to gain momentum in their sustainability journey.

Recognising the benefits of sustainability is one thing – making it a reality in their own business is a different challenge.

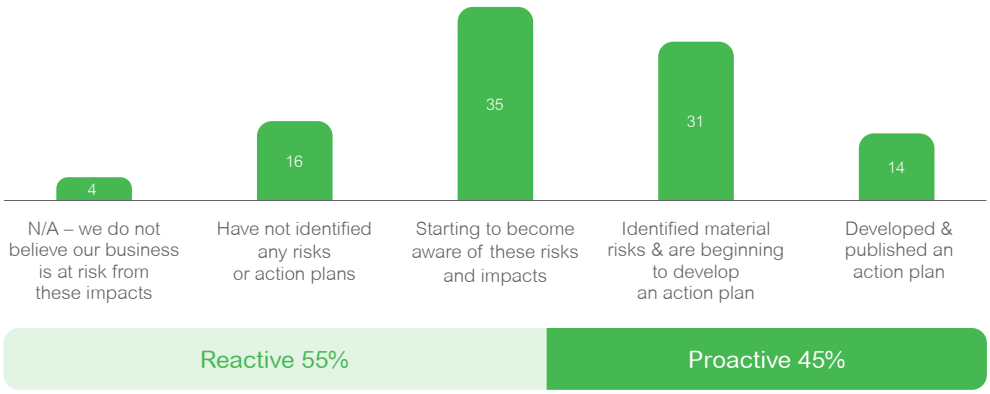
The level of urgency and maturity varies significantly among companies (Chart 4). While the majority intend to make a public net zero commitment, their timelines span three decades. And there is a notable (17%) of decision-makers who don't intend to make that commitment at all.

Chart 4: Commitment to initiatives (%)



Only around half of Australian companies are planning to have a net zero commitment by 2035 (Chart 4), while merely 14% of all companies (and 23% of large companies) have already developed and published an action plan (Chart 5).

Chart 5: Action on climate risks (%)



While climate risks are pervasive, companies are at different points of their journey to mitigate these risks.

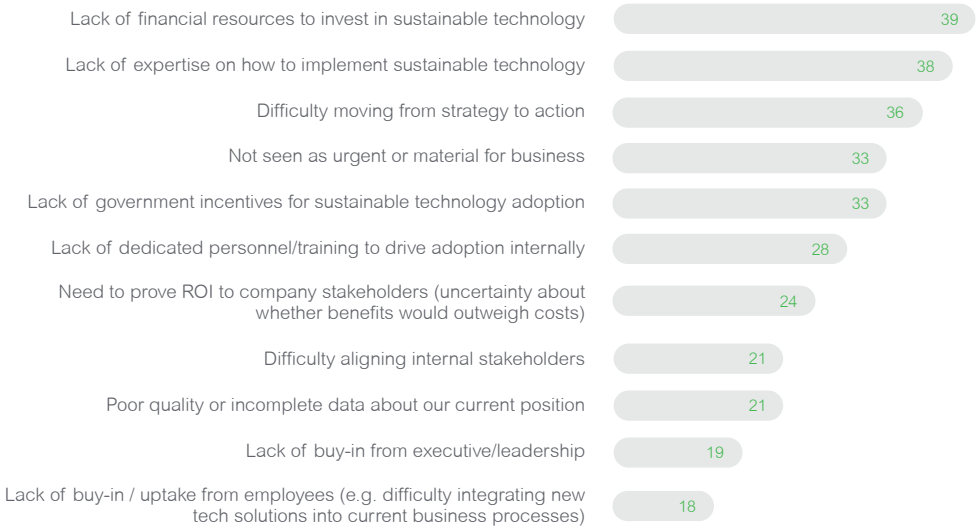
The first group can be classified as 'Reactive'. A small proportion (4%) are in climate change denial, a larger proportion (16%) are yet to get started, and around one-third (35%) are aware of the risks, but still considering how to take action.

Just under half of companies could be classified as 'Proactive'. A majority (31%) have identified material climate-related risks and at the early stage of developing an action plan, and the remaining (14%) have already established an action plan.

The main barriers identified to adopting sustainable solutions are a lack of resources or expertise and difficulty to move from strategy to action.

For many companies, the difficulty comes when asked to make a commitment, develop, or implement emission reduction strategies. The top 3 barriers (Chart 6) identified in the study are resources shortages (39%), lacking expertise (38%), and difficulty moving from strategy to action (36%).

Chart 6: Barriers to adopting sustainable solutions (%)

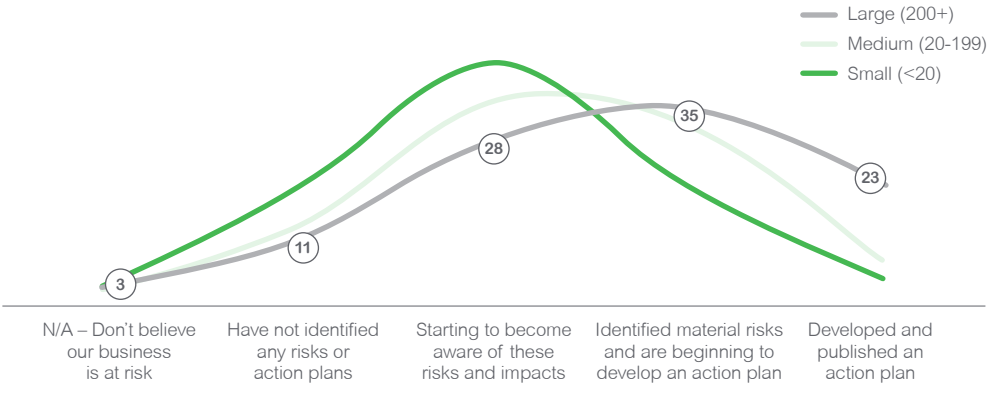


These barriers are resulting in small and medium enterprises' lesser decarbonisation maturity.

The research paints a picture of our business community at a crossroads. There is near universal recognition of the need to tackle climate change for both existential and business reasons. But charting a path towards doing that – from tracking emissions through to setting decarbonisation targets – is a difficult process. It requires a powerful combination of technology, expertise, and collaboration. This is resulting in small and medium enterprises' low decarbonisation maturity.

In contrast, large companies tend to be further along on their decarbonisation journey (Chart 7), which can be explained by additional disclosure requirements, increased shareholder and employee expectations, along with additional resources and/or expertise, required to develop their sustainability targets and roadmap.

Chart 7: Action on climate risks (%)



With more opportunity to quantify Scope 1, 2, & 3 emissions, reducing Scope 2 – electricity – is the low-hanging fruit

What does 'Scope 1, 2, 3' mean?

Greenhouse gas emissions are categorised into three groups or 'Scopes' by the most widely-used international accounting tool, the Greenhouse Gas (GHG) Protocol.

Scope 1 – All direct emissions from the activities of an organisation or under their control. Including fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning leaks.

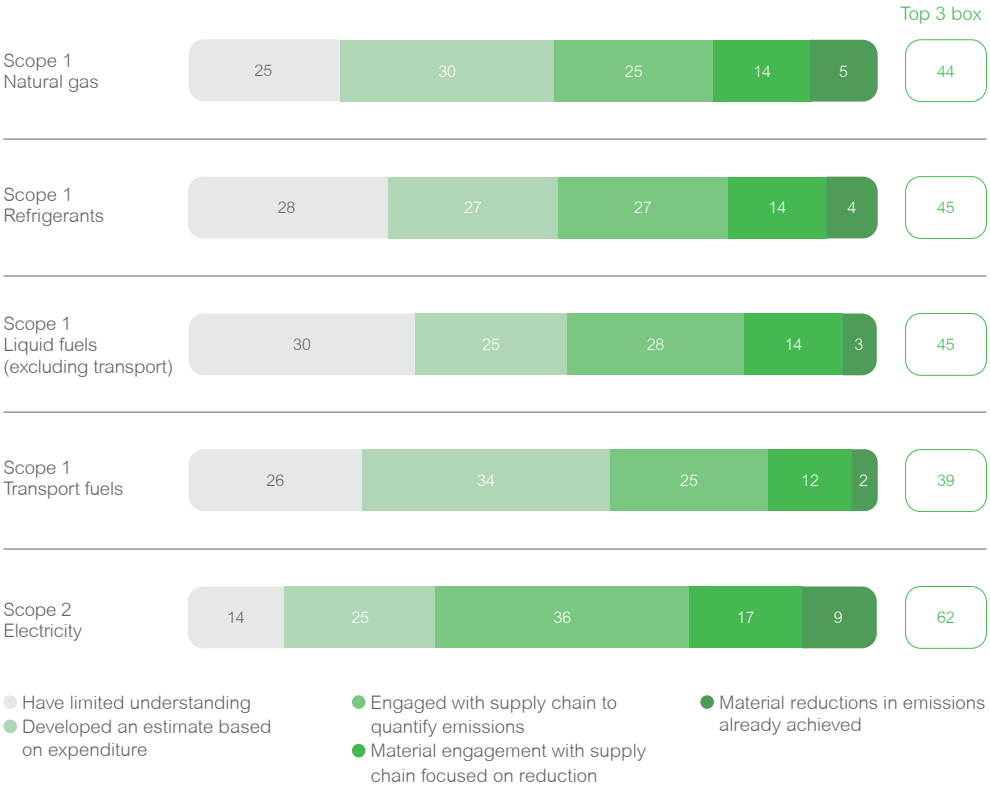
Scope 2 – Indirect emissions from electricity purchased and used by the organisation. Emissions are created during the production of the energy and eventually used by the organisation.

Scope 3 – All other indirect emissions from activities of the organisation, occurring from sources that they do not own or control. These are usually the greatest share of the carbon footprint, covering emissions associated with business travel, procurement, waste, and water.

Companies are developing their knowledge and capability in quantifying Scope 1 & 3.

Most Australian companies are at an early stage of understanding the full extent of their carbon footprint, as defined by Scope 1, 2 and 3 emissions. Only 1 in 5 are at the point of materially engaging with their supply chain to reduce emissions or have already made reductions. On the other hand, around 1 in 4 have limited understanding of their Scope 1 emissions (Chart 8).

Chart 8: Quantifying Scope 1 and 2 emissions (%)



Addressing Scope 2 – electricity is the low-hanging fruit.

Most companies have made good progress on quantifying and addressing Scope 2 – electricity, with 62% of respondents having started emission reduction derived from electricity. This appears as the low-hanging fruit for most companies whereas Scope 1 reduction is requiring longer-term technology and fuel transformation.

Scope 2 electricity can be addressed in multiple ways – by transforming the source of the energy as well as reducing the consumption. To reduce Scope 2 emissions, companies typically turn to: energy conservation, efficiency upgrades, and supply switches to low-carbon electricity (on-site or through energy contracts).[5] Australia has seen the emergence and growth of Corporate Renewable Power Purchase Agreements (Corporate PPAs) in recent years, with corporate PPAs hitting record years in 2020 and 2021[6] with more than 2GW of capacity signed through corporate PPAs. Companies are now exploring more and more investment on renewable generation behind the meter.

42% of organisations have already increased their investment in energy efficiency over the last 3 years and 75% likely or very likely to invest in the next 2 years in efficiency measures (e.g., building management systems, sensors, analytics/reporting). Australia still has a long way to go on improving energy efficiency. In one recent study, Australia ranked 18th out of the 25 largest economies for its performance on adopting and implementing energy efficient technologies and standards.[7]

Scope 3 presents knowledge and measurement challenges across the board. As shown in Chart 9 and 10, around half of respondents are yet to engage with their supply chain to quantify either upstream or downstream emissions. Some business models such as leased assets or franchises can also impair emissions visibility. However, there is some momentum seen on procurement activities to quantify purchased goods and services emissions (upstream).

5 https://ghgprotocol.org/scope_2_guidance
6 https://arena.gov.au/assets/2021/12/corporate-renewable-power-purchase-agreements-in-australia-state-of-the-market.pdf
7 https://www.energyfactsaustralia.org.au/key-issues/energy-efficiency/

Chart 9: Quantifying Scope 3 upstream emissions (%)

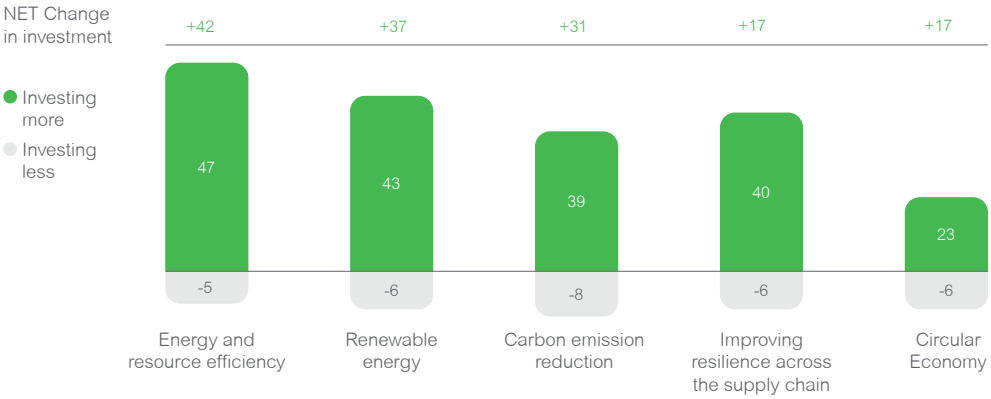
Chart 10: Quantifying Scope 3 downstream emissions (%)

Investment priorities are in energy and resource efficiency, renewable energy, and electrification

Increased focus on energy and resource efficiency.

Nearly half (47%) of companies have invested more in energy management and energy efficiency in the past few years. This trend can be easily explained, as driving energy efficiency is a key component of emission reduction and understanding the scale, scope, and make up of a company's energy consumption is the essential step in achieving energy efficiency.

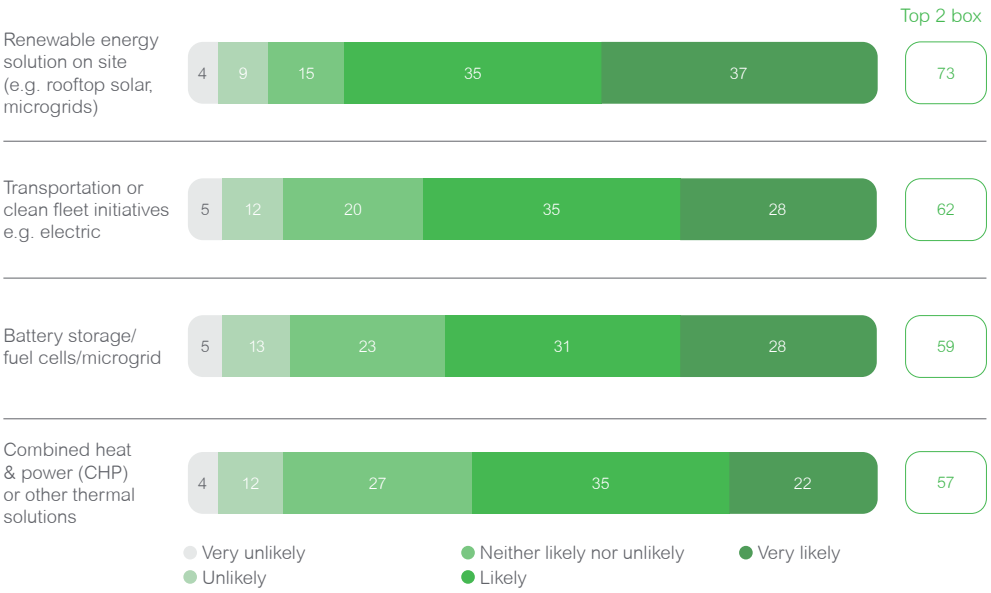
Chart 11: Current investment vs 3 years ago (%)



Majority of respondents will invest in distributed energy resources in the next few years.

Investment in renewable energy also increased across a large portion of companies in the past few years and investment in behind the meter was identified as the most likely investment in the next few years. In many cases, companies are looking to be their own suppliers, with almost two-thirds likely to invest in on-site energy generation, and a majority are likely to leverage technology such as battery storage, microgrids, and electric vehicles (Chart 12).

Chart 12: Likelihood to invest – next 2 years (%)



Furthermore, even though it requires financial investment, 75% agree that 'the benefits outweigh the costs when it comes to adopting sustainable technology'.

This clearly shows that companies are acknowledging the value of zero-emission technology and the potential to create significant opportunity for companies to rethink their approaches to decarbonisation.

Energy transitions happen because new energy resources bring about positive changes in consumption patterns, or because new consuption patterns emerge and call for innovations in energy use. 'Back to 2050', Schneider Electric, January 2022

Digital is a key enabler in achieving sustainability goals

It is widely acknowledged that technology will be crucial to reducing carbon emissions in coming decades. McKinsey research suggests climate technologies that are already mature could, if deployed widely, deliver about 60 percent of the emissions abatement that will be needed to stabilise the climate by 2050[6].

Digital transformation – or the widespread adoption of digital technologies to disrupt business models, create efficiencies, and enhance customer experience – is reinventing core aspects of human existence, from homes to industry, buildings to cloud, and beyond. The digital transformation of energy management and automation lies at the core of this journey, enabling the emergence of a new energy landscape, a paradigm shift for industry, and a revolutionised experience.

Digital is identified as a key enabler.

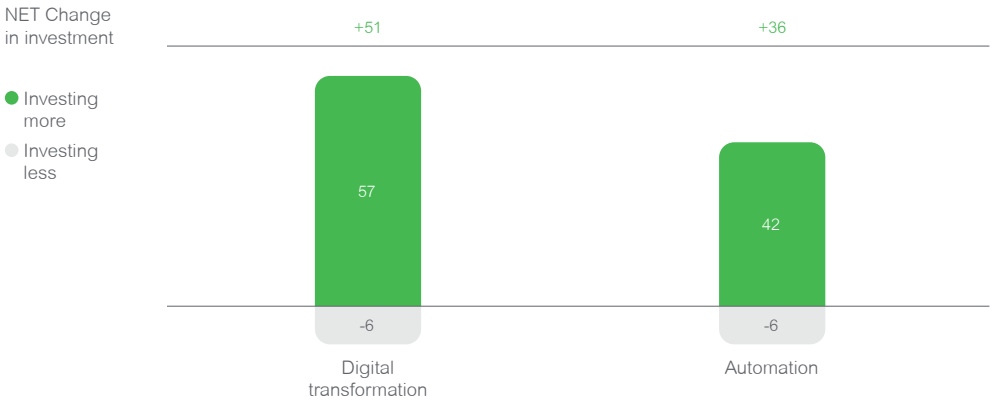
Digital technology is the key enabler in achieving sustainability goals: 79% of respondents agree that 'digital is playing a key role in achieving sustainability goals'.

Business leaders are seizing the issue of climate change as an opportunity to expand their competitive advantage and deliver long-term value by deepening the integration of environmentally sustainable practices across their business and value chain as they undergo digital transformation.

More investment in digital transformation and automation.

As a result, Australian companies are ramping up investment in digital transformation and automation.

Chart 13: Current investment vs. 3 years ago (%)

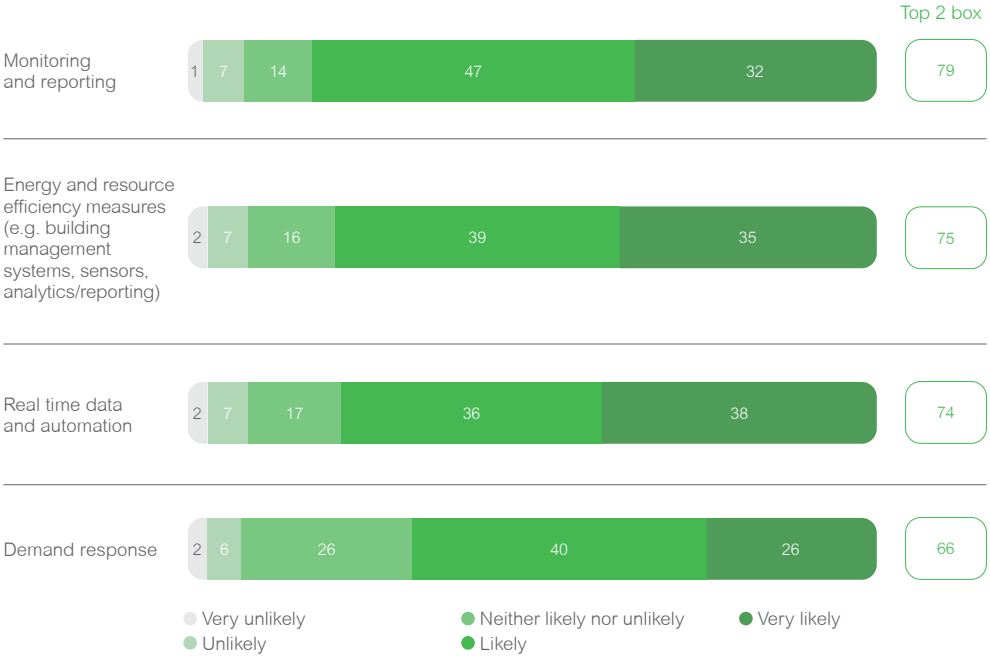


6 Innovating to net zero, An executive's guide to climate technology, McKinsey, Oct 2021

And, looking ahead, most companies intend to invest more in reporting and monitoring (79%), energy management solutions to drive further efficiency (74%), and automation (74%) in the next two years. Along with the projected investment in Distributed Energy Resources, companies are likely to explore demand response solutions.

These companies understand that digitalisation is crucial to lowering carbon emissions. Technology makes the invisible visible, enabling efficiency, and eliminating waste.

Chart 14: Likelihood to invest – next 2 years (%)



What is demand response?

Demand response (DR) is the voluntary reduction or shift of electricity use by customers, which can help to keep a power grid stable by balancing its supply and demand of electricity. It can help to make electricity systems flexible and reliable, which is beneficial if they contain increasing shares of variable energy (wind, solar).

DR is also a quick and cost-effective way to reduce the demand for electricity during peak periods, providing an alternative to increasing the amount of electricity being generated or building new power plants. Source: Australian Renewable Energy Agency (Arena).

Demand response is crucial to fully decarbonise our electricity consumption and address the challenges associated with the variability of renewable generation.

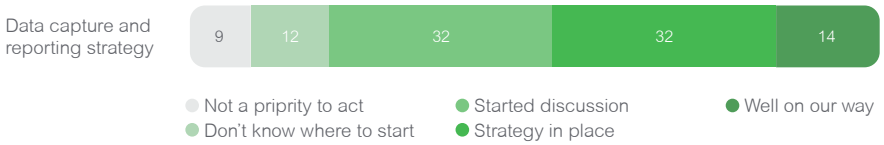
Measurement and reporting of sustainability data can be enhanced

Data is the lifeblood of the corporate's sustainability transformation. It helps us set a baseline to know what we need to change. It helps us measure those changes over time to ensure that our efforts are meaningful. It gives us information to enable us to make faster and more reliable decisions. And, ultimately, it tells us how we have made material impacts.

Any organisation seeking to reach net zero must have a complete and valid data set that includes all sources of emissions. This kind of data collection is accelerated with an enterprise system. With this data in hand, companies can easily and readily disclose to agencies like Carbon Disclosure Project (CDP) while simultaneously using the data to improve and enhance their decarbonisation efforts.

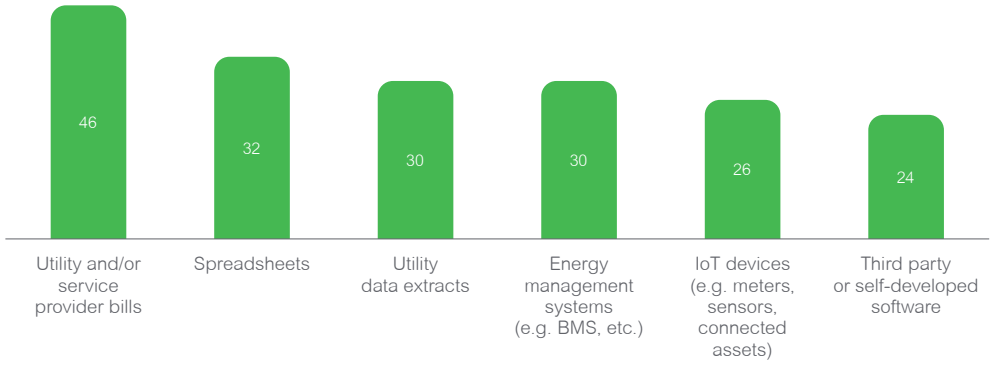
However, our survey results shown that only 14% of companies are 'well on their way' to deliver a strategy regarding data capture and reporting (Chart 15).

Chart 15: Current investment vs. 3 years ago (%)



A large proportion of companies are using a manual approach to capturing data on their use of energy (Chart 16), with almost half (46%) relying on utility and/or service provider bills, complemented by spreadsheets (32%). Fewer than one-third use energy management systems (30%), IoT devices (26%) or specific software (24%) to track the data that could inform a detailed emissions reduction strategy.

Chart 16: Resource/energy data collection method (%)



Companies in the manufacturing sector appear the most advanced in leveraging internal data and measurement systems where financial services leverage market solutions for advanced reporting (Chart 17).

Chart 17: Resource/energy data collection method (%)

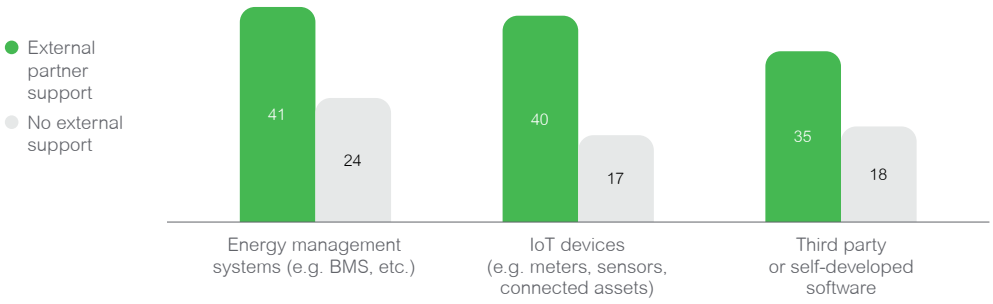
	Total	Construction	Manufacturing	Retail trade	Financial and insurance services	Health care and social assistance	Education and trainining*	Professional services
Utility and/or service provider bills	46	57	54	41	29	49	57	45
Spreadsheets	32	32	35	38	29	43	19	27
Utility data extracts	30	30	51	36	23	17	38	20
NET available data	72	78	78	74	52	79	76	67
Energy management systems	30	38	38	36	23	23	10	35
IoT devices	26	32	38	23	19	19	19	37
Third party or self develoed software	24	27	19	26	42	21	19	20
NET measurement systems	58	59	70	52	68	49	43	65

External support is helping companies to leverage data from their measurement system.

Companies with external support are more likely to be using measurement systems to quantify emissions (Chart 18), as is the case for manufacturing (Chart 17).

When receiving external partner support, 85% of respondents agree that benefits outweigh the costs of sustainability, compared to just 68% for those without support. Similarly, 85% of companies with support see that sustainability provides a competitive edge, versus 71% without support.

Chart 18: Resource/energy data collection method (%)



Conclusion

Schneider Electric's latest *Sustainability Index* provides insights into the state of play for Australian business at a time of change. As the table below shows (Chart 19), sustainability and technology are converging to support companies on their net zero journey.

Chart 19:

The sustainability context	Navigating Scope 1, 2, and 3 emission reduction	Moving from intention to outcome with technology
Climate change is seen as the no.1 supply chain risk for companies. Organisations value the commercial, social, and environmental benefits from sustainability. However, many are still struggling to commit to carbon reduction and to move to action as they face a lack of resources or expertise.	Organisations have progressed in addressing their scope 2 electricity with energy efficiency measure and renewable switch (from corporate PPAs to on-site renewable). Scope 1 and 3 emissions quantification still present knowledge and measurement gaps despite procurement momentum.	Majority of businesses are looking to invest in Distributed Energy Resources (with solar, storage, EV, CHP) in the near term. Digital technology is identified as key enablers in achieving sustainability goals (through monitoring, reporting, efficiency, automation, and demand response).

Taking climate action and making the most of it for your organisation requires commitment, innovation, and ability to translate ambition into meaningful action. For many corporate leaders, crossing the bridge from goals to results can be a formidable mountain to climb.

The research reveals the greatest barriers for companies to overcome are a lack of financial resources and expertise and, therefore, opportunity to act.

The United Nations has declared the period from 2020-2030 as the decade of action. To avoid the most severe human, planetary, and economic impacts of climate change, organisations must act with urgency.

We don't have time to wait. The science on climate change tells us that this decade, and the decisions governments and business make, will define the world we live in. From securing energy resources to managing extreme weather, there is a clear incentive for businesses to play a part in mitigating climate change.

We have reached a tipping point: where doing nothing will actually cost more for businesses and the planet. In this environment, smart business leaders are not deciding whether to act, but how to act. We all have a part to play in facilitating this transformation and working together is the only way we will succeed in time.

Now is the time for organisations to reimagine themselves, their solutions, and their stakeholders to build clean, resilient, end-to-end systems capable of carrying everyone into a safe and equitable future for their stakeholders. Those that are not proactive will be risking revocation of their license to operate at the hands of regulators, competitors, or in the court of public opinion. Sustainability is today's investment for tomorrow's success.

Everyone has a role to play, whether an organisation is a new entrant to the climate action landscape looking to make a modest start, an ambitious up-and-comer seeking to leapfrog peers and competitors, or an established leader aiming to push the limits on a regenerative and sustained business transformation.

Here are some recommendations for any organisation on its way to transforming intention to outcomes[8] :

Define success – understand the baseline.

"What gets measured gets managed" is as true for decarbonisation as any other organisational metric. Quantifying Scope 1, 2 and 3 emissions can help organisations understand from the beginning, where you are today on the decarbonisation pathway and what you aspire to achieve.

Set targets.

The type of decarbonisation targets an organisation sets, and the timeline to achieve those targets, is crucial to the overall success of any decarbonisation program. This target setting process can be done by:

- risk and opportunity assessment
- emissions roadmap development and design
- amplifying and validating public target setting through leading indices, such as the Science-based Targets Initiative, SASB/ TCFD /GRESB, CDP Climate Questionnaire, and the Global Reporting Initiative.

Deploy programs.

Program deployment is an essential stage to translate sustainability strategy into action. Enhancing program development and deployment can be achieved through investment in:

- energy and resource efficiency to tackle Scope 1 and 2 emissions reduction, especially reducing Scope 2 emissions is seen to be the low-hanging fruit for businesses via electricity procurement, behind the meter renewable investment, or energy efficiency measures
- replacement of carbon-intensive energy with lower-carbon alternatives, including renewable energy, microgrid, electrical vehicles, battery and storage, and electrification
- digital, which is playing a key role in achieving sustainability goals from reporting and monitoring to energy management
- supply chain initiatives, such as Scope 3 emission reduction initiatives, lifecycle assessments and circular business practices.

Sustain results.

Organisations must consistently monitor, measure, adjust, and optimise to sustain their decarbonisation efforts. Doing so allows a company to communicate progress confidently to internal and external stakeholders, advancing its reputation and influencing others in its ecosystem.

Contact us

For questions and comments about the content of this white paper, please contact:

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8 https://perspectives.se.com/climate-change-advisory/decarbonization-a-holistic-approach-to-organizational-climate-action