

Universal Registration Document
Financial and sustainable development report

Bridging **progress** and
sustainability for all

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se.com

Life Is On

Schneider
Electric



Strategic Report

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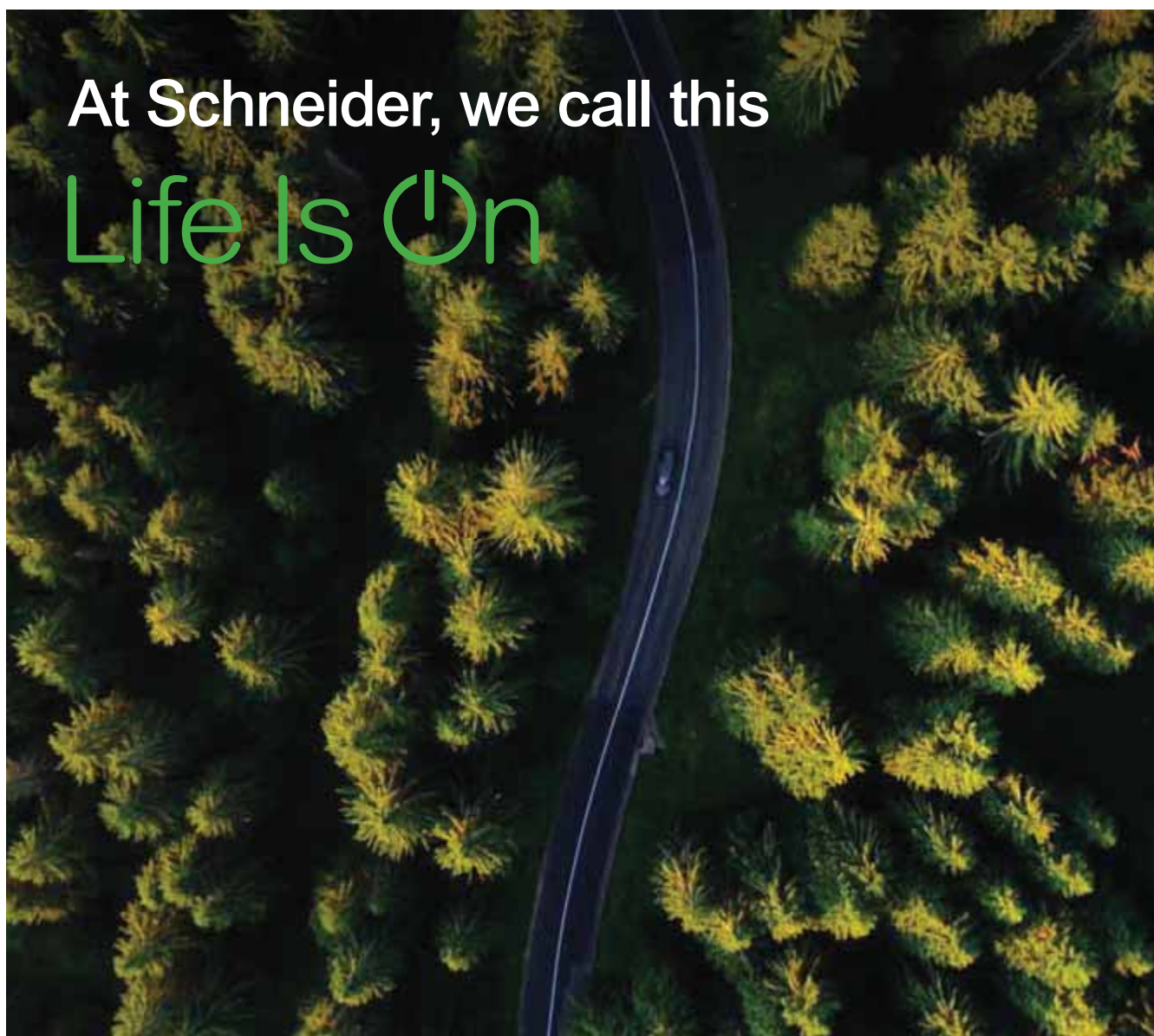


The Universal Registration Document was filed on March 23, 2021 with the Autorité des Marchés Financiers (AMF), as the competent authority under Commission regulation 1129/2017/EU, without prior approval in compliance with Article 9 of this regulation.

The Universal Registration Document may be used for purposes of a public offer of securities or admission of securities to trading on a regulated market if it is approved by the AMF as well as any amendments, and an offering circular relating to securities and the summary approved in compliance with Commission regulation 1129/2017/EU.

This Universal Registration Document is a free translation into English of the official version of the Universal Registration Document which has been prepared in French and in ESEF format (European Single Electronic Format) and which includes the Annual Financial Report for the fiscal year ended December 31, 2020 and is available on the AMF's website (www.amf-france.org) and on the Company's website (www.se.com).

Our purpose is to empower all to make the most of our energy and resources bridging progress and sustainability for all.



At Schneider, we call this
Life Is On

Read more about our purpose on page 28 

At a glance

Our performance

A signature year: 2020 has been a strong and defining year financially, demonstrating our agility and resilience.

€25.2B

Revenues

-4.7% organic

€3.7B

Free Cash Flow

159% conversion rate

15.6%

Adjusted EBITA margin

+20 bps organic

€2.60

Proposed Dividend per Share

+2%

€2.6B

Adjusted Net Income*

-4.4%

€118.3

Share Price (at December 31, 2020)

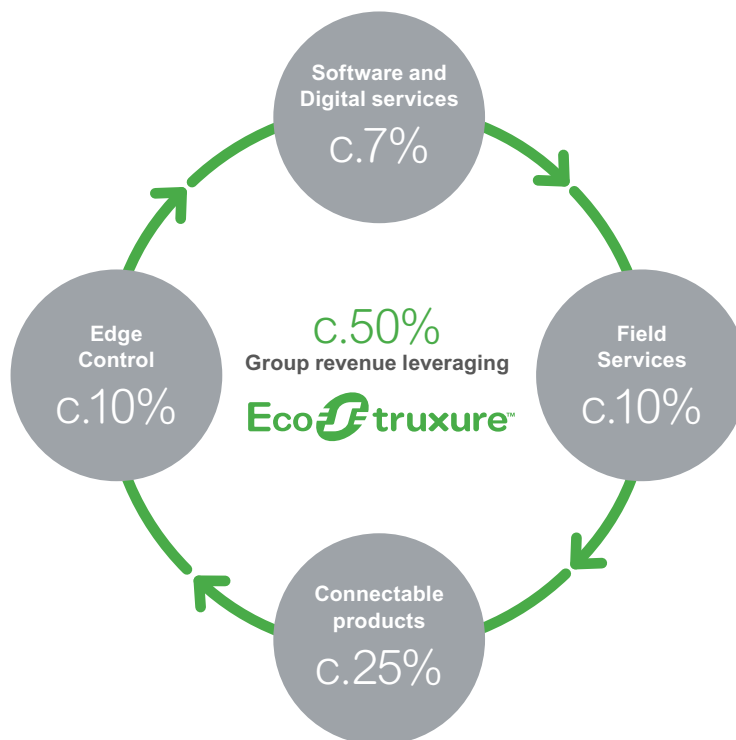
c.72%

Green Revenues**

134 million tons

CO₂ Saved for Customers

Digital and service business for increased efficiency across life cycle



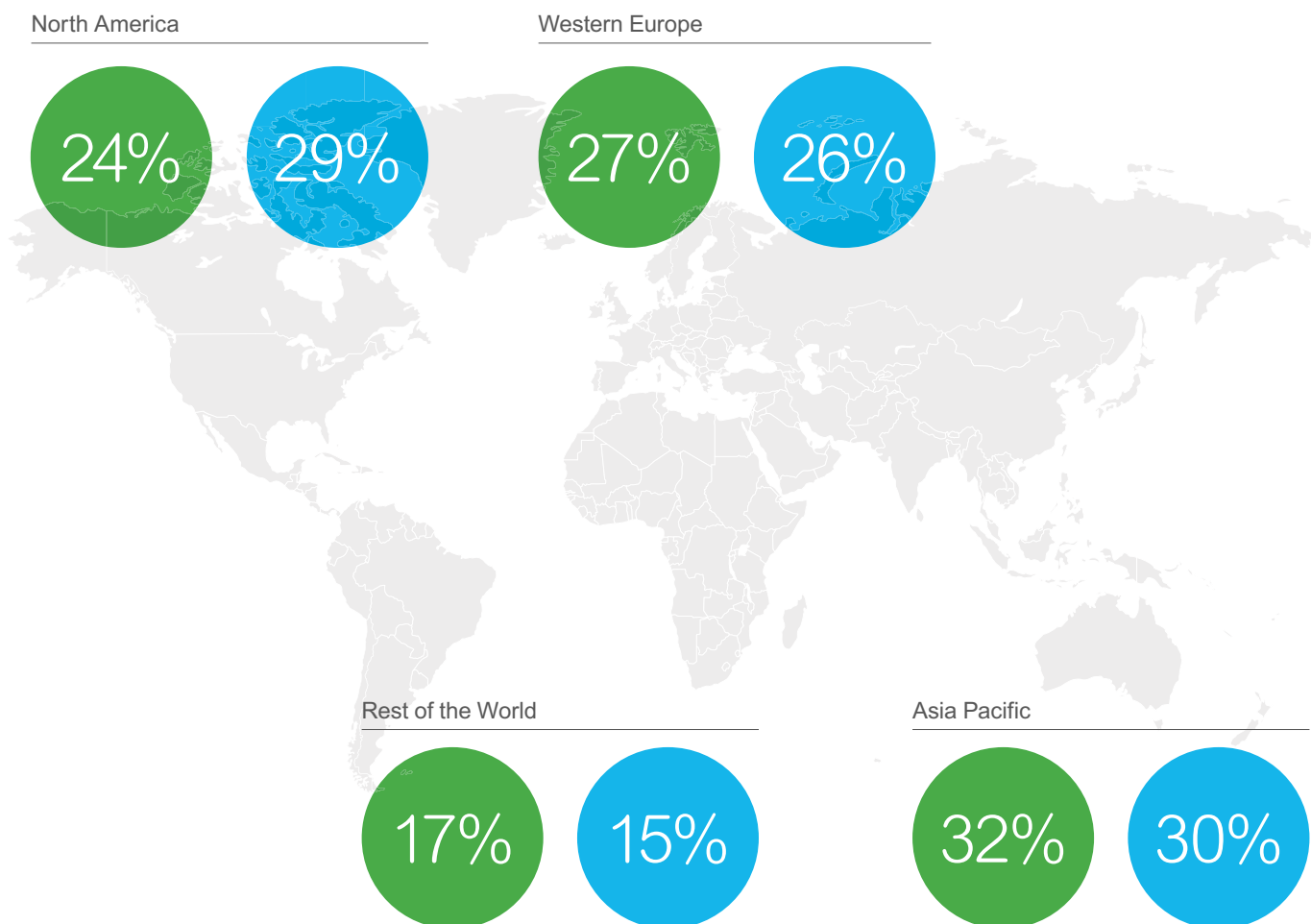
* In 2019, the Group changed its definition of Adjusted Net Income, which includes the Adjusted EBITA, amortization expenses of purchase accounting intangible assets (excluding impairment), net financial income and loss, income tax expense on the above at the effective tax rate (excluding non-recurring items), discontinued operations net income and share of profit and loss of associates, deducting impact of non-controlling interests. This definition of Adjusted Net Income was created to be more transparently derived from the financial statements.

** Green Revenues definition: offers that bring energy, climate, or resource efficiency to customers, while not generating any significant harmful impact on the environment and are split into four categories described on page 99.

Our business

● Percentage of total employees by geography in 2020

● Percentage of revenue by geography in 2020



128,000+

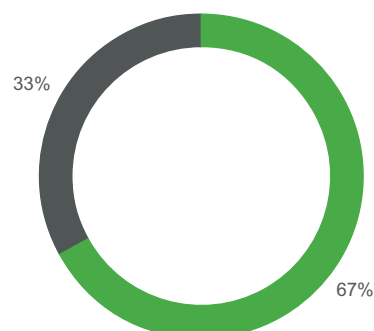
Employees in over 100 countries

c.5%

Revenue spent on innovation

Overall workforce gender balance

- Male
- Female



A statement from Chairman and CEO, Jean-Pascal Tricoire

Our mission is to be your digital partner for efficiency and sustainability

Jean-Pascal Tricoire
Chairman and CEO



2020 was a signature year. A year of incredible disruption, a year of strong performance, and a year of acceleration of our strategy. While the COVID-19 pandemic continues to disrupt our lives, we saw a reinforcement of the trends that support our business.

Although we have learned to live with the virus, in 2020, we were forced to change. We now live and work differently. We adapted to new ways of working with much less travel and many more digital meetings. The disruption of 2020 went far beyond the pandemic, with social upheaval and geopolitical tension. We saw the conclusion of Brexit, an acceleration in technologies and innovation, such as electric vehicles and 5G, as well as increasing commitments to halt climate change.

For Schneider Electric, it has been a signature year. We've changed more than we ever thought we could, while staying true to our mission.

We delivered on our purpose and mission

Our first priority in 2020 was the health and safety of our people and the communities in which we operate. We supported and helped our ecosystem, our customers and partners, and all the people close to us by putting in place dedicated safety, security, and work policies. We also launched the Tomorrow Rising Fund, with more than 70 local projects supporting the response, resilience, and recovery of communities in more than 60 countries.

Our purpose is to empower all to make the most of our energy and resources, bridging progress and sustainability for all. At Schneider we call this, Life Is On, and never has this been more true than in 2020, as we ensured continuity for our communities supporting critical infrastructure, such as electricity and water networks, hospitals, data centers and industrial plants, pharmaceuticals, and food cold chains. We were recognized as providing mission critical services to many sectors, in more than 90 countries, and as such, were asked by authorities to keep our business running. All our teams remained committed and continued to serve customers. In a matter of days, we transitioned our customer care centers from in-office to work-from-home set ups. We were able

to support our customers in reducing risk in their operations and to operate remotely with our automation and digital solutions. Our manufacturing plants remained up and running, allowing us to meet the critical needs of this crisis year.

2020 confirmed that, at Schneider, great people make a great company.

In 2020, we achieved resilient business performance and, at the same time, built the future.

In 2020, we achieved four things:

1. A resilient business performance;
2. We shaped our future, realizing strategic acquisitions;
3. We increased our sustainability impact; and
4. We transformed how we work, to adapt to circumstances in record time.

Resilient business performance

This year of crisis has proven that the execution of our strategy, and the repositioning of Schneider Electric over the past 15 years, has made us more resilient. Compared to the global financial crisis of 2009, when our sales decreased by 15.7%, and our profitability by -310 bps versus 2008; in 2020, we were much more resilient. We have been able to achieve strong business performance, with EUR 25.2 billion in Revenues (-4.7% with the previous year), a Gross Margin at a 12-year high of 40.4%, an Adjusted EBITA margin expanding +20 bps organically, and a record-high Free Cash Flow of EUR 3.7 billion, which is a signature of our quality of execution. Both Energy Management and Industrial Automation businesses delivered very solid profitability and all geographies contributed to the rebound in the second half of the year.

The transformation towards more digitization and services, our sustainability leadership, and our multi-hub organization, positively impacted the Group's 2020 performance.

We witnessed a **step-change in our customers' adoption of our solutions for digitization and sustainability**. The Group's assets under management grew by 46% over this past year, and software and services, which now represent 17% of our revenue, grew 6 pts higher than the rest of the Group's portfolio. Our business related to digital solutions and EcoStruxure™, including software, controls, connected products, and services, and representing more than 50% of our total revenue, has become an indisputable catalyst for growth and is due to increase further in the future.

The **accelerated execution of our long-standing strategy** of more products, more services, more software, and better systems supported strong resilience. We were able to support customers across all sectors in managing their operations remotely, providing more efficiency and resiliency. We continued to engineer and deliver projects. In the second half of the year, we were back to growth and sold more services, digital solutions, and products than in 2019, thanks to our unrivalled network of partners.

We **fully leveraged our global set up and our multi-local model** to benefit from our global scale and adapt with speed and reactivity to the very different local COVID-19 situations. We truly believe that trusting and empowering local teams is the most efficient way to deal with the unexpected and to swiftly define local and innovative solutions. Our supply chain recovered quickly and its performance, in terms of customer-centricity, sustainability and digitization, was recognized and in 2020 ranked #4 globally and #1 in Europe by Gartner.

We shaped our future and realized strategic acquisitions

This strong performance made it possible to continue investing for the future and to provide continued dividend growth for shareholders for the 11th consecutive year.

We **acted nimbly to accelerate our transformation journey**. We finalized the acquisition of the Electrical & Automation business of Larsen & Toubro, building the foundation for stronger development in India and of a new global hub to serve global markets from India. We also constructed defining deals in software, with the completed acquisitions of RIB Software, to accelerate the digital transformation of the construction sector, and ProLeiT, to reinforce our automation capabilities in the food and beverage sector. We realized the strategic investment in Planon, to extend our cloud-based capabilities for construction orchestration and facility management optimization, as well as the proposed acquisition of ETAP to form a unique suite electrical design tools, and we supported AVEVA's planned acquisition of OSIsoft. As such, we are uniquely positioned to address the software needs of our customers across the life cycle of their projects and installations.

“

Our customers support our solutions for an all-digital, all-electric world, transitions we enable with more products, more software, more services, and systems.”

Our mission is to be the digital partner of our customers for sustainability and efficiency, as digitization becomes increasingly pervasive in buildings, in data centers, across smart grids, industries, and in homes. For years, we have continuously developed and reinforced a full offer for an all-digital, all-electric world. By combining digital and electric solutions and services, we deliver a unique efficiency value proposition based on four dimensions of integration. Firstly, we enable integration of energy and automation for energy and resource efficiency. Secondly, we connect everything from end-point to the cloud, making every installation transparent and the data available to all those who need it, from operators to the control room. Thirdly, based on a fully integrated suite of software and digital twins, we enable the integration of an installation's life cycle across all phases, from design and build, to operate and maintain. And finally, digitization allows us to connect and manage companies across sites to reach new levels of enterprise-wide efficiency.

At Schneider Electric, we relentlessly innovate for our customers, with technology and in the way we do business. We launched new innovations, such as EcoStruxure™ Automation Expert and our SM AirSeT switchgear to eliminate SF₆ from our systems. In 2021, more than 20 new, innovative offers will be released. In 2020, our eCommerce business grew over 20% year-on-year, now representing 25% of our overall distribution business.

A step-change in sustainability

This year we have seen a strong call for sustainability, and a deep move towards smart and green recovery plans. We realized that, even as we continue to fight COVID-19, climate change is the next risk on the horizon – and that it is a risk that will impact everyone around the world, even more severely than the pandemic. Corporations are making ambitious commitments and the sense of emergency has increased with the COVID-19 crisis. Today, more than 370 companies have joined the UN Global Compact's Business Ambition for 1.5°C, and many other coalitions have taken shape. Governments are turning a corner, as shown by the Green Deal in Europe, China's targets to peak emissions in 2030, and the new US administration's return to the Paris Agreement. This has been strongly fostered over the past two years by growing demand from investors and shareholders to boards and CEOs, to put together science-based targets for carbon neutrality.

“

In 2020 we accelerated and prepared for the future.”

A statement from Chairman and CEO, Jean-Pascal Tricoire

At Schneider Electric, sustainability is at the core of everything we do, in line with our purpose. We keep on progressing and consolidating our position as a practitioner and an expert in sustainability and ESG, that is, environment, social and governance. **We have put more resources behind our sustainability business and advisory services** to help our customers and partners navigate this landscape and to lead them on a proven decarbonization pathway that combines both strategy and action, while also positively impacting their bottom line. We have already developed strong partnerships for sustainability and efficiency and since 2018, our systems business alone has helped save 134 million tons of CO₂ for our customers.

We are grateful for the international recognition we achieved as a leader in sustainability, ranked as the world's #1 most sustainable corporation on Corporate Knights' Global 100 in 2021, recognized as a CDP A List Company for ten years in a row, trusted by numerous ESG investors all around the world, listed as one of the most ethical companies, and recognized with a Glassdoor 4.0 ranking. In 2020, we completed our Schneider Sustainability Impact 2018-2020 program, delivering a strong performance of 9.32 out of 10 against the year-end target of at least 9 out of 10, despite the disruption caused by COVID-19. However, we want to continue to raise the bar and go even further, so in 2020, we took a new step towards our environment, society and economy goals, with six long-term commitments to sustainability, including carbon emissions (to be carbon neutral on full end-to-end footprint by 2040) and resource preservation goals (net zero biodiversity loss in our operations by 2030), substantiated by more than ten concrete detailed targets. For example, we want 80% of our revenues to be green revenues by 2025 and increase gender diversity in hiring (50%) to front-line managers (40%) and leadership teams (30%). **Sustainability is a strong driver for growth.**

Doing business as unusual

In 2020, we **transformed faster than ever, and adopted new ways of doing things** that we had previously thought impossible. We demonstrated agility, through our fast reaction and ability to adapt to the pandemic, with both our customers and internally.

We innovated to transform the way we work:

- 100% of our customer care centers across 62 locations moved to remote working;
- We developed remote services in many areas; and
- We organized more than 5,600 digital events, 600,000 digital trainings, and hundreds of digital smart factory tours. We held our first ever all-digital Annual Shareholders' Meeting, allowing more shareholders to participate than ever before.

I personally spoke with many more customers, employees, shareholders, investors, and partners than in a normal year. We reinforced the communication with our suppliers and distributors, and stepped up collaborative services, such as AVEVA 3D, IGE-XAO, and RIB Software's M2 platform. Collaboration and trust are a major catalyst of resilience. We swiftly changed the way we work across the Company, leveraging our multi-hub organization, further empowering our local teams, and encouraging a hybrid home/office way of working. This was possible thanks to the day-to-day experience with digital tools that our teams operating in different global sites, have acquired over the past ten years. We encourage flexible working and our employees have been working from home a few days per week for years, which helped a lot. As such, we were able to reorganize quickly when the pandemic broke out.

The future operating model will be more digital and decentralized: a hybrid of what we have learned and how we worked before.


2021 Perspectives

2020 was a pivotal year for digitalization and sustainability. Looking ahead, 2021 will be a year of a strong rebound and momentum in all our geographies and many sectors, with growth opportunities in buildings, homes, data centers, infrastructure, and industry. Electrification, digitization, and sustainability are at the top of the agenda of all our customers.

A year of intense action and transformation in 2020 has prepared us for a continuation of strong execution in 2021. We are well-positioned with our end-markets, our portfolio, our model, our organization, and our leadership to grow our business and deliver digital solutions for efficiency and sustainability to our customers across the life cycle. We remain focused on the deployment of our priorities and our 2021 financial target is in line with our ambition to achieve c.17% Adjusted EBITA margin by 2022.

Strength resides in agility, local reactivity, and speed. Let's build on everything we learned in 2020. Crises are a powerful learning accelerator because they leave us no choice. They also remind us that we are more resilient, more flexible, and more able to change than we all imagine, attributes which are a solid foundation for innovation and growth.

Jean-Pascal Tricoire,
Chairman and CEO

Read more about our strategy on page 16 

€25.2B

Revenues

Consistent strategy drives resilient performance

What were the highlights of Schneider Electric's 2020 performance?

2020 highlighted the strength of our multi-local business model and our ability to act with agility and to change the way we work all while continuing to execute on our major business transformations. We finished 2020 with Revenue of EUR 25.2 billion, down -4.7% organic, better than our external guidance and market expectations. We saw a strong uptick in activity in the second half, particularly in China, India, and the United States and with sequential improvement across geographies. Demand in certain segments, such as residential buildings, smart grids, and data centers, stepped-up amidst the pandemic. Gross Margin continues to develop well and reached 40.4%, with consistent improvement over the past five years, reflecting our focus on more products, services, and software; our consistent delivery of industrial productivity and our track-record of RMI and cost recovery over the cycle. Gross Margin was also boosted by positive net price and mix, factors expected to normalize in 2021. We improved Adjusted EBITA margin by +20 bps organic, reaching +15.6%. Recent acquisitions (L&T, RIB Software, and ProLeiT) contributed positively, with the integration process on track. As a result of this strong operational performance, coupled with an improving cost of financing, our Adjusted Net Income was down only 4.4% organic.

Our Free Cash Flow reached an all-time record of EUR3.7 billion (including IFRS 16 impact), partly boosted by lower activity in 2020, showing our capacity to convert our result into cash with good control on our working capital and enabling continued strategic investments in innovation. Returning cash to our shareholders remains a priority in our capital allocation strategy and we continued our track-record of progressive dividends for an 11th year, increasing our proposed dividend by +2% to EUR 2.60 per share.

Could you share your medium-term ambition to increase operating profitability, what are the key levers?

We are well positioned both strategically and financially to drive strong and profitable growth across the economic cycle. First, through our consistent strategy focused on delivering efficiency, reliability, and sustainability to our customers, increasingly through digitally enabled solutions. And we are well positioned in our end-markets with a portfolio well-aligned for growth in a post COVID-19 world.

In mid-2020, we reaffirmed our medium-term ambitions: across-cycle organic growth of +3% to +6% in Revenues, Adjusted EBITA margin of around 17% by 2022, and across-cycle Free Cash Flow of around EUR 3 billion, on average. This improvement in profitability will be achieved through a combination of organic growth, organizational simplification and efficiency, continued productivity, and portfolio optimization.

What is the outlook for Schneider Electric in 2021?

Our priority for 2021 is to continue to deliver profitable growth. We expect this strong and sustainable performance to be achieved through a combination of topline growth, where we are targeting organic sales growth between +5 and +8% and Adjusted EBITA margin expansion of +60 bps to +100 bps organic. This implies



Hilary Maxson
Chief Financial Officer

Adjusted EBITA margin of around 16.1% to 16.5% for 2021 (including scope based on transactions completed in 2020 and FX based on current estimation).

Could you tell us more about what you think will contribute to the future success of Schneider Electric, particularly after the challenges of 2020?

Though we are very committed to our shorter-term targets, we are also very focused on preparing the Group for the medium and longer term. We believe that our focus on more connected and green products, more digital offerings, and more services – including sustainability services – will enable growth in future years. In 2020, based on our ability to act with agility and our strong cash flow profile, we maintained our investments in strategic R&D and closed or proposed a number of transformational acquisitions focused on positioning Schneider Electric for longer-term success. To ensure success over the medium and longer-term, we also ensure to allocate specific time in our internal business reviews towards elements of ESG – specifically focusing on quality and safety, customer satisfaction, employee engagement, and ethics within the Group as well as with our suppliers and broader ecosystem. We continue to raise the bar on our ESG commitments with our new Schneider Sustainability Impact program for 2021-2025. Our first sustainability-linked convertible bond, issued in November 2020, reiterates our sustainability commitments.

We emerged from a crisis year and we have strong plans for future efficiency, effectiveness, and growth. With our strong operating model, future-ready portfolio of businesses, and focus on innovation we are positioned to drive strong organic growth and attractive returns to shareholders in an increasingly all-electric and all-digital world.

Hilary Maxson,
Chief Financial Officer

Read more about our performance on page 8 ●●●

€66B

Market Cap. (end-2020)

2020 Key Financial Indicators

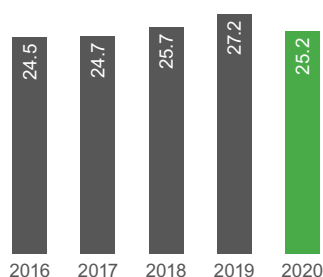
Strong execution and resilient business model driving quick rebound from crisis

2020 has been a signature year with intensive and agile execution ending with a record high Gross Margin and Free Cash Flow while maintaining the same profit margin level as the previous non-crisis year. To be future ready, the Group accelerated its transformational acquisitions in both business portfolios and presence in India, with a step-change in sustainability, and focused its investment in innovation, services, and cybersecurity. The step-change seen in customer adoption of digitization and sustainability accelerated and supported software and services growth, despite lockdowns. The Group remains committed to its strategic priorities of more products, more software, more services, and more sustainability.

Revenue

In billions of euros

€25.2B



Revenues were down -7.4% (-4.7% organic), a net scope effect of -0.2%, mostly due to disposal of Pelco and Converse Energy Projects, and deconsolidation of Electroshield Samara, offset by consolidation of L&T E&A, RIB Software, and ProLeiT, and a negative exchange rate effect of -2.5% mainly driven by the appreciation of the Euro against USD.

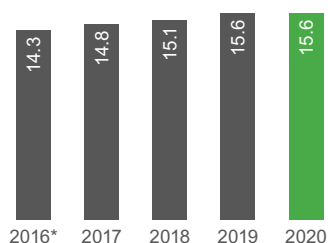
2020 delivered resilient results, with Energy Management down -4.5% organic, with strong revenue growth in residential, data center, utilities, and consumer packaged goods, and Industrial Automation down -5.3%, with discrete markets being resilient while process and hybrid markets remained challenged. Across those two businesses, Software and Services now account for around 17% of turnover, showing resilience versus Group performance and bringing both recurring revenue and customer stickiness.

Most geographies were strongly impacted by the COVID-19 pandemic over the year: North America -4.9%, Asia Pacific -4.1%, Western Europe -5.3%, and Rest of the World -4.1%.

Adjusted EBITA

In % of consolidated revenues

15.6%

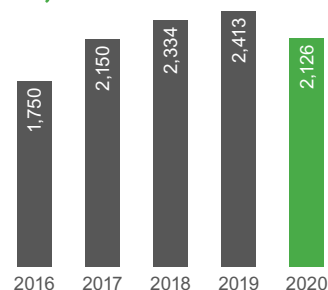


2020 delivered very solid profitability by maintaining Adjusted EBITA at the same level as 2019, despite the crisis, at 15.6%, with organic expansion of 20 bps versus 2019, thanks to pricing actions, RMI tailwind, strong productivity, and strong delivery of savings. This represents the fifth consecutive year of Adjusted EBITA margin expansion, increasing by +300 bps organic over the period covering both lower- and higher-growth years.

Net Income

In millions of euros

€2,126M



Net Income (Group share) was EUR 2,126 million, -12% from 2019. Restructuring charges were -EUR 421 million in 2020, EUR 166 million higher than last year due to the Group's structural savings and cost efficiency plan.

Other operating income and expenses were -EUR 210 million, mainly consisting of M&A and integration costs, versus -EUR 411 million in 2019. Increase of the amortization and impairment of intangibles (-EUR 207 million in 2020) was mainly linked to recent acquisitions.

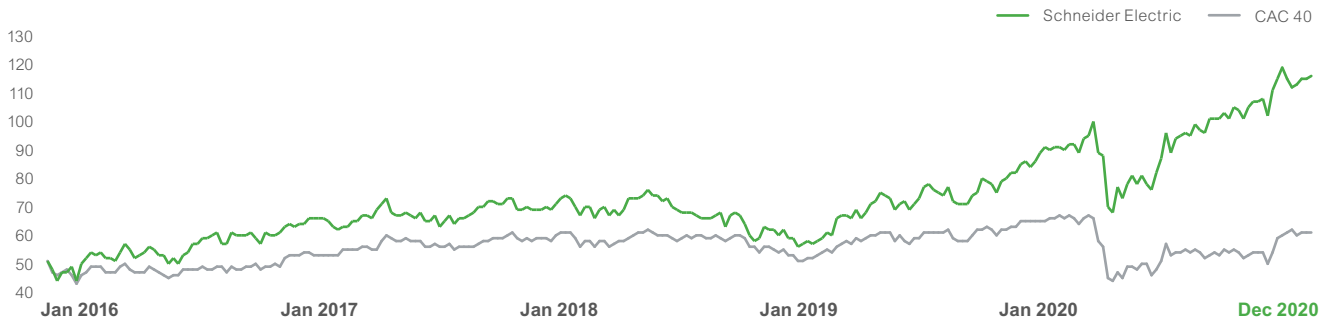
Net financial expenses were -EUR 278 million, EUR 17 million higher than in 2019, mainly driven by the cost of net debt decrease, offset by a write-off of a subsidiary loan and lower dividends from equity investments.

Income tax amounted to -EUR 638 million. The effective tax rate was 22.7%, in line with expectations.

Share of profit on associates decreased slightly to EUR 66 million, from EUR 78 million last year. The Group share of Delixi net income was €73m, up c. EUR 8 million year-on-year.

* 2016 figures restated due to the deconsolidation of the Group's solar activity.

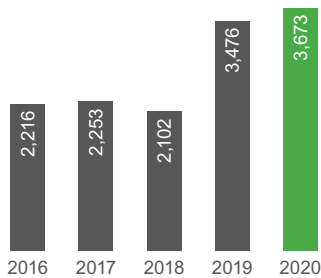
Share price against CAC 40 index over five years



Free Cash Flow

In millions of euros

€3,673M



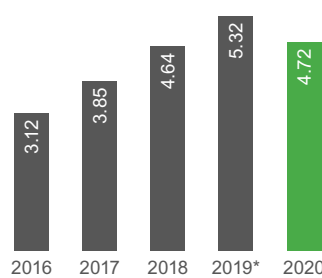
Free Cash Flow was exceptionally strong at EUR 3,673 million, a record cash performance and the second successive year above EUR 3 billion. The performance was supported by favorable working capital evolution, typical of a lower growth environment, and accentuated by certain favorable timing impacts from COVID-19. As indicated previously, the Group expects to have an average across the cycle Free Cash Flow of around EUR 3 billion (excluding impacts from IFRS 16). Net capital expenditure of EUR 762 million remained stable at ~3% of Revenue.

Cash conversion was 159% in 2020 (before the impact of IFRS 16) compared to 133% in 2019. Taken on a normalized basis, adjusting the Net Income (Group share) for one-off non-cash items, cash conversion in 2019 was 121%.

Adjusted Earnings Per Share*

In euros

€4.72

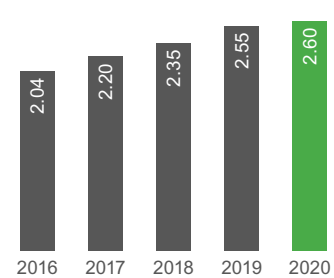


Earnings per Share were down -11%, mostly driven by sales decrease, higher M&A integration and restructuring costs, and higher amortization of purchase price accounting intangibles.

Dividend per Share

In euros

€2.60



The proposed dividend is EUR2.60 per share, up 2.0% versus 2019, subject to Shareholders' approval at Annual Meeting of April 28, 2021, for payment on May 12, 2021. The Group maintains its progressive dividend policy despite the impacts of COVID-19 on the Adjusted Net Income generated in the year. As a result, and due to the importance which the Group places on its commitment to a progressive dividend, the dividend payout ratio for 2020 will reach 55%, above the c.50% which has been typical in the recent past.

* In 2019, the Group changed its definition of Adjusted Net Income, which includes the Adjusted EBITA, amortization expenses of purchase accounting intangible assets (excluding impairment), net financial income and loss, income tax expense on the above at the effective tax rate (excluding non-recurring items), discontinued operations net income and share of profit and loss of associates, deducting impact of non-controlling interests. This definition of Adjusted Net Income was created to be more transparently derived from the financial statements.



2021 outlook and target

Though the uncertainty emanating from the COVID-19 crisis remains, the Group expects the following trends in each of its main end-markets and geographies, driving growth in 2021.

By end-market

- **Buildings:** strong growth expected in residential markets, and good growth in specialized areas of non-residential, including warehouse and healthcare.
- **Data center:** a continuation of robust demand is expected, leading to strong growth.
- **Infrastructure:** good growth is expected in the Utilities segment, supported by strong project execution, with continued demand for the Group's offers in relation to Smart Grid.
- **Industry:** strong growth expected in short-cycle, led by Original Equipment Manufacturer (OEM) demand. Mid- and late-cycle to remain impacted in the near-term, with hybrid segments better oriented.

By geographic market

- **North America:** strong growth expected for the region, including in both residential and data center markets. Mid- and late-cycle industrial markets to remain challenged in the near-term, while short-cycle is expected to grow well. Continued softness expected in Mexico.
- **Asia Pacific:** strong growth expected for the region. China to continue growth momentum, with good traction across most end-markets and segments. The rest of the region to see continued improvement, supported by a recovery in global trade.
- **Western Europe:** good recovery to continue in the region, led by residential and data center end-markets. Discrete automation markets are expected to perform better than process and hybrid. Green Deal stimulus could start to contribute towards the end of the year.
- **Rest of the World:** strong growth expected overall for the region, although with performance contrasted by country. Rising commodity prices are expected to be supportive of growth in certain countries.

The Group expects positive growth in aggregate in 2021 as it continues to deploy its strategic priorities in key markets. The Group targets 2021 Adjusted EBITA growth between +9% and +15% organic. The target would be achieved through a combination of organic revenue growth and margin improvement, currently expected to be:

- Revenue growth of +5% to +8% organic.
- Adjusted EBITA margin up +60bps to +100bps organic.

This implies achieving Adjusted EBITA margin of around 16.1% to 16.5% (including scope based on transactions completed in 2020 and FX based on current estimation).

+5% to +8%

Target organic revenue growth

Sustainability Impact

Strong environmental and social impact



| Megatrends and SDGs | Our 21 2018-2020 programs | 2020 results |
|--------------------------------|---|--|
| Climate | 80% renewable electricity 10% CO ₂ efficiency in transportation 120 million tons of CO ₂ saved on our customers' end thanks to EcoStruxure offers 25% increase in turnover for our EcoStruxure™ and Energy & Sustainability Services | 80% 8.4% 134 17.6% |
| Circular economy | 75% of sales under our new Green Premium™ program 200 sites labeled Towards Zero Waste to Landfill 100% of cardboard and pallets for transport packing from recycled or certified sources 120,000 metric tons of avoided primary resource consumption through ECOFIT™, recycling, and take-back programs | 76.7% 206 99% 157,588 |
| Health & equity | 70% scored in our Employee Engagement Index 0.88 medical incidents per million hours worked 90% employees have access to a comprehensive well-being at work program 100% of employees are working in countries that have fully deployed our Family Leave Policy 100% of workers received at least 11.25 hours of learning in 2020, and 30% of workers' learning hours are done digitally 90% of white-collar workers have individual development plans 95% employees are working in a country with commitment and process in place to achieve gender pay equity | 69% 0.58 90% 100% 90% 92% 99.6% |
| Ethics | +5.5 pts increase in average score of the ISO 26000 assessment for our strategic suppliers 350 suppliers under human rights and environment vigilance received specific on-site assessment 100% of sales, procurement, and finance employees trained every year on anti-corruption | +6.3 pts 374 94% |
| Development | x4 turnover of our Access to Energy program 400,000 underprivileged people trained in energy management 15,000 volunteering days thanks to our VolunteerIn global platform | x1.64 281,737 18,469 |

All indicators are audited annually by an independent third-party body.

Learn more about Schneider Sustainability Impact program on page 82

Proud of 2020's achievements



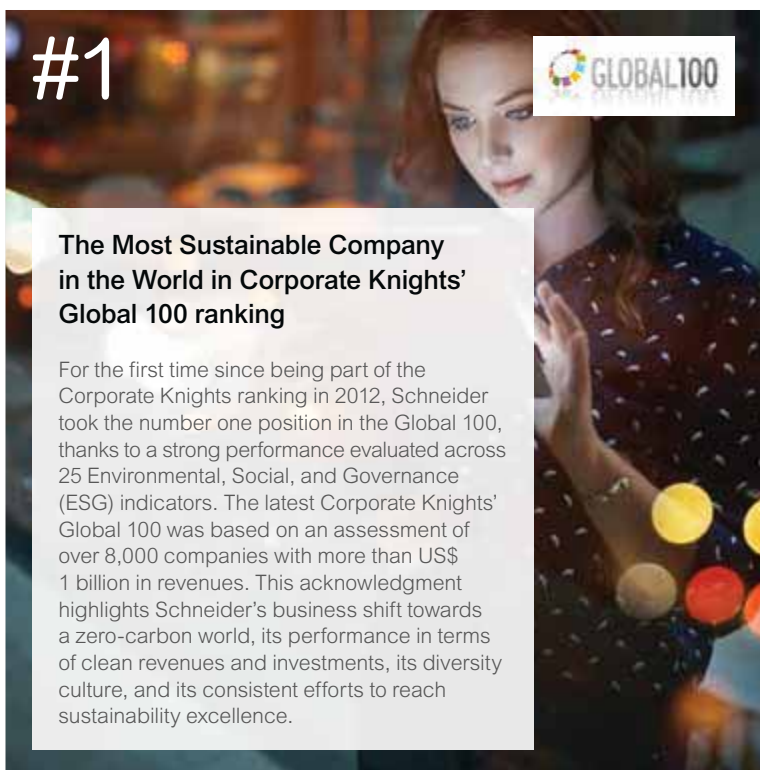
Part of the CDP A-List 10 years running

Once again, Schneider Electric made it onto the CDP A-List, thanks to strong commitments to integrate climate action across business models, governance, risk management, actions, and incentives, both at Group-level and extended to our ecosystem. The CDP rating is awarded based on a questionnaire and a scoring methodology embedding the most advanced requirements, such as *Science-Based Targets*, and recommendations from the *Task Force on Climate-related Financial Disclosures*. CDP is a non-profit running a global disclosure system where more than 9,600 companies report on their climate impact at the request of 515 investors with 106 trillion US dollars in assets. In 2020, 273 companies were awarded an A rating. Over 800 cities and 120 states and regions disclose their impacts through CDP.



RE100's Clean Energy Trailblazer award from The Climate Group

Schneider has been distinguished as the first 2020 Clean Energy Trailblazer by The Climate Group's RE100 in recognition of its ambitious program to optimize energy and resources and grow the share of renewables in the energy mix. As well as acknowledging the Group's efforts to decarbonize and foster clean electrification in its operations and supply chain, Schneider's work to reduce the carbon footprint of customers and address the digital and energy needs of developing communities further differentiate the Group from others. This commitment is embodied through involvement in and partnership with The Climate Group's initiatives for renewables (RE100), for energy efficiency (EP100), and for electric vehicles (EV100).



The Most Sustainable Company in the World in Corporate Knights' Global 100 ranking

For the first time since being part of the Corporate Knights ranking in 2012, Schneider took the number one position in the Global 100, thanks to a strong performance evaluated across 25 Environmental, Social, and Governance (ESG) indicators. The latest Corporate Knights' Global 100 was based on an assessment of over 8,000 companies with more than US\$ 1 billion in revenues. This acknowledgment highlights Schneider's business shift towards a zero-carbon world, its performance in terms of clean revenues and investments, its diversity culture, and its consistent efforts to reach sustainability excellence.



Ranked #2 in our industry in Financial Times' Diversity Leaders

Schneider Electric ranked second in its industry (and 27th out of 850 companies) in Financial Times' (FT) Diversity Leaders. Diversity and inclusion are an integral part of who we are and what differentiates us, through the commitments we act on every day, which focus on valuing difference and welcoming people from all walks of life. FT's Diversity Leaders are identified via an independent survey of more than 100,000 employees, with insights shared with Statista from human resources and recruitment experts as well as from FT readers who also share their views.

Learn more about our ratings and awards for sustainable development, see page 94 ●●●

Business Model

Bridging progress and sustainability for all

We believe access to energy and digital is a basic human right. Our generation is facing a tectonic shift in energy transition and industrial revolution catalyzed by a more electric world. Electricity is the most efficient and best vector for decarbonization; combined with circular economy approach, we will achieve climate positive impact as part of the United Nations Sustainable Development Goals.

Our key resources and relationships

Our unique way



People

We are the most local of global companies with **128,000+** colleagues, in **over 100** countries representing our diverse talents. **33%** of our 2020 workforce were women.



Industrial

Our **115** smart factories and distribution centers deliver efficiency and productivity across our unique end-to-end supply chain to better serve customers.



Innovation

Our community of **over 1,400** certified R&D engineers are nurtured to fuel our innovation strategy. Schneider Electric holds more than **19,000** active patents and patent applications worldwide, and in 2020 **more than 750** new patent applications were filed on both our core and digital technologies.



Environment

We optimize our energy and resources across **232** ISO14001-compliant facilities and **206** sites committed to zero landfill waste. **80%** of electricity was from renewables in 2020 and **157,588** tons of primary resource consumption was saved with circular models.



Partners and Suppliers

We empower our **650,000+**-strong partner ecosystem to expand our coverage and we arm our **3,800+** ecoXpert program partners to drive new digital business opportunities. We extend our sustainability excellence requirements to our suppliers representing **EUR 12 billion** in procurement volume.



Financial strength

Our organic growth, consistent margin improvement and disciplined capital allocation drives sustainable, positive free cash flows of **EUR 3.7 billion**.

Homes and buildings



Data centers



Energy transition



Energy Management

Adjusted EBITA margin

18.8%

Electrification
SUSTAINABILITY



Learn more about the Group's commitments on page 73 

Our sustainable value for all stakeholders

Infrastructure



Industry



Focusing on the welfare of people

- We are committed to gender equality through equal opportunities for everyone, everywhere.
- **99.6%** of our global workforce covered by our Gender Pay Equity Framework.
- We strive to guarantee the highest safety standards and eliminate workplace accidents.

Medical incidents per million hours worked reduced to **0.58**.

Achieving sustainability goals with customers

- We help customers reduce their CO₂ footprint with EcoStruxure™ solutions and Energy & Sustainability Services.
- On average, businesses achieve **20%** reduction in carbon emissions.
- We enable sustainable performance providing comprehensive environmental information for all eco-designed Green Premium™ offers.
- **77%** of sales from Green Premium™ products in 2020.

Empowering underserved communities

- Our Access to Energy program supports training, entrepreneurship, startups, and technologies for the world's most energy-deprived populations.
- **281,737** underprivileged people received vocational training.

Prioritizing ethical partnership with suppliers

- As responsible corporate citizens, we uphold the highest standards of ethical business conduct to strengthen collective trust, cultivate long-term viability, and comply with local regulation.
- **374** suppliers under Human Rights & Environment vigilance received specific on-site audits.

Delivering return and profits to shareholders

- Our business model delivers consistent, sustainable, and strong financial performance and attractive returns.
- **+29%** share price growth.
- **EUR 66 billion** market capitalization (December 31, 2020).
- Proposed Dividend per Share **EUR 2.60, +2%** versus 2019.



Industrial Automation

Industry 4.0

Adjusted EBITA margin

17.1%

Digitization
EFFICIENCY

Executing on our growth commitments



Sustainability and efficiency

Our purpose is to empower all to make the most of our energy and resources, bridging progress and sustainability for all. We want to be the digital partner of our customers for sustainability and efficiency.

2020 progress

We delivered **efficiencies** for our customers:

- During the COVID-19 crisis, Schneider Electric was recognized as mission-critical in over 90 countries, ensuring that hospitals, grids, water, food and beverage and cold chain installations, and mission-critical infrastructure were running and able to adapt to the new reality.
- During lockdowns, we continued to service critical infrastructure thanks to field services teams and remote monitoring capabilities.

We **innovated in sustainability** with:

- Unique SM AirSeT switchgear to avoid using SF₆, the greenhouse gas commonly found in electrical equipment.
- Launch of GreenStruxure with Huck Capital to deliver renewable Energy-as-a-Service contracts for buildings.
- Strategic venture with Verkor in France, to accelerate European battery cell production.
- Green Premium™ program and c.72% of our business labeled as Green Revenues⁽¹⁾.

2021 priorities

- Continue to accompany our customers across the whole life cycle of their assets, portfolios, and installations.
- Focus on delivering our full value proposition to support the future of buildings, homes, data centers, industries, infrastructure, and grid.
- Scale up growth with sustainability and prosumer technologies.



Digital innovation

We believe digital solutions create opportunities to connect the physical and digital world, and combine energy management and automation. Our EcoStruxure™ platform and core innovations help change the way buildings, industries, and cities are designed, built, and operated.

2020 progress

We reinforced our software portfolio across the life cycle, with:

- Voluntary public takeover of **RIB Software** to expand capabilities in building life cycle digitization.
- Announced acquisition of **OSisoft** by AVEVA, connecting customers' real-time industrial data for efficiency.
- Minority investment in **Planon** for Integrated Workplace Management to transform buildings into safe, sustainable, and resilient assets.
- Proposed investment in **ETAP** to design, model, simulate, and optimize critical power systems with digital twins.

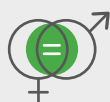
We released new innovations at virtual Innovation Summit 2020 World Tour events, including:

- Low-voltage PrismaSeT Active switchboards, using cloud-connectivity to monitor hazardous power losses.
- Ergonomic and connectivity-ready ComPacT breakers and modular plug-and-play accessories.
- EcoStruxure™ Automation Expert to program and run open, virtualized, and interoperable applications for industrial efficiency and resiliency.
- New digital services and software, such as EcoStruxure™ Power Monitoring Expert and Power SCADA Operations.

2021 priorities

- Successfully integrate and grow with software and services.
- Drive synergies of recent software acquisitions.
- Bring further added value to our customers with digital services.
- Continue to make the most of our digital channels.

(1) Green Revenues are stringently defined as offers that bring energy, climate or resource efficiency to our customers, while not generating any significant harmful impact to the environment. Learn more about Green Revenues on page 99.



Diversity and inclusion

Strive for diversity, equity, and inclusiveness, valuing difference and welcoming people from all walks of life. Facilitate agility and flexibility and offer equal opportunities to all, reinforced by our multi-hub approach, which makes us the most local of global companies.

2020 progress

- Employees celebrated International Women's Day, Pride Month, International Men's Day, Global Mental Health Day, and awareness campaigns for LGBT+ and People with Disabilities.
- 91% of white-collar employees discussed their development with their managers.
- In June, all employees were surveyed with specific questions related to COVID-19 and 68% of employees took part.
- Over 7,000 students joined the *Global Virtual Student Experience* to learn about Schneider Electric through self-learning and project simulations.
- Diversity and Inclusion awards from *Forbes*, *Financial Times*, *Bloomberg*, *Great Place to Work*, *Glassdoor*, *Workhuman*, and *Universum*; partnerships with *Gender & Diversity KPI Alliance*, *ILO Global Business*, and *Disability Network*.
- 45,000 employees registered on *Open Talent Market* to drive upskilling, career development, and mentoring.
- Employee Resource Groups in more than 40 countries helped empower and advance women in leadership locally.

2021 priorities

- Build behavior and results-driven culture through *New Ways of Working*.
- Deliver recruitment experience for Schneider Electric's workforce of the future.
- Increase gender diversity, from hiring to frontline managers and leadership teams (50/40/30).
- Create opportunities for the next generations.
- Build employee career and development plans for 10 years before retirement.



Trust and resilience

Trust is at the core of what we do and is a signature of our brand. We believe that trust is the foundation of resilience and empowerment. We do not compromise on safety, quality, delivery, cybersecurity, ethics, and compliance.

2020 progress

Our trusted and empowered local teams swiftly defined innovative solutions to deal with unexpected situations:

- Local response teams acted to protect employee, supplier, and customer health and safety and mitigate exposure to COVID-19 (personal protective equipment, business travel restrictions, limited site access, and progressive return to work after lockdowns).
- Teams, especially in our supply chain, displayed resilience and flexibility to work remotely and maintain operations.

We upheld commitments to ethics, digital trust, and cybersecurity:

- 98% of employees completed cybersecurity training.
- Schneider Electric's first *Ethics & Compliance Day* recognized working environments that promote a speak-up culture.
- Enforcing the highest standards in business ethics and compliance for employees, customers, and partners, notably through our alert system.

2021 priorities

- Launch our *Ethics and Compliance Risk Assessment* as part of the new *Enterprise Risk Management Framework*.
- Advance our *Principles of Responsibility* as our *Charter of Trust*.

Our Impact

2020 Business Highlights

January

On the opening day of the annual meeting of the World Economic Forum in Davos, Schneider Electric was ranked in Corporate Knights' Global 100 Most Sustainable Corporations, and the Carbon Disclosure Project (CDP) "A-List".



February



As part of EV100, Schneider Electric pledged to switch its 14,000-car fleet to electric by 2030. Electric vehicle charging infrastructure and EcoStruxure™ e-mobility solutions will also be installed in the Group's flagship sites.

Schneider Electric signed the European Plastics Pact for more responsible use of plastic in product design and packaging, by prioritizing circular materials and recycling over single use plastics.

March

As part of a French industrial COVID-19 taskforce, Schneider Electric's supply chain experts took up the challenge to increase production of Air Liquide Medical System's respirators and deliver 10,000 in 50 days.



April



Schneider Electric Foundation's Tomorrow Rising Fund mobilized employees, customers, and partners and supported 74 local projects in 67 countries, touching the lives of 1.5 million people.

June

Schneider Electric ranked fourth in Gartner's Supply Chain Top 25 recognizing the Group's supply chain transformation and its business, financial and Environmental, Social, and Governance (ESG) performance.



July

Schneider Electric successfully completed the voluntary public takeover of RIB Software to expand its capabilities in building life cycle digitization.

August



Schneider Electric acquired ProLeiT, enhancing the Group offering in Consumer-Packaged Goods.

The Schneider Electric India Private Ltd entity was born from Larsen & Toubro's Electrical & Automation and Schneider's Low Voltage & Industrial Automation businesses and confirmed its ambition as India's innovation and manufacturing hub, serving new economies.

AVEVA announced a transformative deal to acquire OSIsoft, a global leader in real-time industrial operational data software and services, to combine and create a leading Industrial Internet of Things (IIoT) portfolio.

September

Schneider Electric's 60-year old factory in Lexington, Kentucky (USA) joined the World Economic Forum's Advanced Lighthouse Network, as a showcase of digitally transformed manufacturing and production, saving energy, and water resources, cutting CO₂ emissions and reducing unplanned machine downtime.



October



Schneider Electric published its biodiversity footprint report using the Global Biodiversity Score tool developed by CDC Biodiversité, and identify ways to protect and restore biodiversity.

The 2020 Innovation Summit toured the world stopping at 10 digitally interactive events, highlighting strategies and technologies to drive electrification, digitization, and innovation for a lower-carbon world.

November

Schneider Electric's ESG-focused Investor Day highlighted how the Group focuses on all its stakeholders and on circularity, biodiversity, governance, and social values for long-term value creation.

Schneider Electric launched the first sustainability-linked convertible bond, tying its performance in three sustainability KPIs to investor returns.

Schneider Electric announced strategic transactions to enhance Energy Management's software portfolio, including minority investment in Planon for Integrated Workplace Management and the proposed investment in ETAP to design, model, simulate, and optimize critical power systems with digital twins.



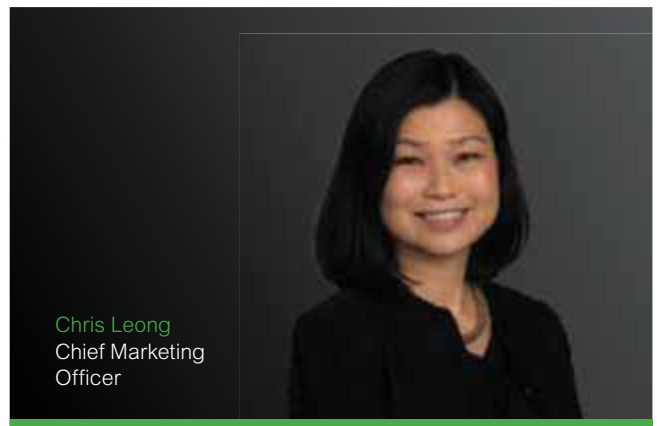
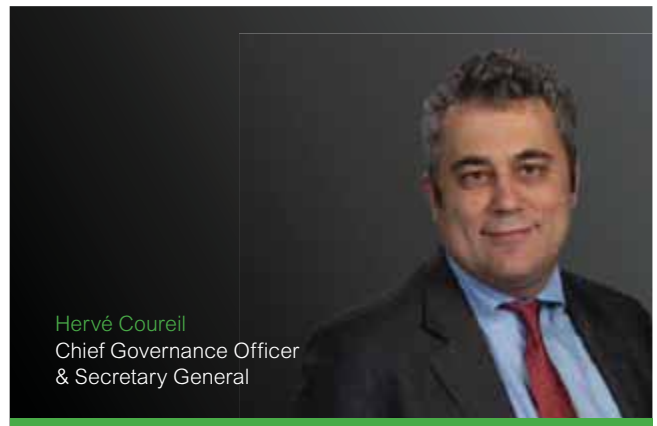
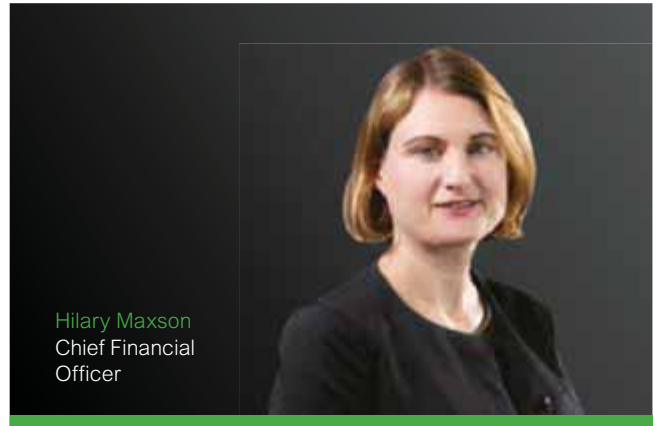
December



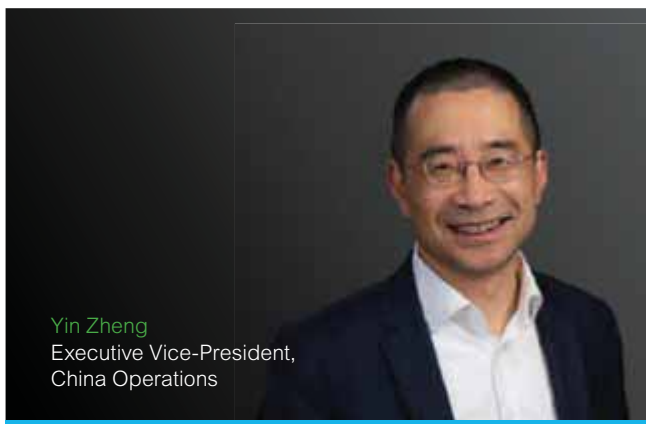
Schneider Electric was selected among 2020's Top 25 Corporate Startup Stars, in recognition of the world's most active corporates working with startups and developing best practices in corporate-startup collaboration.

Our Leadership Team

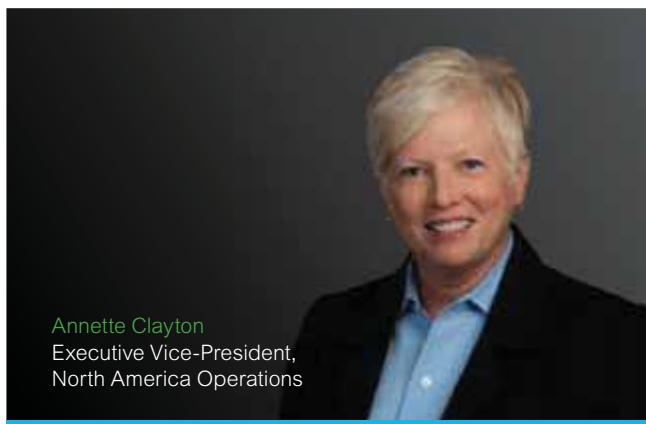
Inspiring bold ideas for the future



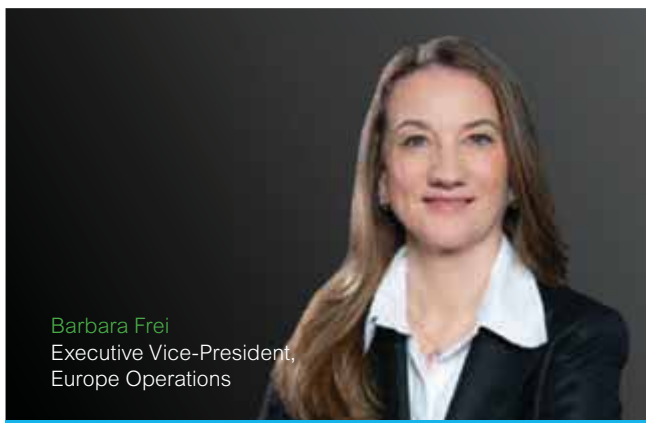
Global functions Operations Business



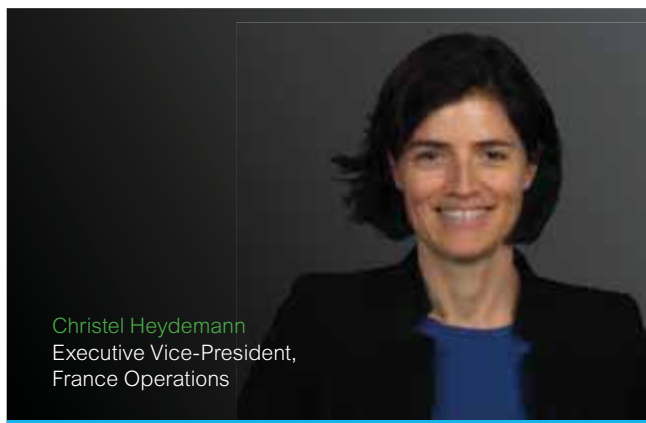
Yin Zheng
Executive Vice-President,
China Operations



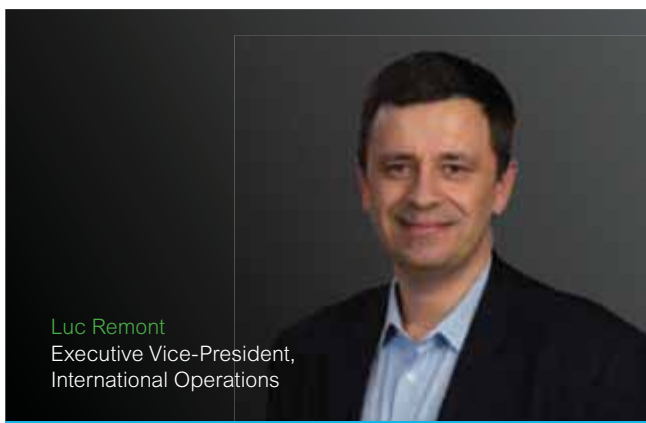
Annette Clayton
Executive Vice-President,
North America Operations



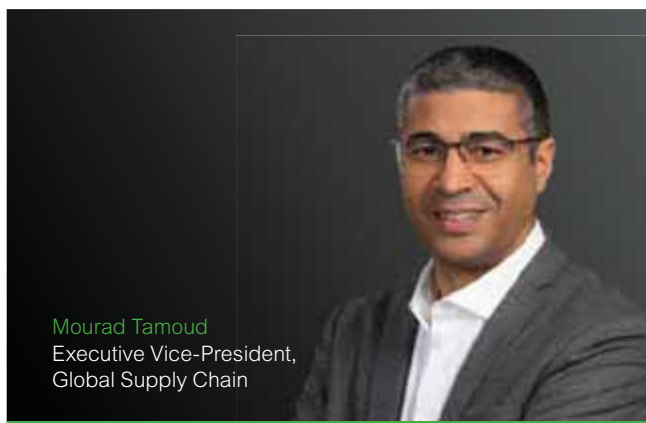
Barbara Frei
Executive Vice-President,
Europe Operations



Christel Heydemann
Executive Vice-President,
France Operations



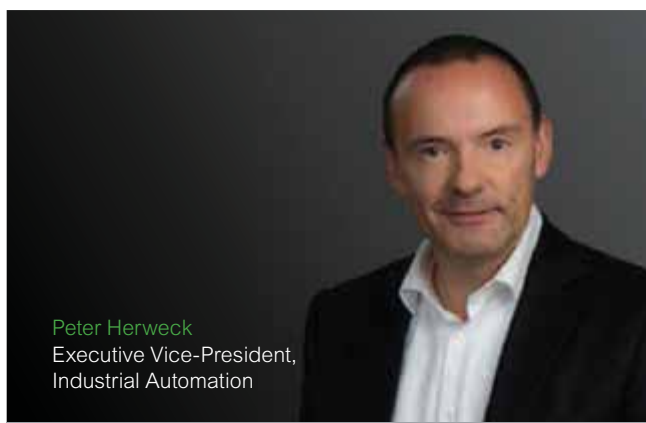
Luc Remont
Executive Vice-President,
International Operations



Mourad Tamoud
Executive Vice-President,
Global Supply Chain



Philippe Delorme
Executive Vice-President,
Energy Management



Peter Herweck
Executive Vice-President,
Industrial Automation



For EEC Engie, enabling future innovation starts with SF₆ - free solutions and EcoStruxure™ from Schneider Electric.



1

Group's strategy: opportunities and risks

| | |
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1. Trends and opportunities

Megatrends driving our growth

Schneider Electric believes in an acceleration of digital adoption with an increasing sense of urgency to transition to cleaner, more electric and decarbonized energy, and industrial systems. For us, Electricity and Digital are the recipe for a more sustainable and resilient world. At Schneider we call this Electricity 4.0, powering the New Electric World, which combined with Industry 4.0, creates a strong catalyst for growth in energy efficiency and process efficiency.

- **Electricity makes energy green:** Electricity is the most efficient energy and the best vector of decarbonization.
- **Digital builds a smart future:** Digital and software enables supply/demand efficiency and end-to-end life cycle management.
- **Regional differences in electrical and digital regulations are more prevalent:** Solutions for a more sustainable and resilient world must be adapted to regional specificities.
- **Innovation that promotes more cost-effective electrification and power decentralization:**
 - Energy batteries are expected to provide up to five times more energy density by 2030⁽²⁾.
 - More renewables, with a variable capacity mix anticipated to reach up to 50% by 2040⁽³⁾.

The Group's positioning focuses on three megatrends: a world that is **all electric, all digital, and more multi-local**.

1. All electric



Electrification will intensify in line with the energy transition, due to several factors:

- **More electric loads**, namely:
 - The electrification of transportation as the yearly electricity consumption from electric vehicles is anticipated to grow by 18% p.a. from 2019 to 2040⁽¹⁾.
 - Further electrification of industrial processes currently powered by gas.
 - The acceleration of electricity demand, due to growth in internet traffic, data center infrastructure, and increased connectivity.
 - Increased electrification in buildings, driven by the electrification of heating, cooking, and cooling, and new regulations to accelerate decarbonization.

2. All digital



Today's digital economy is driving disruption across every sector. Digital remote interactions have become more prevalent, further revolutionizing how we work and live together.

- **Growing need to aggregate exponential amounts of data.** 11 billion smart appliances in 1 billion homes are expected to participate in interconnected electricity systems by 2040⁽⁴⁾.
- **Large data volumes generated by IoT in industrial applications:** an offshore oil rig is expected to produce 1–2 terabytes of data daily and a smart factory 5 petabytes per week⁽⁵⁾.
- **New business models with artificial intelligence, algorithms, and platforms** that turn vast amounts of data into insights and value. It is estimated that 70% of new value created in the economy over the next decade will be based on digitally-enabled platform business models⁽⁶⁾.

(1) Bloomberg New Energy Finance.

(2) Rocky Mountain Institute.

(3) Includes Onshore Wind, Offshore Wind, Utility-scale PV, Small-scale PV, Solar thermal, Source: Bloomberg New Energy Finance.

(4) International Energy Agency.

(5) Quicksilver Capital, industrial digital transformation, Spring 2020.

(6) World Economic Forum: Shaping the Future of Digital Economy and New Value Creation, 2019.

3. More multi-local

Energy, power, and electrical norms and standards have been devised regionally since their inception. But, as power and electrical systems become smarter, more digital and more data-centered, they also need to align with digital regulations and standards. We believe in a multi-local world, where locally tailored solutions will be more prevalent, namely due to:

- Local data regulations on connectivity and data privacy, such as General Data Protection Regulation (GDPR).
- Regulations for higher cybersecurity adoption in North America, Europe, the Middle East and Asia.
- Diverging local or regional standards for electricity (for example, different approaches to Arc Fault detection).

Why these trends matter for Schneider Electric?

For Schneider Electric, **electrification** represents growth opportunities in buildings, industries, infrastructure and grids, data centers, and homes. **Digital transformation** is a key driving force in all our markets, enabling more data analytics and insights into operations for improved energy management and process efficiency, enabling more agility. We see many of our customers stepping up their efforts and investments in sustainability. Our solutions from connected devices, to software, digital services, and energy and sustainability services help our customers.

- **Buildings of the future** that are sustainable, resilient, hyper-efficient, and people-centric.
- **Infrastructure and grids of the future** that are sustainable, resilient, flexible, and distributed.
- **Homes of the future** are sustainable, smart homes of the future connecting the lifeline of the home – electricity – with digital, to help achieve carbon-neutral goals.
- **Data centers of the future** that are sustainable, resilient, hyper-efficient, and adaptive.
- **Industries of the future** that are sustainable, efficient and resilient, human-centric, and fully digital.

Schneider Electric is the most **local of global companies** with a balanced footprint. Equally, the diverse mix of teams across the globe ensures the highest level of local expertise and support for our customers' specific needs and global R&D expertise strengthens the Group's innovation strategy. We believe this local set-up empowers our country leaders to best react to local market changes with agility.



2. Customer focus

Meeting customer expectations

We focus on strategic segments with our unique combination of energy management, automation and process efficiency, delivered through products, control systems, software, and services.

Residential: We help create sustainable and smart homes of the future by connecting electricity with digital in individual homes, apartments, and public housing. We support our customers to achieve a net-zero future, create safe and adaptive homes with reliable power, use actionable insights to efficiently manage energy usage and costs, and enjoy personalized living experiences.

Buildings: We offer intelligent building technologies for Real Estate, Healthcare, Hotels and Retail customers. Our solutions help them maximize operational efficiency and energy savings, while lowering OpEx costs, ensuring cybersecurity and decarbonization of assets. Building on our software portfolio that includes IGE+XAO and Alpi, we now also support the digitization of construction, with RIB Software to unlock the full potential of building efficiencies and sustainability.

Cloud and service providers: We provide data center, network solutions, and edge computing to internet giants, co-location providers, and industrial customers. We help them increase reliability and power usage effectiveness, accelerate decarbonization of their operations, and increase efficiency and optimize value chains with Unified Operations Centers from AVEVA.

Power and grid: We serve companies producing, delivering, and/or selling electricity to help them reduce their carbon footprint, digitize networks, and connect customers to smart grids. We help our customers overcome challenges, such as increased intermittent renewables or decentralized generation with our Advanced Distribution Management systems to better manage system interruption duration and frequency.

Water and wastewater: We support customers across the entire water cycle, from water resources to water distribution, sewage management and treatment. Through our innovative smart water technologies and services, we help make water safe, reliable, sustainable, and efficient across the entire water cycle. We partner with our customers in their digital transformation to reach resilience and sustainability goals.

Mobility: We serve automotive manufacturers and electric car battery manufacturers to enable productivity and sustainability through digitization. We also provide solutions for critical transportation infrastructure, such as electric car charging, airports, railways, subways, and ports. Our solutions include microgrids and Energy-as-a-Service, to help customers run safe, reliable, efficient, and carbon-free operations.

Oil and gas: We provide integrated digital solutions and high-performance systems, software, and services to oil and petrochemical companies, and Engineering Procurement and Construction (EPC) companies. We help customers manage the entire life cycle of capital projects, achieve sustainability targets, and improve safety and operations with digital twins, from production to processing and supply chain operations, namely thanks to AVEVA offers and EcoStruxure™ Power and Process, which enables the convergence of power and control.

Consumer packaged goods: We enable digital transformation at every step of the value chain for Food and Beverage and Life Sciences companies. Our solutions provide improved sustainability, efficiency, and traceability, such as Manufacturing Operations Management and Manufacturing Execution software from AVEVA. With ProLeiT, we help Food and Beverage customers advance their digital transformation and optimize their production processes, driving increased productivity and efficiency.

Mining, minerals, and metals: We help mining, cement, glass, and metals customers to achieve greater energy and production efficiency and sustainability targets, thanks to EcoStruxure™ and IoT-enabled solutions. Unified Operation Centers from AVEVA provide a comprehensive view at company level to drive efficiencies at scale by connecting all assets and sites into one repository.

Leveraging a global network of over 650,000 service providers and partners

We strive to be the most partner-friendly company in our industry. A significant share of Group revenues is managed through intermediary partners, with their own added value. This network enables us to extend our segment coverage and have a strong connection to local markets. We are increasingly focusing on digital interaction with our partner ecosystem, thanks to the Partner Portals and Schneider Electric Exchange.

Distributors and retailers: Our main distribution partners are electrical distributors, specialists in IT, telecom and data center applications, DIY retailers, online marketplaces, e-tailers, and specialist technical distributors for automation and industrial software solutions, access control, and security products. Distribution now represents approximately 45% of total Group turnover. 2020 was an inflection point for eCommerce. We continued to digitally equip our customers and channel partners with more web-based trainings, web shops, and digital tools for design, selection, configuration, and customer support, while lockdowns limited access to physical stores. In 2020, eCommerce grew 22% year on year and it now represents 25% of the Group's overall distribution business.

Panel builders: Collaboration with panel builders, who build and sell electrical distribution or control/monitoring switchboards, helps bring to market our innovative solutions and provide end-users the solutions for a more digital and more electric world. Panel builders buy low and medium-voltage devices and act as specialists, or connected power system experts, who manage and maintain electrical assets after installation and throughout their entire operational lifetime.

Contractors: To design solutions tailored to end-users' specific needs, we work closely with contractors, small specialists or generalist electricians, and large companies that specialize in installation equipment and systems. We provide training and support and leverage our multichannel partner model, which is increasingly digital, via the Partner Portal and Exchange platforms.

System integrators: System integrators design, integrate, and support automation to meet their customers' needs for the performance, reliability, precision, and efficiency of their operations. We give system integrators access to all areas of automation from field control to Manufacturing Execution Systems and Building Automation Systems.

Specifiers/consulting engineers: To meet their customers' specific demands, specialist engineers, architects, and design firms are prescribing more efficient and integrated energy management solutions, specifically for critical power, security, and building automation. As our essential partners, we collaborate and provide application-focused design information and tools, with IGE+XAO, Alpi, and EcoStruxure™ Power Design software.

Electricians: We have one of the most comprehensive networks of electricians worldwide. We enable electricians to operate more efficiently through training, technical support, and digital tools, such as My Schneider Electric app, where over 400,000 electricians are registered. Our relationship with electricians is strengthened by increasing their visibility to end-users through different tools, including online "installer locators".

Original equipment manufacturers (OEMs): We work with more than 15,000 OEMs to improve machine performance and reduce time-to-market for packaging, conveyor, material handling, hoisting, and Heating, Ventilation, and Air Conditioning (HVAC) applications, providing tools and software such as EcoStruxure™ Automation Expert. We nurture strong OEM partnerships through programs to enhance their capacity to deliver internationally.

3. Company purpose

Our purpose is to empower all to make the most of our energy and resources, bridging progress and sustainability for all. At Schneider, we call this

Life Is On



Buildings of the future

Capture the power of an all-digital, all-electric infrastructure for more sustainable, resilient, efficient, and people-oriented buildings.



Industries of the future

Truly open automation, agnostic software, and unique solutions that protect our planet are bringing tomorrow's industries to life today.



Data centers of the future

Leverage the power of connected infrastructure for more sustainable, efficient, adaptive, and resilient data centers.



Homes of the future

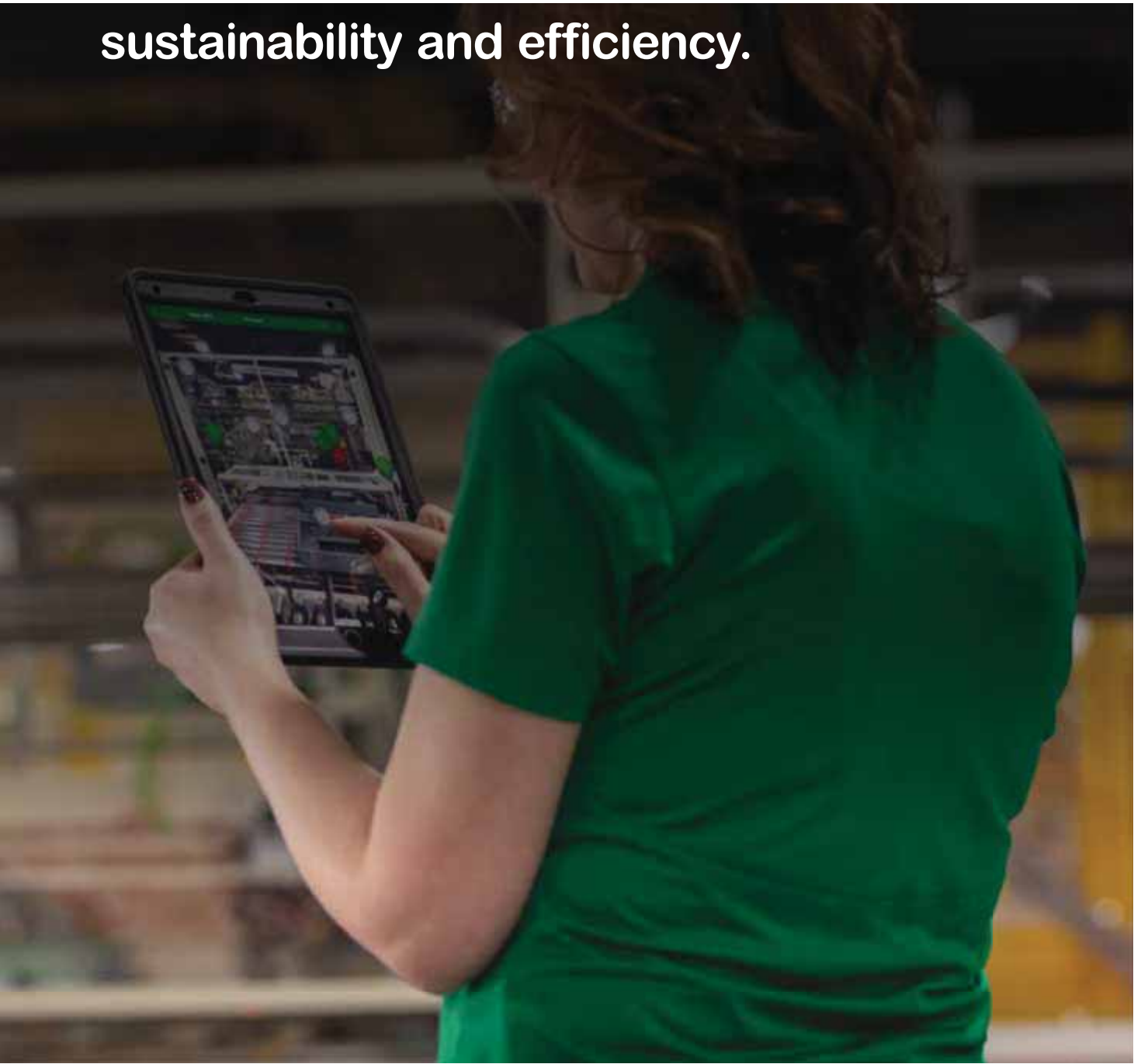
Create sustainable, smart homes by connecting the lifeline of your home – electricity – with digital, to help achieve your carbon-neutral goals.



Infrastructure and grids of the future

Increase sustainability and efficiency with smart grids.

Our mission is to be
your digital partner for
sustainability and efficiency.



4. Energy Management

Powering the new electric world

The Energy Management business helps customers make the most of their energy and accelerate their journey to net-zero carbon emissions. A more electric and digital world is key to addressing the climate crisis. Electricity is the most efficient energy and the best vector of decarbonization, and with digital innovation the invisible becomes visible, unleashing huge potential to eliminate energy waste.

Our market-leading, innovative solutions connect the dots between flexible energy supply and demand, delivering **homes, buildings, data centers, industries, infrastructure, and grids of the future** that allow us to collectively share better the energy and resources that our planet can provide, delivering a future that is more sustainable, more resilient, and more efficient.

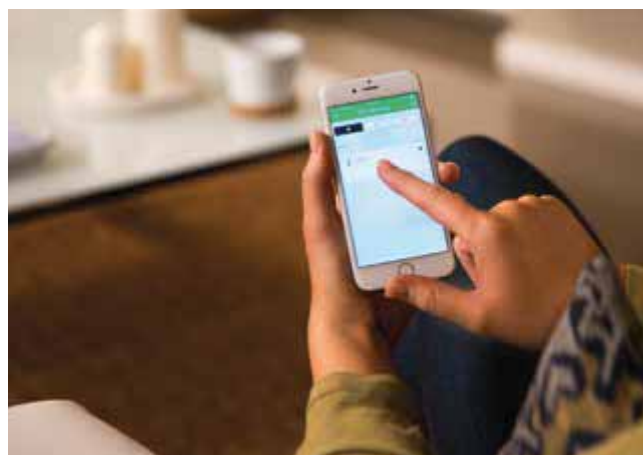
The Energy Management products, systems, software, and services include:

- Medium and low-voltage equipment
- Building and grid automation
- Critical power
- End-to-end life cycle software, from design and build, to operate and maintain
- Energy and Sustainability Services

- **SM AirSeT for medium voltage switchgear:** A unique combination of pure air and vacuum to eliminate the need for SF₆, a potent greenhouse gas commonly found in medium and high-voltage electrical equipment.
- **Acti9 Active compact connected multi-function breaker:** Proactive monitoring and alerting of electrical faults.
- **Monitoring & Dispatch Services:** 24/7 remote monitoring for proactive on-site remediation of IT infrastructure issues.
- **Wiser Energy Center:** The connected AI electrical panel of the future for grid-to-plug home energy management.
- **Wiser home automation:** Room-by-room temperature control, lighting, security, and energy management.

Innovations introduced in 2020 include:

- **EcoStruxure™ Workplace Advisor and Engage Enterprise App:** Optimized space usage, improved employee experience, and reduced service costs.
- **EcoStruxure™ Building Operation:** Actionable insights to optimize building performance and improve engineering efficiency.
- **EcoStruxure™ Connected Room Solutions:** Personalized occupant experience and room control.
- **EcoStruxure™ Power Monitoring Expert, Power SCADA Operation, and Power Advisor:** Reduced energy costs and unplanned downtime, with optimized operations.
- **Low-voltage PrismaSeT™ Active switchboards:** Cloud-connectivity to monitor hazardous power losses.
- **ComPacT breakers and accessories:** Ergonomic, modular plug-and-play accessories that are connectivity-ready.



At a glance

Revenues

€19.3B

Adjusted EBITA

€3.6B

Percentage of Group sales

76.9%

Transforming through software with bolt-on strategic investments for life cycle efficiency and sustainability

In 2020, Schneider Electric announced several major investments to enhance its Energy Management software portfolio, building on IGE+XAO and Alpi, all of which are aligned with the Group's strategic vision to grow its suite of best-in-class, end-to-end software solutions to unlock efficiency and sustainability across the life cycle, from CapEx to OpEx.

In July 2020, Schneider Electric completed the voluntary public takeover of RIB Software SE, a leading software platform provider for planning, costing, and real-time construction monitoring. With its 5D BIM cloud-based construction software – iTWO 4.0, RIB has developed the world's first enterprise cloud technology with AI integration to bring efficiency in the construction phase. RIB helps contractors, project owners, and real estate developers to gain

full life cycle efficiency from design and build, to operate and maintain, enhancing Schneider Electric's EcoStruxure™ suite.

In November, Schneider Electric took a minority investment in Planon Beheer B.V. to digitize the entire building life cycle through the integration of both EcoStruxure™ and Planon's enterprise scale solutions. This combination will help scale both platforms, connecting millions of assets worldwide, whilst transforming built environments from passive, costly assets, into safe, sustainable, and resilient buildings.

Schneider Electric also proposed taking a controlling stake investment in Operation Technology Inc. (ETAP) in November. This completes Schneider's existing software portfolio for mission-critical power systems as a platform-independent supplier for large network design, modeling, simulation, and operation solutions.



Innovating climate positive IT operations

EcoDataCenter has built a climate positive data center in Falun, Sweden, providing energy efficient and sustainable co-location services and high-performance computing solutions for clients, communities, and the environment. EcoStruxure™ from Schneider Electric delivers insights into their operations, as well as efficient and reliable power and cooling solutions – including Galaxy VX UPSs which are 99% efficient in EConversion Mode – and leverages Green Premium™ technologies, designed with environmental transparency and end-of-life instructions.

Raising the level of safety and quality for national electricity distribution networks

Schneider Electric worked with the Egyptian Government to supply one of the largest, advanced distribution management systems in Egypt. Bringing electricity to 20 million more people, the smart grid is sustainable, digitized, resilient, and connected to more than 12,000 products and 1,000 distribution points, with the ability to continue expanding in the future.



5. Industrial Automation

Building the next generation industrial world

Industrial Automation technologies are enabling the industries of the future. Securing safe, resilient, energy efficient, and sustainable processes across the complete life cycle helps optimize supply chains and transform existing facilities into smart factories. The Industrial Automation business offers customers innovation through products, systems, and software for the automation and control of machines, plants, and processes, including world-leading brands such as Modicon, Foxboro, Triconex, TeSys, Altivar, Eurotherm, and Télémécanique Sensors.

Innovations introduced in 2020 include:

- **EcoStruxure™ Automation Expert**, the first software-centric industrial automation system creating step-change improvements throughout the complete operational life cycle.
- **EcoStruxure™ Augmented Operator Advisor** which leverages virtual reality with real-time operating data to safely enable fast diagnostics, maintenance, and operation of machines and plants.
- By combining the fully digitalized **TeSys island** load management system with the **Modicon M262** logic and motion controller, machine builders and OEMs get full Industrial Internet of Things (IIoT) machine integration with unprecedented efficiency.
- **EcoStruxure™ Secure Connect Advisor**, a cybersecure solution, allowing operators and experts to remotely program, diagnose, and troubleshoot machines from almost anywhere.

Industries of the future are open

EcoStruxure™ Automation Expert was unveiled during the Innovation Summit 2020 World Tour to deliver the benefits of open automation and interoperability with portable application software to the fourth industrial revolution. It's plug-and-produce approach boosts efficiency, resilience, productivity, agility, and sustainability across operations, and saves engineering time, eliminates vendor lock-in, and delivers business impact.



Doubling down on domain expertise in consumer packaged goods

Integrating ProLeiT's Process Control and Manufacturing Execution Systems into Schneider Electric's Digital Plant business is enhancing our business value for food and beverage manufacturers, such as breweries and dairies, among others. EcoStruxure™ for Smart Manufacturing now delivers native connectivity to Modicon PLCs (Programmable Logic Controllers) and AVEVA software, alongside ProLeiT's expertise in automation, information, and control technology to improve processing plant monitoring.

At a glance

Revenues

€5.8B

Adjusted EBITA

€992M

Percentage of Group sales

23.1%

Next generation data-driven insights to drive performance intelligence

As AVEVA's majority shareholder, Schneider Electric is poised to accelerate success with the OSIsoft acquisition. Combining AVEVA's market-leading software with OSIsoft's data management platform will harness the power of information and artificial intelligence, enabling broader, deeper optimization that drives sustainable innovation throughout the engineering and operations life cycle. Many new applications are envisioned for process and hybrid industries.



Connecting power and process solutions for sustainability

Developed with AVEVA for energy-intensive industries, the EcoStruxure™ Power and Process solution combines process and power management to reduce CapEx and operational energy costs and drive profitability and sustainability. Digital twin technologies converge to unite asset engineering and process optimization, that is managed by a Unified Operation Center built on edge control software. This enables real-time visibility and smart analysis of energy-intensive industrial assets and processes to improve operational profitability and resiliency.

Building an automated future

The Sanwa Group, a plastics manufacturer operating nine factories in Singapore to supply car manufacturers in South-East Asia, embarked on its Industry 4.0 transformation with Schneider Electric and doubled its production output. Sanwa uses an EcoStruxure™ Machine and Power solution for data collection to improve its decision-making and operational visibility via digital interfaces. Thanks to IoT-enabled, remote power management and wireless sensors, Sanwa tracks each machine's energy consumption at a central command station. Factory floor inspections are also empowered with EcoStruxure™ Machine Advisor and EcoStruxure™ Augmented Operator Advisor for real-time insights into machine performance using augmented reality. This enables Sanwa to analyze the data collected, improve efficiency, enhance competitiveness, and grow their business.



6. Digital transformation

Digitalization for a smarter, greener future

Schneider Electric's digital transformation is fundamentally changing how we do business, at every level of the Group. Our ambition is to further strengthen our leading position as a cross-industry, IoT player with our EcoStruxure™ portfolio. We design an open platform, scale digital offers, and foster digital collaboration across our ecosystem of customers and partners.

In parallel, we aim to digitally transform the Group's Product Life cycle Management and Customer Relationship Management, as well as our Finance and Procurement, Global Supply Chain, and Human Resources functions. Our continued efforts in these areas will enable end-to-end process efficiency and greater productivity.

Built on solid foundations and lessons learned in 2020, and in response to the ongoing impact of COVID-19, we will continue to modernize both our digital infrastructure and tools for connectivity

and business continuity, accelerate the journey to cloud, reduce technical debt, and deliver on the tenets of the Group's cybersecurity and data management strategy for digital trust.

Our digital transformation is also closely aligned with the Group's sustainability strategy. The use of EcoStruxure™ IT solutions will help bring Schneider Electric closer to fulfilling its carbon pledge, while our continued innovation and efficiency-enabling digital offers will support our customers in achieving their sustainability goals.



Connectivity and smart factories

Schneider Electric operates 115 smart factories and distribution centers worldwide, where the Group showcases its digital technologies and services virtually or in person. Since 2018, five of Schneider's Smart Factories have been selected by the World Economic Forum as Fourth Industrial Revolution Lighthouses – the world's most advanced factories, which are leading the way in the adoption of Fourth Industrial Revolution technologies. In 2020, Schneider's facility in Lexington, USA was honored as an Advanced End-to-End Lighthouse. Other Advanced Lighthouses have been announced in 2019 and 2018, namely facilities in Batam, Indonesia and in Le Vaudreuil, France, alongside two developing Lighthouse facilities in Monterrey, Mexico and Wuhan, China.

Ensuring digital trust with suppliers

With approximately 40 billion devices online, almost everyone and everything is connected in the world today. Schneider Electric sources goods and services from more than 50,000 unique suppliers across five continents. As goods and services are increasingly delivered through digital channels, the effectiveness of our supplier community relies on trust and collaboration to protect our digital ecosystem. In 2020, we continued to enhance and safeguard supply chain management, procurement, and Enterprise Resource Planning (ERP) systems with third-party risk management to ensure compliance across the supply chain.



At a glance

Distribution sales via e-commerce

€2.8B

+22% YoY

Assets under Management

4.2M

+46.6% YoY

Employees able to work from home in response to COVID-19

+120,000

Customer voice and digital experience

Providing customers with the information they need, when and where they need it, is key to improving their digital experience. The Digital Net Satisfaction Score (NSS) used throughout Schneider Electric's digital platforms captures our customers' overall satisfaction and their specific feedback. In 2020, the overall NSS increased by 13 points, reinforcing the positive impact of prioritizing customer feedback. In 2020, Schneider Electric launched and scaled the personalized experience to enable 500,000 partners, 30,000 distributors, and 100 key accounts to embark on a more personalized digital journey, covering relevant offer information and tools. Together with improvements in digitizing our pricing and quotation tools as well as providing more interactive customer support, we are making great progress in how we digitally engage with customers and efficiently support how they do business with Schneider.



Agile digital citizens

Digital knowledge is a priority skill and the Group aims to upskill over 90% of employees with the launch of its Boost Your Digital Knowledge smart learning solution, which is part of the Digital Citizenship program helping employees build their digital skills. The program's knowledge library covers the most essential future skills required by Schneider Electric, including data science, digital economy, digital technologies, as well as cybersecurity, which is considered a critical area of knowledge and awareness. In 2020, 99% of targeted Schneider Electric employees completed dedicated, mandatory cybersecurity online training, strengthening the Group's cybersecurity posture.

Open ecosystem engagement

The Group continuously prioritizes the value of partnerships and ecosystems, simplifying and improving digital points of engagement to better serve its customers. In 2020, we digitally engaged with 421,000 average monthly active users (MAUs) across all platforms. Launched in 2019, Schneider Electric Exchange is the world's first cross-industry, open ecosystem that unleashes the power of collaboration in an open environment. We continue orchestrating this innovative community of customers and partners while fostering an entrepreneurship mindset to globally scale and monetize new digital offers. In 2020, Schneider Electric Exchange reached 75,000 registered users (+30%) and featured 480 digital offers. The Group's ambition is to further increase the adoption of Schneider Electric Exchange, enabling more transactions and co-innovation based on the open EcoStruxure™ platform.

Monthly (on average) active users engaged across digital touchpoints

421,000



7. People Vision

Great people make a great company

As the changes to our world accelerate and transform our industry, we consider the Group's culture as a key business differentiator to achieve profitable growth through innovation and to outpace the market.

The energy transition requires Schneider Electric to work closely in its different markets and to develop a shared vision with customers, supported by faster innovation, technology, and deep insights. As such, we need to empower our people and shape our organizational culture to meet this challenge. Digitization is also changing the way we work, and creating new opportunities for customers, suppliers, and our teams. We believe this change is a great catalyst for employee engagement and to articulate a meaningful purpose that motivates us all. We are passionate about our meaningful purpose, to empower all to make the most of our energy and resources, bridging progress and sustainability for all.

As part of our Schneider Sustainability Impact (SSI) and under our Human Rights Policy, for some years we have committed to mandatory global standards covering fundamental employee benefits for everyone, everywhere. Throughout the COVID-19 pandemic in 2020, the Group acted and remained focused on the health and safety of its people. To this end, the Group enhanced its existing global benefit standards (Life, Health and Family Care) for all its employees worldwide during the COVID-19 crisis. Everyone's mental and physical well-being, both at work and beyond, was a priority, upheld by the Group's Learning and Well-Being teams who ran weekly virtual learning sessions to help manage stress and share tools and best practices. Customized support was also available for leaders, including a *Diversity & Inclusion toolkit*, *A Manager's Guide to the New Normal*, and a number of *LiveTalks* to discuss effective approaches. The pandemic situation reinforced the importance of living our core values and leadership expectations every day and particularly highlighted how crucial *Acting Like Owners* is, for both the health of our people and the Group at large.

The most local of global companies

Globalization allows Schneider Electric to welcome more diverse teams and to ensure our local presence best supports our customers' specific needs. We prioritize how we develop and retain our employees to create an inclusive workplace that offers long-term career and development prospects and learning pathways. We are the most local of global companies, built across four hubs (Paris, France; Hong Kong, China; Boston, USA; and Bangalore, India) providing opportunities to grow within our organization, and we are continually championing diversity, equity, and inclusion to make a bigger impact on society.

The very nature of the workforce and the job market is evolving. There are up to five generations working side by side, and each generation has a varied set of expectations from their employer. This in turn is leading to a shift towards a highly personalized, digitized employee experience. We accelerated the global rollout of the *Open Talent Market* to drive upskilling, career development, and mentoring. This smart platform, powered by AI, helps employees take ownership of their careers and develop real and new experiences.

With 83% ⁽¹⁾ of our employees preferring more flexibility in when and where to work, we are empowering employees to manage their unique life and work by leveraging agile, flexible, and smart ways of working to help our people effectively manage hybrid working.

Our People Vision

All this change influences how we work together and ultimately how we create value for our customers. We updated our *People Vision* to accelerate our business performance and transform our culture and leadership. At Schneider Electric, we are building for the future, in sync with the changes happening in our markets and with our customers.

Our People Vision consists of the following:

Our Employee Value Proposition (EVP) is our commitment to engage existing and future talent. It's the reason why people join, stay, and remain engaged and shows how we differentiate ourselves as an employer.

Our Core Values determine who we are, what we do and define the way we work together and deliver on our EVP promise. Our values guide our choices and illustrate the behaviors we expect our employees to demonstrate.

Our Leadership Expectations show how we expect leaders to drive the Group for the future. They emphasize how our leaders will transform the Group by stepping up both individually and collectively.

(1) From internal survey, July 2020

Since launching our *People Vision* in the fourth quarter of 2018, our efforts have focused on executing our vision through our day-to-day interaction. We regularly survey our teams to measure employee awareness and to gather and address their feedback. Our behaviors have been incorporated progressively in all our people rituals such as recruitment (behavioral interviewing), performance evaluation, recognition, and promotion of leaders (based on our defined behaviors). We have also implemented policies to foster better work-life integration and developed frameworks to help our employees manage their own situation. The initiatives we have launched, and the ones we're continuing to build on, reflect our goal to be the best place to work, so the best people choose us and stay with us.

Engaging with early career talent is an ongoing priority. Launched in 2011, Schneider Go Green is an annual competition for Business and Science, Technology, Engineering, and Mathematics (STEM) students around the world to find innovative solutions for energy management and automation – exposing them to our employer brand and core values. It is now an established global initiative to attract graduates for early career opportunities and ongoing talent fulfillment objectives. Over the years, the competition has become a great opportunity for students to not only share bold ideas, but also to start a career at Schneider Electric.

In ten years, Schneider Go Green has had more than 117,400 registrants, with more than 21,700 students from 172 countries submitting ideas. In 2020 alone, more than 24,400 students registered and nearly 3,000 students submitted ideas. Schneider Go Green continues to develop strong and increasing interest from students, especially in emerging economies. 2020's global winning students, Angie Redondo and Jorge Polo, from *Universidad Nacional de Colombia*, presented a Sustainable Fishing project to benefit the Bojayá community, living on the Atrato River near Colombia's Pacific coast.

“

Schneider Go Green makes you understand that technology is nothing but the bridge between people's problems and the solution they need. Go Green lets you dream that a **better world** is possible if we work together for it. I loved it and it **enriched me** as a person, and also as a professional!”

Toni, an Industrial Engineering degree student at *Escuela Superior de Ingenierías Industrial, Aeroespacial y Audiovisual de Terrassa*, was a top Schneider Go Green 2020 European finalist and is now a trainee in Spain.

INCLUSIVE

MEANINGFUL

EMPOWERED

8. How we manage risks

8. How we manage risks

8.1 Definition and objectives of internal control and risk management

Definition and objectives

The Group's internal control procedures are designed to ensure:

- compliance with laws and regulations;
- application of instructions and guidelines issued by Group Senior Management;
- the proper functioning of the Company's internal processes;
- the reliability of financial reporting; and
- more generally, internal control helps the Group manage its businesses, run efficient operations and use its resources efficiently.

Internal control aims to prevent and manage risks related to the Group's business. These include accounting and financial risks, as well as operating, fraud and compliance risks. However, no system of internal control is capable of providing absolute assurance that these risks will be managed completely.

Scope of this report

The system is designed to cover the Group, defined as the Schneider Electric SE parent company and the subsidiaries over which it exercises exclusive control.

Jointly controlled subsidiaries are subject to all of the controls described below, with the exception of self-assessments of the implementation of Key Internal Controls (see "Operating Units" within "Control procedures", session 8.5, page 46).

Internal control reference documents

The Group's internal control system complies with the legal obligations applicable to companies listed on the Paris stock exchange. It is consistent with the reference framework laid down by the *Autorité des Marchés Financiers* (French Financial Markets Authority – AMF) on internal control and risk management.

The Group's internal control process is evolving; procedures are adapted to reflect changes in the AMF recommendations and the business and regulatory environment, as well as in the Group's organization and operations.

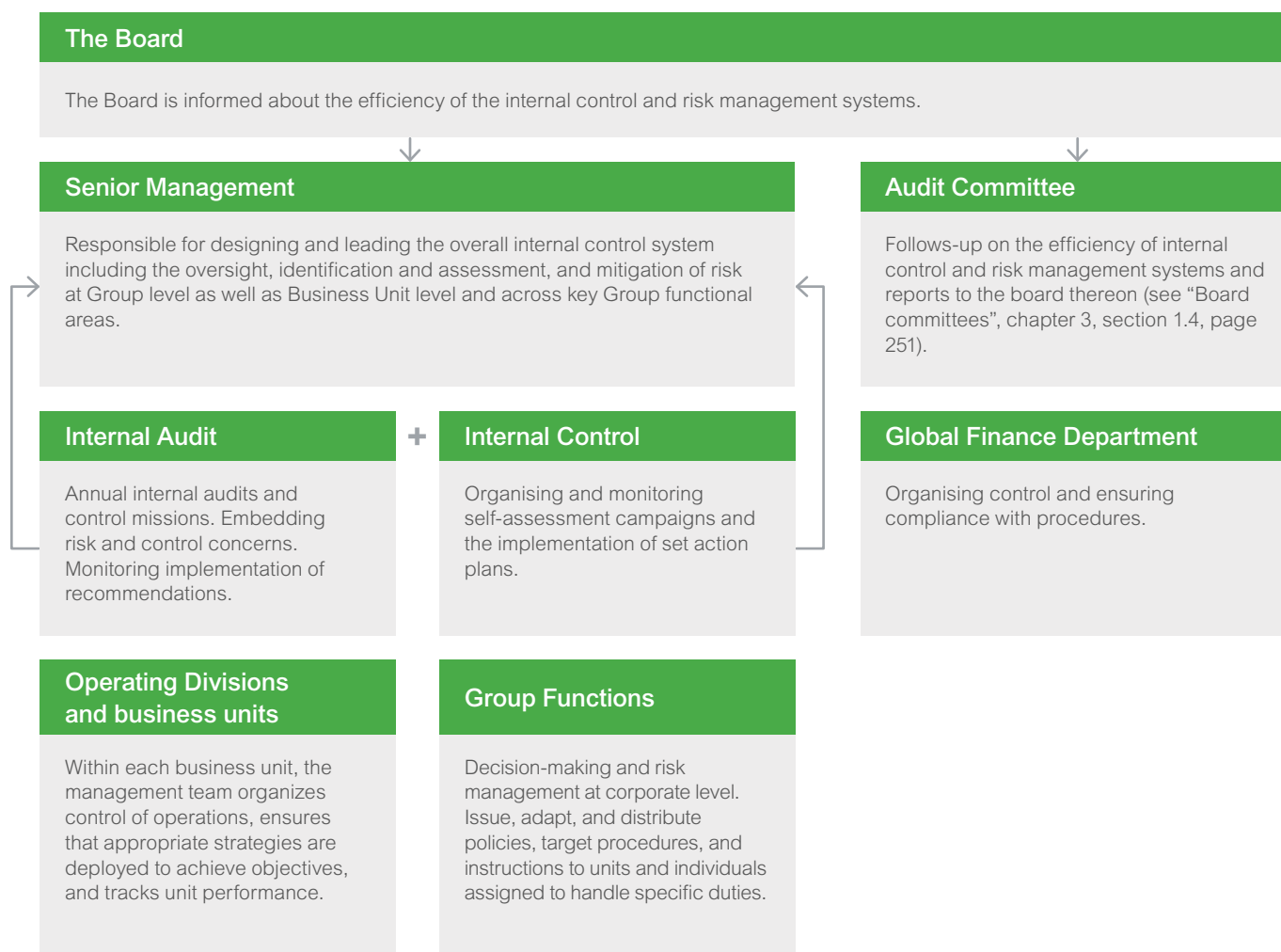
Information used to prepare this Document

This Document was prepared using contributions from the Group's Internal Audit and Internal Control Departments, as well as the various participants in internal control.

8.2 Organization and management: internal control key participants

The Group's corporate governance bodies supervise the development of internal control and risk management systems. The Audit Committee has particular responsibility for following up on the efficiency of internal control and risk management systems and reports to the Board of Directors thereon (see "Board committees", chapter 3, section 1.4, page 251).

Each manager is responsible for monitoring internal control in his or her area, at the different levels of the organization, as are all key internal control participants, in accordance with the tasks described hereafter.



8. How we manage risks

Senior Management

Senior Management is responsible for designing and leading the overall internal control system, with support from all key participants, in particular the Group Internal Audit and Internal Control Departments.

It also monitors the Group's performance during business reviews with the Operating Divisions and Global Functions. These reviews cover business trends, action plans, current results, and forecasts for the quarters ahead.

Similar reviews are carried out at different levels of the Group prior to Senior Management's review.

Internal Audit Department

The Internal Audit Department reports to Senior Management. It had an average headcount of 19 auditors and 23 regional internal controllers in 2020. The internal auditors are responsible for ensuring that, at the level of each unit:

- the identification and control of risks is performed;
- significant financial, management, and operating information is accurate and reliable;
- compliance with laws and regulations and with the Group's policies, standards, and procedures is ensured;
- compliance with the instructions of the Head of the Group is ensured;
- acquisition of resources is carried out at a competitive cost, and their protection is ensured;
- expenses are properly engaged and monitored;
- correct integration and control of acquisitions are ensured.

Annual internal audit and internal control plans are drawn up based on a combination of a risk-based and audit universe coverage-based approach. The risk-based dimension is embedding risk and control concerns identified by Senior Management, taking into account the results of past audits, the results of Key Internal Control self-assessments returned by the units, and other indicators such as the evolution of a set of financial metrics, the Corruption Perception Index, or the Employees Disengagement Index. When necessary, the audit plan is adjusted during the year to include special requests from Senior Management. The internal audit process is described in "Control procedures", section 8.5, page 46.

After each internal audit, a report is issued setting out the auditors' findings and recommendations for the units or function audited. The management of audited entities or audited domains is requested to define for each recommendation an action plan aiming at implementing corrective actions. Measures are taken to monitor implementation of recommendations and specific follow up audits are conducted if necessary.

Audit reports and the implementation of their recommendations are distributed to Senior Management. An executive summary is sent to the President of the Audit Committee as well as to the top management. A synthesis of the main takeaways and conclusions from a selected number of audit missions is presented to the Audit Committee for each committee session (five times per year).

These reports are subject to regular exchange with the Group's auditors.

The Head of Internal Audit and Internal Control has direct access to the President of the Audit Committee and meets her on a regular basis throughout the year.

Internal Control Department

The Internal Control Department, which reports to the Reporting and Consolidation Department, is particularly responsible for:

- defining and updating the list of Key Internal Controls in close cooperation with the Global Functions and other subject matter experts in line with the recommendations of the AMF reference framework;
- maintaining and leading a network of around 14 local internal controllers who are responsible for supporting local management on internal control topics and acting as process owners for certain key areas such as the chart of authority and segregation of duties; and
- organising and monitoring the roll-out of self-assessment campaigns and implementation of set action plans following self-assessments.

The team continues to improve the internal control process and adapt its procedures following the results of self-assessments and changes in the business environment or organization.

Global Finance Department

The Global Finance Department is actively involved in organising control and ensuring compliance with procedures.

Within the department, the Reporting and Consolidation unit plays a key role in the internal control system by:

- drafting and updating instructions designed to ensure that statutory and management accounting practices are consistent throughout the Group and compliant with applicable regulations;
- organising period-end closing procedures; and
- analyzing performance and tracking the achievement of targets assigned to the operating units.

The Reporting and Consolidation unit is responsible for:

- the proper application of Group accounting principles and policies;
- the integrity of the consolidation system database;
- the quality of accounting and financial processes and data;
- training for finance staff by developing and leading specific seminars on the function; and
- drafting, updating, and distributing the necessary documents for producing quality information.

The unit drafts and updates:

- a glossary of terms used by the Reporting and Consolidation unit, including a definition of each term;
- the chart of accounts for reporting;
- a Group statutory and management accounting standards manual, which includes details of debit/credit pairings;
- a Group reporting procedures manual and a system user's guide;
- a manual describing the procedures to be followed to integrate newly acquired businesses in the Group reporting process;
- an intercompany reconciliation procedures manual; and
- account closing schedules and instructions.

The Reporting and Consolidation unit monitors the reliability of data from subsidiaries and conducts monthly reviews of the various units' primary operations and performance.

Within the Global Finance Department, the Tax team oversee tax and affairs to provide comprehensive management of these risks.

The Financing and Treasury Department is responsible for:

- centralized management of cash and long-term Group financing;
- centralized management of currency risk and non-ferrous metals risk;
- monitoring of Group trade accounts receivable risk and the definition of the credit policy to be implemented;
- the distribution of rules for financial risk management and the security of payments:
 - define guidelines and contribute to the definition of Key Internal Control indicators relating to treasury and credit management,
 - review the related risks of complex projects as a subject matter expert,
 - select Group tools for credit, trade, and cash management; and
- the annual financial review meetings with the Group companies to assess the financial structures, financial risk management as well as capital allocation.

Procedures for managing financial risk are described in "Risk factors" (chapter 1, section 9.1, page 49).

Global Functions and Division (Human Resources, Supply Chain, Information Technology, etc.)

In addition to specific processes or bodies such as the Group Acquisitions Committee (see "Risk factors", chapter 1, section 9.1, page 49) for making and implementing strategic decisions and centralization of certain functions within the Global Finance Department (see above), Schneider Electric centralizes certain matters through dedicated Global Functions, thus combining decision-making and risk management at the corporate level.

A Technology Community, namely the Chief Technology Officers (CTO) community, grouping all Divisional and Business Chief Technology Officers as well as key Corporate Technology Functions involved in Offer Creation & Research, meets on a regular basis to ensure cross-divisional coordination in setting the strategic direction for innovation and driving end to end architectures, defining next generation platforms and systems. Additionally, this community partners closely with the senior business leaders. This has been done to ensure a simple structure so that technology can be close to business and to maintain consistency across all divisions of Schneider Electric.

The Human Resources Department is responsible for deploying and ensuring the application of procedures concerning employee development, promoting diversity, and well-being. The department is also responsible for establishing guidelines on rewards and compensation, hiring, on and off boarding, and learning, amongst other Human Resources-related duties.

The Procurement Department within Supply Chain is responsible for establishing guidelines concerning the procurement organization and procedures, relationships between buyers and vendors, and procedures governing product quality, level of service, and compliance with environmental and safety standards.

Global Functions and Division also issue, adapt, and distribute policies, target procedures, and instructions to units and individuals assigned to handle their specific duties. Global Functions have correspondents who work with the Internal Control Department to establish and update the Key Internal Controls deployed across the Group.

Operating Divisions and business units

The Operating Division management teams play a critical role in effective internal control.

All Group units report hierarchically to one of the Operating Divisions, which are led or supervised by an Executive Vice-President, supported by a Finance SVP.

The Executive Vice-Presidents leading or supervising the Operating Divisions sit on the Executive Committee, which is chaired by the Chairman and CEO of the Group.

Within each business unit, the management team organizes control of operations, ensures that appropriate strategies are deployed to achieve objectives, and tracks unit performance.

8. How we manage risks

8.3 Distributing information: benchmarks and guidelines

The main internal control benchmarks are available to all employees, including on the Group's employee portal. Global Functions send updates of these reference documents to the appropriate units and individuals through their networks of correspondents.

In some cases, dedicated emails are sent out or messages are posted on the employee portal or Schneider Electric collaboration tools to inform users about publications or updates.

Whenever possible, the distribution network leverages the managerial/functional organization to distribute standards and guidelines.

Principles of Responsibility

See "Ethics & Compliance program" (chapter 2, section 2.4, page 103).

Compliance code governing stock market ethics

The compliance code sets out the rules to be followed by management and employees to prevent insider trading. All employees who have access to sensitive information are bound by a strict duty of confidentiality. It also sets restrictions on purchases and sales of Schneider Electric SE securities by persons who have regular or occasional access to sensitive information in the course of their duties (see "Organizational and operating procedures of the Board of Directors", chapter 3, section 1.2, page 234). Such persons are prohibited from trading in the Company's securities at any time if they are in possession of price-sensitive information which has not been made public and during specified periods prior to (and until the day of) release of the Group's financial statements and quarterly information on sales.

International Internal Auditing Standards

The Internal Audit Department is committed to complying with the international standards published by the Institute of Internal Auditors (IIA) and other bodies.

International Financial Reporting Standards (IFRS)

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with European Union regulation no.1606/2002.

The Group applies IFRS standards as adopted by the European Union as of December 31, 2020.

The Group's accounting principles reflect the underlying assumptions and qualitative characteristics identified in the IFRS accounting framework: accrual accounting, business continuity, true and fair view, rule of substance over form, neutrality, completeness, comparability, relevance, and intelligibility. The Group statutory and management accounting standards manual explains how IFRS principles are applied within the Group, taking into account the specific characteristics of the Group's activities.

The application of Group accounting principles and methods is mandatory for all Group units, for management reporting and statutory consolidation. The Group statutory and management accounting standards manual and the IFRS principles are available via the employee portal (Finance Repository).

Approval limits

Under current management practice, the Group has set approval limits for Senior Management for certain decisions. Local management will define the local approval matrix for relevant decisions within the approval limits set by the Group. Within this framework, business segment executives and functional, operational, and local management are able to approve certain decisions depending on the nature and threshold.

In addition, all transactions which by their size or nature could affect the Group's fundamental interests, must be authorized in advance by the Board of Directors, i.e. decisions relating to the acquisition or disposal of holdings or assets for amounts greater than EUR250 million, decisions relating to strategic partnerships and major changes of course in the strategy, and decisions relating to the issuance of off-balance sheet commitments that exceed the limits prescribed by the board.

Statutory and management reporting principles

An integrated reporting and consolidation system applicable to all Group companies and their management units is in place. Statutory and management reporting principles and support tools are available on the Group employee portal.

The subsidiaries record their transactions in accordance with Group standards. Data are then adjusted, where necessary, to produce local statutory and tax accounts.

The reporting system includes consistency controls, a comparison of the opening and closing balance sheets and items required to analyze management results.

Key Internal Controls

A list of Key Internal Controls is reviewed annually. They cover:

- the Control Environment (including the Responsibility and Ethics program, chart of authority, segregation of duties, business continuity plan, retention of records, and business agents);
- operating processes (Procurement, Sales, Logistics, etc.);
- accounting and financial related cycles;
- Human Resources and Information Technology cycles.

The Key Internal Controls are available to all units on the Group employee portal and in the shared depository, along with appendices with more detailed information, links to policy descriptions, an explanation of the risks covered by each Key Internal Control, and a self-assessment guide. For each cycle, the Key Internal Controls cover compliance, reliability, risk prevention and management, and process performance. Operating units fill out self-assessment questionnaires concerning the Key Internal Controls using a digitized tool.

For new acquisitions, the acquired entities may continue with their existing controls in transition before deploying the Key Internal Controls.

8. How we manage risks

8.4 Risk identification and management

General risks at the Group level

The Internal Audit Department conducts interviews to update the list of general risks at Group level each year. In 2020, around 100 of the Group's top managers were interviewed in addition to external financial analysts, board members, and a sample of strategic customers. Since 2016, individualized risk matrices by Operation or by Business have been created.

The risks identified through these interviews are ranked by a risk score (comprising impact and likelihood of occurrence) and level of mitigation.

Risk factors related to the Company's business, as well as procedures for managing and reducing those risks, are described in "Risk factors", chapter 1, section 9.1, page 49. These procedures are an integral part of the internal control system.

The risk matrix and the analysis of changes from one year to the next contribute to the development of an internal audit plan for the following year. Around two-thirds of the risk categories identified in the Group's risk matrix are audited by the Internal Audit Department over a period of five to six years to assess action plans for managing and reducing these risks.

Local risks related to the Company's business at the unit level

Local risks related to the Company's business are managed first and foremost by the units in liaison with the Operating Divisions, based on Group guidelines (particularly via the Key Internal Controls). Each subsidiary is responsible for implementing procedures that provide an adequate level of internal control.

The divisions implement cross-functional action plans for risk factors related to the Company's business identified as being recurrent in the units or as having a material impact at the Group level, as appropriate. The internal control system is adjusted to account for these risks.

Risks related to Solutions Business

The Solutions Risk Management Department defines and implements principles and tools designed to manage the contractual (such as limitation of liabilities), technical (such as technical discrepancy versus customer specifications), and financial risks (such as factors that may impact margin at solution execution phase).

The network of Solution Risk Managers assesses the risks and mitigations related to major projects in conjunction with the Subject Matter Experts and Tender Managers during the preparation of offers. Solution Risk Managers then provides a comprehensive, 360 degree view on project risk and mitigations to support the opportunity approval process.

Risk management by the Legal Department

The Legal Department oversee the legal affairs and manage the risks relating to legal.

The Financial Risk Insurance team contributes to the internal control system by defining and deploying a Group-wide insurance strategy, as defined in "Insurance strategy", chapter 1, section 9.2, page 69. The insurance strategy includes the identification and quantification of the main insurable risks, the determination of levels of retention, and the cost benefit analysis of the transfer options. The Risk and Insurance Department also defines, proposes, and implements action plans to prevent these risks and protect assets.

Risk management by the Global Security Department

The Group's Global Security Department defines corporate governance regarding loss prevention in the area of willful acts against property and people.

The Global Security Group Committee was created in 2017, uniting the Zone Security Leaders. Some of these leaders report directly to the Global Security Department and some to local management with functional reporting to Global Security. In close cooperation with the Compliance Department and the Risk and Insurance Department, Global Security is involved in assessing the nature of risk to our people, as well as defining adequate prevention and protection measures.

Global Security provides support to local teams for any security issues (site audit, expatriates or local employee security, security on assignments, etc.). The team also:

- publishes internally, a table of "Country Risks" for use in security procedures that are mandatory for people traveling, expatriates, and local employees;
- provides daily coordination with the Group's worldwide partner in the field of medical and security assistance (International SOS & Controls Risks – start of contract in January 2011);
- organize, as needed, psychological support in some crisis context (Eutelmed – start of contract in April 2015).

It brings its methodology to develop emergency plans (evacuation plans, crisis management plans, etc.) and coordinates the corporate crisis team (SEEC – Schneider Electric Emergency Coordination Center, created in 2009) each time that it is activated. Global Security also participates in crisis management, in managing the corporate crisis cell, and in supporting local entities (to limit the consequences of the occurrence of certain risks such as civil war, weather events, pandemics, attacks on people, terrorism, etc.). In addition, it regularly organizes Security Audits (R&D centers, head offices, sensitive plants, etc.).

Global Security sits on the Group Operations Compliance Committee (previously named Fraud Committee) alongside Compliance, Internal Audit, and the Legal Department. Security supports internal investigators as well as contributing to the Group's methodology and procedures to conduct investigations properly; in accordance with the law.

Management of cyber and product security and associated risks across Schneider Electric

The Cybersecurity and Product Security Functions inside the Governance organization define the Company's cyber and product security strategies and approaches. The departments are accountable for protecting Schneider Electric's business operations; securing the digital assets and offers for Schneider Electric and subsidiaries; managing the Cyber Risk Register; driving cybersecurity awareness across the Company; owning the creation, maintenance, and enforcement mechanisms of cyber and product security policies; ensuring the execution of cyber and product security initiatives across Schneider Digital functions and entities; and managing the Cybersecurity Incident Prevention, Detection and Response process.

8. How we manage risks

8.5 Control procedures

In addition to the general missions already described, this section describes specific measures taken in 2020 to improve the Group's control system.

Operating units

For internal control to be effective, everyone involved must understand and continuously implement the Group's general guidelines and the Key Internal Controls.

Training in Key Internal Controls continued in 2020 for those involved for the first time in the annual self-assessment process: newly promoted managers and units recently integrated. Operational units undertook self-assessment of compliance with the Key Internal Controls governing their scope of operations.

The self-assessments conducted during the 2020 campaign covered more than 90% of consolidated sales and made it possible to define improvement plans in operating units, when necessary. The ultimate goal is that these evaluations should cover at least 90% of consolidated sales each year.

The self-assessments are conducted in the units by each process owner and reviewed by the respective function. Practices corresponding to the Key Internal Controls are described and the entity is either compliant or not compliant with a particular control.

If a particular unit is non-compliant with any of the controls, an action plan is defined and implemented to achieve compliance. These action plans are listed in the self-assessment report.

The unit's financial manager and entity manager certifies the overall results of the self-assessments.

The regional internal controllers carry out controls on site to assess the reliability of self-assessments and conduct diagnostic missions as requested by management.

Global Functions

In 2020, the Global Functions continued to set guidelines, issue instructions, and provide support.

For example:

- the Global Security Department activated and led the Schneider Electric Emergency Coordination Center in response to COVID-19;
- the Global Security Department has worked in close collaboration with Global Compliance on organizational resilience topics to include better alignment of Crisis Management with Business Continuity Management;
- Global Security transferred the Travel Policy and general program management to Global Effectiveness to enable Global Security focus on improving Travel Security;
- the Solutions Risks Management team prepared the Solution Business Policies (approve and in force) to clarify the rules to be applied when contracting for a solution project;
- the Cybersecurity and Product Security Functions performed a full refresh of security policies, executed several cyber drills, completed cyber risk register assessments with an external partner, and executed cybersecurity initiatives from strategic investments such as supply chain security, insider trust, recovery, resilience capabilities, product vulnerability assessments and many others; and
- the Treasury Department continued the deployment of the Treasury management system across the Group. During the crisis, Treasury organized a close follow-up of cash generations and cash forecast throughout the Group which was largely simplified by the use of common tools for Treasury and credit throughout the Group. The achievement in first half of 2020 and the large liquidity available for the Group eased additional follow-up at year end.

Internal Control Department

The Internal Control Department continued to deploy the Key Internal Controls – training and requests for self-assessments – throughout the units, with the scope extended to cover new units.

In 2020, certain Key Internal Controls that have been identified since 2015 as critical remained a focus and actions were taken to increase their level of awareness and compliance.

The list of Key Internal Controls continues to evolve.

A new software package for the management of self-assessment questionnaires and follow-up action plans of internal audit and internal control was introduced in 2020.

The local Internal Control team which consists of around 14 members located in various geographies dedicated their efforts to improving internal controls in the local entities.

Internal Audit Department

The Internal Audit Department contributes to the analysis and to strengthening the internal control system by:

- mapping general risks;
- verifying the effective application of Key Internal Controls during audit assignments;
- reviewing the audited unit's internal control self-assessment and related action plans.

Audit assignments go beyond Key Internal Controls and include an in-depth review of processes and their effectiveness.

Internal Audit also reviews newly acquired units to assess their level of integration into the Group, the level of internal control and the effectiveness of operational processes, as well as ensuring Group rules and guidelines are properly applied, and more generally comply with the law.

A summary overview of the department's audits makes it possible to identify any emerging or recurring risks that require new risk management tools and methodologies or adjustments to existing resources.

In 2020, Internal Audit performed 34 audits, including:

- audits of units;
- audits of a number of risks and operating processes;
- analyses of internal control self-assessments by audited units;
- follow-up audits to ensure recommendations are applied;
- assistance assignments.

The number of audits performed in 2020 has been lower compared to the plan presented to the Audit Committee in December 2019 due to the circumstances stemming from the COVID-19 outbreak (lockdown in various countries, travel bans, etc.). A certain number of audit missions had to be cancelled or postponed and some were replaced by assignments aiming to support the Group's crisis response efforts such as a systematic review of the Group's Business Continuity Plans, an assessment of the compliance with the instructions set out in the directives related to the post lockdown "return to office/plant" process, or a review of the customers' credit risk mitigation measures implemented across the sales organizations.

The most common findings and observations derived from these audits relate to the following topics: awareness of the Principles of Responsibilities and of the Responsibility & Ethics Dynamic program, segregation of duties and access rights to IT systems, management of price conditions, alignment with the Chart of Approval, solutions and projects bid management and margin control at the execution phase, security of payments, and business continuity related aspects.

The Regional Internal Controls team completed more than 103 on-site inspection missions in 2020 to assess the level of internal control and issued the necessary recommendations when needed.

Group Operational Compliance Committee

The Group Operational Compliance Committee defines the process to detect and manages non-compliance of ethical cases with appropriate investigation process. The governance on Ethics & Compliance is reflected in "Ethics & Compliance program", chapter 2, section 2.4, page 103.

8. How we manage risks

8.6 Internal control procedures governing the production and processing of consolidated and individual Company accounting and financial information

In addition to:

- its regulatory tasks;
- its responsibility for overseeing the close of accounts across the Group;
- its audits of the Group's results with respect to set targets (see "Global Finance Department" within "Organization and management: internal control key participants", section 8.2, page 40);

The Reporting and Consolidation unit is tasked with overseeing:

- the quality of reporting packages submitted monthly by subsidiaries;
- the results of programmed procedures; and
- the integrity of the consolidation system database.

In addition, the Reporting and Consolidation unit ensures that:

- given that the Group consolidated financial statements are finalized a few weeks after the annual and half-year balance sheet date, subsidiaries perform a hard close at May 31, and November 30, of each year so that most closing adjustments for the period can be calculated in advance;
- the scope of consolidation as well as the Group's interest and the type of control (exclusive control, joint control, significant influence, etc.) in each subsidiary from which the consolidation method results, are determined in cooperation with the Finance, Control & Legal Affairs Department;

- instructions to the units on the closing process, including reporting deadlines, required data and any necessary adjustments are issued;
- the Group's consolidated financial statements are analyzed in detail, to understand and check the main contributions by subsidiaries, as well as the type of transactions recorded;
- accounting classifications are verified;
- the preparation and approval of the statement of changes in equity and the cash flow statement are the key control points.

The internal controls used to confirm the existence, completeness and value of assets and liabilities are based on:

- each subsidiary's responsibility for implementing procedures providing an adequate level of internal control;
- defining levels of responsibility for authorizing and checking transactions;
- segregating tasks to help ensure that all transactions are justified;
- the integration of statutory and management reporting systems developed to guarantee the completeness of transaction data recorded in the accounts;
- all of the subsidiaries apply IFRS with regard to recognition principles, measurement and accounting methods, impairment, and verification;
- checks and analyses as described above, performed by the Reporting and Consolidation unit.


















9. Risk factors

9. Risk factors

9.1 Principal risks

The Group risk inventory is organized in four categories and includes 17 key risk factors identified.

The key risks selected and presented below are the risks considered by the Group as specific to its business and identified as having the potential to affect its activity, its image, its financial situation, its results, or the achievement of its objectives. Other risks, not identified or not significant according to the Group, could eventually affect its performance. In each category, risks are ranked on a descending order impacting the Group (the first one being the most likely to affect the Group). This ranking is the result of the process performed as part of the overall risk management described in "Risk identification and management", section 8.4, page 44. It is established on the potential net impact corresponding to the potential impact (financial/human/legal/reputation), considering the current mitigation and reduction measures, as well as the probability of occurrence of this risk.

| | Categories and Risks | Potential net impact | Page |
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| 1.2 | Export controls |  | 51 |
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| 2 | Risks related to Operations | | |
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| 3 | Risks related to Internal Organization | | |
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Key to symbols

 High impact  Medium impact  Low impact

9. Risk factors

Preamble – COVID-19

COVID-19 has significantly affected all regions in the World, with various impacts among countries. Therefore, the impacts of the COVID-19 pandemic are significantly different from one zone to another one. As a result of regularly evolving measures taken by governments and local authorities to contain the pandemic, impacting local and global economies, the business risks associated with COVID-19 are extremely difficult to predict.

The COVID-19 crisis has emphasized the impact and probability of occurrence of certain existing risks such as i) People Safety, ii) Supply Chain flexibility, iii) Talent attractiveness, workforce engagement, sales force upskilling, and recruitment of digital competencies, iv) IT systems management, and v) Counterparty risks. For that reason, Schneider Electric has decided to address the COVID-19 pandemic risk within already existing or emerging risks.

A specific COVID-19 taskforce and crisis teams have been set-up throughout the organization to monitor and mitigate the impact of COVID-19. Overarching principles have been set by senior management, while empowering businesses and countries to take the appropriate decisions and actions in their own environment context. Particularly, Schneider Electric is absolutely committed to provide a safe workplace for all its employees as well as for its customers and partners when interacting with them. Particular efforts have been made to formalize Business Continuity Plans and to share them with Customers as needed.

1. Risks related to the environment in which the Group operates

1.1 World deglobalization and fragmentation

Risk description

Stable trade is beneficial for economic growth. Trends of increased mercantilism is lending towards regionalization of trade around the United States, China, Russia, Europe, and Indian poles. Regionalized, rather than globally balanced government regulations and policies on, but not limited to, digitization, circularity, carbon, supply chain management, and others could handicap offer development efficiency through redundant efforts. These offer development duplication efforts can potentially impact Schneider Electric's profitability. In addition to the trade regionalization trend, technology decoupling, specifically between the US and Chinese poles, have been observed through increased regulations.

Furthermore, this acceleration of regional versus global trade and technology policies is increasing the pressure on the supply chains of global companies in the forms of both tariff and non-tariff barriers. As such, trade wars could disrupt Schneider Electric's operations and global supply chain. The above- mentioned combination of both nationally orientated tariff and non-tariff burden could increase the cost to market and potentially adversely impact the Group profitability.

2020 Specific events – COVID-19

In 2020, the COVID-19 pandemic has accentuated this regionalization trend. The multiple waves of the pandemic have impacted, and are still successively impacting, the different global regions; disrupting supply chains and therefore requiring strong resilience.

Risk mitigation

In order to mitigate the risk on supply chain efficiencies and tariffs impacts, Schneider Electric has implemented a multi-hub organization. The Group has R&D and supply chain activities, suppliers, and commercial networks in the main international hubs, which are North America, EMEA, and Asia. In this multi-local context, Schneider Electric can rebalance its activities across geographies.

This setup has proved pertinent as the Group has demonstrated a solid resilience in 2020.

Schneider Electric uses prospective scenarios planning, focusing on geopolitics and trade. While the pace of external changes continues at a historically unprecedented scale regionally, global teams are working across stakeholders from business units, R&D, Regional Operations, and Transversal functions (i.e. Finance, Supply Chain, Legal, Marketing).

Key to symbols

 High impact
  Medium impact
  Low impact

1. Risks related to the environment in which the Group operates

1.2 Export Controls

Risk description

International, Foreign, and National Export Control Laws and Regulations govern the transfer of goods, services, and technologies within a country or between countries and/or their nationals. Elements that may trigger restrictions and licensing requirements may include, but are not limited to, countries, parties, product, and end-uses.

Schneider Electric being a Multi-National Corporation (MNC) with international operations spanning across more than 100 different countries worldwide, must constantly ensure full compliance to such laws and regulations by implementing a robust corporate export control compliance program. As any implications may result in a significant impact on the Group's businesses, results, reputation, and financial position.

Albeit that Schneider Electric's product portfolio only has a limited product range that may have dual-use goods features as well as non-dual use goods (e.g. breakers) that may be used in sensitive applications; restriction or licensing requirements may apply to these products, especially if associated with political sensitive countries and destinations.

Risk mitigation

Schneider Electric has comprehensive policies and processes to ensure compliance with applicable export control laws and regulations ("Schneider Electric Export Control Program") and to mitigate the above described risks. The Global Export Control Center of Excellence, as part of the Schneider Electric Global Legal and Risk Management Function, oversees the monitoring and enforcement of the Schneider Electric Export Control Program.

The Schneider Electric Export Control Program may include, but are not limited to, embargo and restricted country, denied party, dual-use goods and sensitive end-use screenings; incorporation of Export Control provision in the main sales and procurement contractual template; and conducting of regular awareness and online and classroom training sessions for all relevant Schneider Electric employees.

The Schneider Electric Export Control Program will continue its enhancement and updates to ensure compliance with applicable export control laws and regulations.

Key to symbols

 High impact
  Medium impact
  Low impact

9. Risk factors

1. Risks related to the environment in which the Group operates

1.3 New players such as digital giants, software players, and energy majors entering the energy efficiency and renewable energy space



Risk description

Schneider Electric operates in the energy market which attracts new players and creates a new competitive landscape. Indeed, the energy industry is undergoing major transformations and disruptions driven by the following main trends:

- A net-zero world: pressure on climate change and sustainability call for a change in business practices;
- An all-electrical world: oil majors urged to reduce their impacts on carbon emissions;
- An all-digital world: increasing influence of digital giants and software players.

In this context, Schneider Electric's competition landscape is evolving, and the Group can now see some digital giants, software players, or large companies such as energy majors positioning themselves – directly or indirectly – as providers of energy efficiency, which may compete with the digital services Value Propositions currently developed by the Group.

Risk mitigation

The Group is driving competition performance analysis and follow-up of organizational changes and M&A news, and reviewing its competitors peer group and all key players in its environment.

To anticipate these changes in the competitive landscape, the Group is communicating more widely its values and positioning on climate change and sustainability.

Schneider Electric also reinforces its offer portfolio with acquisitions or investments in software companies, such as RIB Software, ProLeiT, and Planon in 2020.

Schneider Electric provides a full portfolio of solutions for customers (hardware and software) – as EcoStruxure™ solutions – and energy and automation digital solutions for efficiency and sustainability.

It is also developing the Group's network of partners and reinforcing its Strategic Technology Alliances.

Key to symbols

- High impact
 Medium impact
 Low impact

1. Risks related to the environment in which the Group operates

1.4 Corruption linked to B2B and project business

Risk description

The exposure of the Group to corruption risk has been increasing for several years, due to the expansion of the Group's activities in new economies, especially in Asia and Africa, through organic growth and mergers and acquisitions.

The business model of the Group relies on a large ecosystem of partners, including more than 50,000 suppliers throughout the world representing a procurement volume in excess of EUR12 billion, and also, resellers and distributors. This ecosystem may represent a risk for the Group; being accountable for activities performed on its behalf, and in regards to potential conflicts of interest or unethical solicitations.

In addition, the Group is participating in complex projects involving a large range of partners in sectors at risk, such as oil and gas, and with end-users from the public sector in countries at risk.

Over the past three years, the increase of law enforcement by public authorities, higher press coverage of fines imposed on companies, and new regulations requiring a strong compliance program have significantly changed the potential impact of corruption risks.

Risk mitigation

To mitigate this risk, Schneider Electric has built a dedicated Group Compliance Team, composed of corporate compliance counsels and regional compliance officers. Since August 2020, a new Ethics & Compliance Department has been creating overseeing – among others – the Fraud Examination Team.

A global whistleblowing system available for employees and for external stakeholders is also managed to combat this risk. In 2020, 549 employee and 76 external stakeholder alerts have been received and managed through follow up inquiries.

In addition, the Group Ethical Charter, Principles of Responsibility, was updated in April 2019 with reinforcing guidance regarding anti-corruption commitments. In August 2019, the Business Agents Policy was updated and deployed, and in November 2019, the same process was applied to the Anticorruption Code of Conduct with the new version released at this date.

Furthermore, action plans related to global and regional corruption risk mapping were deployed in 2020, and internal controls and Internal Audit missions were reinforced on compliance risks with several audits performed.

94% of employees exposed to corruption risks have been trained thanks to Anticorruption e-learning. The content of this e-learning is updated each year.

A system built-in segregation of duties control is in place in the Group's main ERPs.

All compliance-related aspects are part of due diligence done by the Group for mergers and acquisitions and a specific M&A Compliance framework was put in place in February 2020. For detailed 2020 actions, please refer to chapter 2, section 2.4, page 105.

Key to symbols

● High impact ● Medium impact ● Low impact

9. Risk factors

1. Risks related to the environment in which the Group operates

1.5 Strengthening of chemical and resource-related regulations in the Electrical and Electronic Equipment space

Risk description

Schneider Electric's plants and products are subject to strict environmental laws and regulations.

Many countries have increased legal requirements for the use of chemicals and resources, both in manufacturing processes and in the bill of materials of products.

Key Product Environmental regulations were strengthened in 2019, especially those specific to Electric and Electronic Equipment (EEE): RoHS (restriction of hazardous substances in electrical and electronic equipment) and WEEE (waste electrical and electronic equipment). RoHS bans ten chemical substances used in many product categories sold by Schneider Electric: this may require substitutions and may represent a considerable risk of non-compliance. WEEE concerns the Group Extended Producer Responsibility and obliges an active role in the framework of products end life, particularly in terms of financing the collection channels.

In addition, as described in Note 21 (see "Notes to the consolidated financial statements", chapter 4, section 5, page 338), provisions of EUR259 million are set aside to cover environmental risks. These provisions are primarily funded to cover clean-up costs (not potential penalties). The estimation of the expected future outflows is based on reports from independent experts.

French "Duty of Care" and country-specific initiatives (e.g. China) have reaffirmed the expectations towards engaging suppliers in environmental de-risking efforts.

In relation with Mergers and Acquisitions (M&A) Schneider Electric needs to critically assess environmental risks of all acquired companies' product portfolios to ensure strict environmental compliance of all their products, in every market where they are traded.

Local regulations could force a percentage of recycled content in some product categories, where neither the relevant recycled resources may be available, nor the product certified or accepted – with recycled content – by IEC, NEMA, or any other electrical standards.

Regulations could phase out specific chemical substances or resources too quickly, with no suitable alternative being found in a scalable manner.

Risk mitigation

The Group's Integrated Management System (IMS), which covers safety, energy, quality, and environment, continues to be deployed across all industrial sites and major commercial offices.

Offer Creation Process (OCP) is strict, and each step and deliverable embed ecoDesign ambitions and principles: selection of resources, identification of critical substances, life cycle assessment, and then production of REACh and RoHS report.

The Group's community of ecoDesign business partners train the R&D teams in all new and upcoming environmental regulations and assist them with precise guidance.

Environmental and Safety compliance audits, conducted by third-party consultants or internal specialists, take place periodically across countries.

Schneider Electric has been part of taskforces on the Circular Economy, playing leadership roles in multi-stakeholder dialogues in Europe, China, and the US, to discuss opportunities and hurdles: regulations, environmental impacts, protection of customers' interests, and job creation. Schneider Electric is active in France's Circular Economy Roadmap and engaged in China with MIIT on circular economy. The Group leads GIMELEC and FIEEC, and engages in discussions on circular economy relating to its sector with IGNES, ORGALIME and other various circles.

Key to symbols

● High impact ● Medium impact ● Low impact

1. Risks related to the environment in which the Group operates

1.6 Human rights, environmental, and safety issues through the value chain

Risk description

The exposure of the Group to human right risks has been increasing for several years, due to the expansion of the Group's activities in countries with lesser regulatory framework regarding human rights.

Specifically, Schneider Electric's procurement volume represents more than EUR12 billion with more than 50,000 suppliers. As part of the Duty of Vigilance program in the supply chain, Schneider Electric has performed a risk analysis through its network of suppliers and identified potential risks in the following areas:

- Human rights
- Environment
- Ethical Business Conduct
- Cybersecurity

The occurrence of these risks with third party may result in the following impacts on Schneider Electric:

Reputation

Schneider Electric's image may be negatively impacted by third party who:

- Do not respect human rights or safety rules for their workers.
- Are responsible for pollution and damage to the environment.
- Are conducting business in a non-compliant or illegal manner.

Disruption of supply chain may occur due to:

- Short-term termination of relations with a supplier.
- Events resulting from a lack of safety or insufficient protective measures (e.g. fire prevention) that may affect the supply of components.
- Damage to data exchanged with suppliers or digital systems (e.g. virus, malware).

Legal

Over the past two years, laws regarding human rights protection, such as modern slavery matters in Australia, or the European Union's new framework on restrictive measures against serious human rights violations and abuses, have increased. Higher coverage of fines imposed on companies, and new regulations requiring a strong compliance program have significantly changed the impact of human rights violations risks.

Schneider Electric expects that the exposure will continue to grow, in reference with the current drafting of a Duty of Vigilance regulation at European level, as well as the European Action Plan on Human Rights and Democracy 2020-2024, which sets out ambitions and priorities for the next five years in this field. In addition, the current discussions on human rights due diligence framework at United Nations level, supported by the Global Compact that Schneider Electric is part of, will certainly increase the pressure on the private sector to tackle human rights challenges in the supply chain.

2020 Specific events

In France, in 2019, disputes began between NGOs and French companies (excluding Schneider Electric) concerning non-compliance with the duty of vigilance. A French judge made a ruling on December 10, 2020, recognizing the sole competence of the commercial court in the case of potential violation of the Duty of Vigilance law by companies, downgrading the risk exposure to a civil one. Nevertheless, NGOs will certainly lodge an appeal with the French Cour de Cassation, so the legal analysis is not yet closed.

Key to symbols

- High impact
- Medium impact
- Low impact

9. Risk factors

1. Risks related to the environment in which the Group operates

Risk mitigation

Human rights are part of the Ethics & Compliance program which is managed by the Ethics & Compliance Committee, and Legal and Sustainability Departments. More specifically, human rights are managed by the Sustainability Department with the support of the Ethics & Compliance Committee in regards to risk identification through risk assessment as well risk detection, with the whistleblowing system available for employees and for external stakeholders.

Regarding training, e-learning on Principles of Responsibility is mandatory for all employees and, in 2020, focused on human rights amongst other ethics & compliance topics. 93% of employees completed it by end of 2020.

Suppliers are selected according to the "Schneider Electric Supplier Quality Management" system, which includes sustainable development criteria weighing 30% of the total evaluation of a supplier.

In 2019, Schneider Electric organized the Global Suppliers Day. During this day, the Principles of Responsibility were introduced to suppliers.

As part of the Group's 3-year sustainability plan for 2018-2020, strategic suppliers are requested to submit (themselves) to an ISO26000 evaluation. Consistent with a continuous improvement effort, these suppliers have achieved on average a +6.3 points increase between 2018 and 2020.

Schneider Electric has built a supplier vigilance plan in which risky suppliers are identified using criteria that take into account the geographical location of the supplier, the technologies, and the processes used. A three-year audit plan is then built to perform at least 350 on-site supplier audits. When non-conformances are identified, corrective actions are deployed. The suppliers are then re-audited to verify that the actions have remediated the non-conformances. As of end 2020, 94% of non-conformances from 2019 have been closed. The supplier vigilance plan also includes an internal training program for Schneider Electric Procurement teams and workshops with suppliers.

Several actions will be launched in 2021 as part of the new SSI and SSE program, especially in regards to decent wages within the Company and our supply chain, as well as "social excellence" programs for our suppliers.

Key to symbols

 High impact
  Medium impact
  Low impact

2. Risks related to Operations

2.1 Risk of cybersecurity on the Schneider Electric infrastructure and its digital ecosystem

Risk description

Schneider Electric, like other organizations with a similar global footprint and presence, is exposed to the risk of cyber attacks and data privacy breaches.

As an industrial and technology company, the Group has IT and Operational Technology activities spread over more than 25 sites, with major R&D activities, and more than 200 production and logistic units.

On those sites, Operational Technology systems are converging more and more with IT systems, especially through the use of Internet of Things expanding the overall attack surface.

Additionally, the move from a product-centered business model to a service-oriented business model with software (e.g. digital offers like "Advisors" software suites or managed digital services) and augmented data naturally increases cybersecurity risks, such as data breaches and intellectual property theft.

Risk mitigation

- The NIST framework (Identify, Protect, Detect, Respond, and Recover) is used with a Cyber Risk Register and High-Value Assets program (more than 25 crown jewels).
- Cyber threats are mitigated by implementing cyber practices and capabilities, policy driven controls, and enforcing mechanisms. For example, through the implementation of a Data Protection program, Source Code Management framework, and System & Solution security program.
- Global Cyber incident response is in place. Events and incidents are monitored through a Security Operations Center, driven jointly with the Group's partners.
- Schneider Electric's posture is continuously revisited and adapted through "reality checks", including emergency and improvement plans across the Company and cyber scoring platforms.
- Around 100% of connected users and nearly 40,000 workers were trained in cybersecurity in 2020.
- Multiple cyber risk assessments were completed in 2020 by the Group's cybersecurity consulting partners. Furthermore, this year, five cyber crisis simulation exercises were performed.
- Independent "reality checks" were performed: three cross-cutting internal audits and external assessments.

Key to symbols

- High impact
- Medium impact
- Low impact

9. Risk factors

2. Risks related to Operations

2.2 Connected products at Schneider Electric or customer sites used as a gateway to attack Group's customers and partners



Risk description

The Energy Management and Industrial Automation sectors, like many others, are becoming more digital with pervasive IoT usage and augmented data being major accelerators for mobility, the cloud, pervasive sensing, big data, and analytics.

The resulting increased digitalization of products, including native connectivity, is increasing the exposure to cybersecurity risk, where connected products and digital offers (e.g. "Advisor" type of offers, remotely managed services) at Schneider Electric or customers sites could be used as a gateway for malicious cyberattacks.

Schneider Electric has launched an ecosystem collaboration platform called Exchange with over 50,000 registered users, approximately 300 apps, more than 150 service providers listed, and around 100 communities onboarded.

These types of digital offers and platforms, if compromised, could negatively affect service quality, profitability, and reputation of Schneider Electric.

Risk mitigation

The Product Security Office is reinforced with a strong mandate and connection across the business units and Schneider Electric Digital.

Schneider Electric is developing products and securing the ecosystem in conformity with cybersecurity standards. Schneider Electric follows a Secure Development Life cycle process to build cybersecurity into its products, even before the design stage.

IoT Cloud Platform (EcoStruxure™ Technology Platform) has implemented controls that are mappable against ISO27001 standard.

The Group enforces digital security and privacy conformance when assessing platforms, applications and digital offers (Digital Certification Process).

In case of cyber incident, a process of response, connecting, and debriefing is organized with partners and customers.

In 2019, security and privacy design were enhanced with a new Secure Development Life cycle and certified against IEC62443-4-1. In 2020, all digital offers (mainly "Advisor" software suites) were assessed in the framework of digital security and privacy conformance.

Key to symbols

High impact
 Medium impact
 Low impact

2. Risks related to Operations

2.3 Product quality

Risk description

Schneider Electric has more than 260,000 references produced in 191 factories, spread across 46 countries around the world.

Operating in essential industries, product quality and safety is a critical topic for the Group as product malfunctions or failures could result in Schneider Electric incurring liabilities for tangible, intangible damages, or personal injuries. The failure of a product, system, or solution may involve costs related to the product recall, result in new development expenditure, and consume technical and economic resources.

Schneider Electric's products are also subject to multiple quality and safety controls and regulations and are governed by both national and supranational standards. New or more stringent standards or regulations could result in capital investment or costs of specific measures for compliance.

The above-mentioned costs could have a significant impact on the profitability and cash equivalent of the Group. The business reputation of Schneider Electric could also be negatively impacted. Indeed, the Group has been impacted by several recalls recently, more or less ranging from EUR10 million to EUR40 million, depending on the case.

Risk mitigation

In 2019, the Group launched a specific program called Phoenix to continue to strengthen manufacturing tools and processes. This is extended to logistic processes and suppliers, and leverages processes digitization at suppliers' sites and in our own entities.

To ensure improvement in the area of design, the Group launched in mid-2020, a dedicated program, ReeD (Reliability End To End by Design), to secure fundamentals and ensure full integration of new customer expectations (from Quality to Reliability).

The Group grows its new design offer through constant learning, insights from the current offer, and leverage methodologies such as "Agile" to embed quality in each and every design step.

Thanks to advanced analytics, the Group is starting to proactively listen for weak signals from internal captures or from customer experiences.

Key to symbols

 High impact
  Medium impact
  Low impact

9. Risk factors

2. Risks related to Operations

2.4 Supply chain resilience

Risk description

The Group is exposed to supply chain dependency and business continuity risk.

For instance, one cluster of plants in South East Asia supplies 80% of a EUR1 billion line of business. Any incident or interruption of production (i.e. natural disasters, social unrest, pandemics) at a plant could lead to shortages, compensation costs, or top line losses. Schneider Electric has identified all critical supplies that can affect its operations and delivery to its customers.

The Group large network of suppliers also create a resiliency risk as they can also be exposed to business continuity risk and impact Schneider Electric operations.

Finally, the increase of circular economy regulation could increase the pressure on product traceability. Failure to comply with those regulations could result in fines, potentially impacting the Group's profitability and reputation.

Risk mitigation

The Group requires each of its sites to have a robust business continuity plan for any large-scale events which can severely impact the business, such as natural disasters, social unrest, and pandemics. Each of Schneider Electric's sites has an assigned business continuity leader whose role is to manage this process if something occurs and initiate a crisis management command center at a local level and, if necessary, at a global level at headquarters, led by the Global Security Officer. This process has a proven track record of success and continues to protect the Group's people and assets.

In addition, the Group launched a EUR150M resiliency plan over the next 3 years to specifically reduce *time to recover* if a business continuity incident shall occur in one of its supply chain critical site. It aims for those critical sites to have at least a backup production site located in a different region of the world. Redundancy is also created on critical supplies through multisourcing to improve the Supply Chain resilience.

Schneider Electric is also investing in specific modelization tools to optimize its strategic inventories volume & location in order to reduce *time to survive* to a business continuity event.

Finally, the Group's supply chain strategy team assesses the supply chain flexibility and resilience on an ongoing basis to ensure the right level of flexibility and capacity from one site to another, if there is a need due to interruption. This is well understood by the supply chain leadership. The Group has a network of more than 190 factories and 90 distribution centers globally and has built a network of 7 control towers (in each region) that monitors major events possibly impacting Schneider Electric Supply chain. Each control tower is equipped with digital capabilities to launch adequate alerts & adapt in real time the Group Supply Chain flows and provide its customers peace of mind that the Group is resilient and able to deliver a world class service.

Key to symbols

 High impact
  Medium impact
  Low impact

2. Risks related to Operations

2.5 Digital evolution and software offers

Risk description

Major transformation in several areas is impacting the markets in which Schneider Electric operates, including the digitization of the Energy industry.

In the age of the IoT, customers expect ever smarter products with open interfaces enabling them to be tightly integrated into more and more complex software-based solutions and benefit from new services leveraging artificial intelligence and advanced algorithms.

The Group is investing in its digital transformation journey and as such is increasing the share of its digital offers. In 2020, software and digital services had a doubled-digit growth, (e-commerce sales & connected customers and Assets under Management (AuM)). As such, Schneider Electric is focusing on offering more digital services, generating more recurring revenues, and increasing customer retention.

Also, in 2020, the Group has acquired 88% of RIB Software SE, a construction software provider, in order to expand capabilities in building life cycle digitalization. This acquisition continues Schneider Electric's journey to build a software portfolio and a leadership position in digital and sustainable smart building solutions.

The transformation risk will be linked to the monetization of this new digital portfolio in order to generate a steady revenue stream from this mass customers and products connectivity.

Risk mitigation

The Group has launched several initiatives including but not limited to:

- creation of a new organization dedicated to the growth of digital services with a clear ambition to leverage a robust strategy and structured offer portfolio;
- monetizing critical connected assets with advanced Advisor offer through installed base, using Artificial Intelligence and algorithms;
- definition of a consistent connectivity path for partners and direct go-to-market.

Key to symbols

- High impact
 ● Medium impact
 ● Low impact

9. Risk factors

2. Risks related to Operations

2.6 Pricing strategy

Risk description

Raw material inflation and foreign exchange rate fluctuation can impact the product cost, with differences across the product lines. Such fluctuations, if not offset by tactical pricing decisions in compliance with national and international laws, can negatively impact the Group's profitability. As an example, in 2018, the delayed adjustments to raw material inflation led to an EUR80 million sales mis-opportunity.

In addition, the current market evolution requires different ways of working as e-commerce and the internet are evolving quickly and the factors are becoming more regional and, in many cases, global.

Risk mitigation

To anticipate negative impact on profitability, the Group has reinforced its comprehensive global pricing program with robust compliance, pricing, and quotation tools.

Key to symbols

 High impact  Medium impact  Low impact

2. Risks related to Operations

2.7 Competition laws

Risk description

Schneider Electric's products are sold in markets worldwide and are subject to national and supranational competition laws and antitrust regulations.

Some Group entities worldwide including, but not limited to, entities in Pakistan, Belgium, France, and Spain have been directly or indirectly cited in antitrust proceeding or investigated.

In Pakistan and Belgium, the Group inherited, and subsequently discontinued, local operations from Areva. These operations were investigated and sanctioned by the World Bank and the Belgium Competition Authority respectively.

In France, investigations were performed in September 2018 by the French police and antitrust authorities at Schneider Electric's head office and other premises concerning electrical distribution activities in France. Schneider Electric is cooperating with the French authorities in their investigations.

In Spain, the local subsidiary was indicted for anti-competitive behavior related to a previously owned subsidiary. The investigation was concluded in February 2020 without any significant consequence for the Group.

Risk mitigation

The whistleblowing system of Red line for employees and Green line for external stakeholders such as suppliers is managed to identify any inappropriate practice or behavior with competitors or business partners that may be reported.

Furthermore, internal controls and Internal Audit missions have been reinforced on compliance risks, including in respect of competition and antitrust risks.

A revised compliance due diligence program for mergers and acquisitions was issued to strengthen upfront identification of compliance issues with potential acquisition targets.

The Group updated and deployed the revised Group Principles of Responsibility in April 2019, with reinforced guidance regarding competition and antitrust rules, and issued various other policies and directives related to competition and anti-corruption.

Key to symbols

 High impact
  Medium impact
  Low impact

9. Risk factors

3. Risks related to Internal Organization

3.1 Talent attractiveness, workforce engagement, sales force upskilling and recruitment of digital competencies



Risk description

The digital transformation comes with the need for specific skills, especially in the areas of technologies, services, energy efficiency, sustainability solutions, and consultative selling. To consult on digitization and to support agile ways of working, the Group must prioritize digital-centric positions. For Schneider Electric, the top areas of focus include: software product owners, software developers, scrum masters, agile coaches, data scientists, data engineers, UX/UI designers, integration architects, cybersecurity specialists, and security engineers. Currently, at Group level, there are approximately 8,000 digital technologists with the largest concentration of employees in India, the US, France, and China.

Competition for highly qualified management and technical personnel, particularly business technologists, is intense in the Group's industry and becomes a bigger challenge as the Group continues its trajectory of growth. In 2020, approximately 15% of global professional hires were in digital-centric roles – in line with the digital hiring composition from the prior year.

Future continued success depends in part on the Group's ability to attract, hire, onboard, develop, and retain the best qualified personnel. In addition to critical skills, workforce diversity – especially gender, generation, and nationality/race – is a priority. For example, in 2020, 45% of white collars hired globally were early-career/fresh graduates to ensure a continued supply of early-career talents. Also, at Group and country levels, more programmatic efforts are in progress to support "senior talents" in regards to future skills development, knowledge transfer, and career assignments to leverage their expertise and experience.

Risk mitigation

The Group's people strategy is strongly anchored in its new people vision, which includes the Employee Value Proposition and employer branding, as well as the business and sustainability priorities of the Company.

Schneider Electric's entire people strategy defines the transformation it wants to accomplish regarding business, workforce, and talent impact, including increasing diversity, equity and inclusion, pay equity, family leave, and flexible "new ways of working" policies. The people strategy in 2020 puts additional focus on creating more organizational agility through flexible working, structural efficiencies, and project and agile methods of work, as well as accelerating the diversity, equity, and inclusion agenda.

For employees, underpinned by a strong focus on career and skills development, regular career development conversations are supported and anchored by annual performance appraisals and development and career reviews. Training opportunities are defined by specific roles and include technical, behavioral, and digital learning offers. Global required trainings include: ethics and compliance, cybersecurity, anti-harassment, and digital acumen. In 2019, Schneider Electric launched an Open Talent Market platform to facilitate internal job and project assignments and a new digital employee listening tool to analyze employee engagement. The Open Talent Market platform was expanded to all countries in Q2 2020 and to date, 46% of employees have engaged in the Open Talent Market platform. Schneider Electric's continuous listening strategy ensures the Group listens to the employees throughout their employment life cycle (onboarding, OneVoice internal survey, exit, etc.), and acts on their feedback to drive engagement.

Key to symbols


High impact
 Medium impact
 Low impact

3. Risks related to Internal Organization

In addition, leaders of all entities take part in regular talent reviews and succession planning meetings, culminating with a year-end review with the CEO and CHRO. Focus is on the leadership pipeline and high potentials, technical and digital talents, workforce optimization, and succession. Targeted leadership development programs and training are offered to ensure continued technical and leadership skills development, including a "License to Lead" app for senior management. A new training and upskilling program for all sales representatives and sales leaders was developed in 2019 and deployed in 2020, as well as a new certification training program for key account managers. A financial acumen digital course was also deployed in 2020 with the goal that all senior management complete the course by H1 2021.

To continue to focus on the workforce of the future and Schneider's position as an attractive employer, talent acquisition and employer branding remain top priorities. While the strategy is to continue to build the pipeline and promote from within the Company, we have targeted skills and markets where there is proactive hiring. For example, the Group is focused on continuing the recruitment of interns, apprentices and fresh university graduates to help sustain the digital transformation. The Company continues to hire for critical skills and roles such as digital, software, data and cybersecurity, strategy, sustainability, and supply chain. The diversity ambition is also applied strongly to our external recruitment, especially for women in business and technology.

Key to symbols

 High impact

 Medium impact

 Low impact

9. Risk factors

3. Risks related to Internal Organization

3.2 IT systems management

Risk description

The Group operates either directly or through service providers, a wide range of highly complex information systems, including servers, networks, data repositories, applications and databases, on premise and in the cloud, that are essential for the efficiency of its sales and manufacturing processes, as well as platforms to enable digital offers such as EcoStruxure™. The Group is deploying various applications aimed at enhancing commercial experience, employee experience and supply chain efficiency as well as enabling digital commercial offers.

Significant failure in fulfilment by a service provider or a major network outage, hardware and/or system failure could adversely affect the quality of service offered by Schneider Electric.

In addition, the provision of safe and secure foundational Information Systems is critical to the ongoing expansion of digital offers and customer interactions. As the Group moves towards more digital offers, services and software, the variety of legacy systems makes it harder and more complex to evolve and scale.

Despite the Group's policy of establishing governance structures and contingency plans, there can be no assurance that information systems projects will not be subject to technical problems and/or execution delays. While it is difficult to accurately quantify the impact of any such problems, data loss, or delays, they could have an adverse effect on inventory levels, service quality, and, consequently, on the Group's financial results.

Risk mitigation

The Group regularly examines alternative solutions to protect against those risks, performs regular compliance checks on service provider service level agreements, and has developed contingency plans and incident response capabilities to mitigate the effects of any information system failure.

The Group undergoes constant evolution and planning pertaining to its information systems, which encompasses but is not limited to:

- ERP transformation and the evolution of the Group's financial systems to prepare for digital offers;
- Elimination of legacy IT applications and associated hardware to simplify the landscape and mitigate risks linked to obsolescence;
- Ensure the sustainability of the IT landscape with ongoing focus on business continuity and disaster recovery planning for hardware and software.

All new applications are subject to certification testing, attempting to remove system vulnerabilities. These systems are housed either in Data Centers (either managed by the Group internally or by service providers) or are cloud-based applications.

In 2020, the Group continued to reduce legacy IT applications through a dedicated "Technical Debt Reduction" program.

Key to symbols

-  High impact
  Medium impact
  Low impact

4. Financial risks

4.1 Counterparty risk

Risk description

The Group has a particularly wide international presence (more than 115 countries), with revenue almost equally spread across the four regions (Asia Pacific, Western Europe, North America, Rest of the World), and 41% of the revenue generated in new economies.

The Group is therefore facing multiple counterparty risks, as any economic downturn could lead to local liquidity issues with consequences in terms of cash collection and delay of payments from the customers, affecting adversely the Group's cash conversion rate.

The Group is also exposed to counterparty risk coming from financial operation with financial institutions including banks, for activity such as deposits and asset management, transactions implying flows in future value dates.

As of December 31, 2020, 12.8% of trade receivables were overdue, of which 1.7% by more than three months (refer to Note 16 in "Notes to the consolidated financial statements", chapter 4, section 5, page 330).

2020 Specific events

In 2020, some customer payment delays were particularly noted from February to May, as a consequence of the COVID-19 outbreak and the numerous lockdowns across the world. Payment delays were sorted out during the following months to reach normal levels by the end of the year.

Risk mitigation

Financial transactions are entered into with carefully selected counterparties and adapted terms and conditions are included in contracts with customers.

Banking counterparties are chosen according to the customary criteria, including the credit rating issued by an independent rating agency. Group policy consists of diversifying counterparty risks and periodic controls are performed to check compliance with the related rules.

In addition, the Group takes out substantial credit insurance and uses other types of guarantees (letters of credit and bank guarantees) to limit the risk of losses on trade accounts receivable.

As of December 31, 2020, the amount of the provision for receivables impairment is EUR 510 million (as described in Note 16 in "Notes to the consolidated financial statements", chapter 4, section 5, page 330).

Key to symbols

 High impact
  Medium impact
  Low impact

9. Risk factors

4. Financial risks

4.2 Currency exchange risk

Risk description

The Group's international operations and the particularly wide international presence expose it to the risk of fluctuation of exchange rates.

Fluctuations in exchange rates between the reporting currencies of the Group entities and the currencies of transactions can have an impact on the Group's results and distort year-on-year performance comparisons. The same applies to the fluctuations between euro and the reporting currencies, in a more significant proportion.

The main exposure of the Group in terms of currency exchange risks is related to the US dollar, Chinese yuan, and currencies linked to the US dollar.

In 2020, revenue in foreign currencies amounted to EUR 20.1 billion, including around EUR 6.6 billion in US dollars and EUR 3.7 billion in Chinese yuan.

The Group estimates that in the current structure of its operations, a 10% appreciation of the euro compared to the US dollar would have a translation effect of around minus EUR 78 million on adjusted EBITA.

The result of exchange gains and losses of 2020 amounts to EUR -36 million (as described in Note 7 in "Notes to the consolidated financial statements", chapter 4, section 5, page 323).

Risk mitigation

The Group manages its exposure to transactional currency risk to reduce the sensitivity of earnings to changes in exchange rates. Receivables and payables of the Group's subsidiaries denominated in currency other than their functional currency are hedged primarily by means of rebalancing assets and liabilities per currency (natural hedge).

More than 20 currencies are involved, with the US dollar, Chinese yuan, Singapore dollar, Australian dollar, British pound, the Hungarian forint, and Russian rubles representing the most significant sources of those risks.

Depending on market conditions, risks in the main currencies may be hedged based on cash-flow forecasting using contracts that expire in 12 months or less.

The financial instruments used to hedge exposure to fluctuations in exchange rates are described in Note 23 in "Notes to the consolidated financial statements", chapter 4, section 5, page 341.

Key to symbols

 High impact
  Medium impact
  Low impact

9.2 Insurance strategy

Why we think this is important

Schneider Electric's approach to managing risks is designed to defend the interests of employees and customers and to protect the Company's assets, the environment, and its shareholders' investment.

How we are mitigating the risks:

- We identify and analyze the impact of our main insurable risks.
- In order to minimize the risks of damage and protect our production capacity, we define protection standards (including for the sites managed by third parties), organize audits of our main sites by an independent loss prevention company, and roll-out of a self-assessment questionnaire for the other Group sites.
- We draw up business continuity plans, in particular for the Group's main sites and critical suppliers.
- We implement crisis management tools in conjunction with the Group's Global Security Department.
- We carry out hazard and vulnerability studies and safety management for our people and our equipment.
- We negotiate global insurance programs at the Group level for all subsidiaries with insurance companies meeting appropriate minimum credit ratings.
- We implement these global programs in countries where the Group operates in compliance with local regulations through a network of international brokers.
- We optimize financing for high-frequency/low-severity risks through retentions managed either directly (deductibles) or through captive insurance companies.

Liability insurance

A new insurance program has been put in place on January 1, 2020 for a period of three years. This program, deployed in more than 70 countries, provides coverage and limits in line with the current size of the Group and its evolving risks and commitments.

Certain specific risks, such as aeronautic, nuclear, and environmental, are covered by specific insurance programs.

Property damage and business interruption insurance

The insurance program, implemented as of July 1, 2019 for two years, was continued in 2020. This is an "all risks" policy which covers events that could affect Schneider Electric's property (including fire, explosion, natural disaster, machinery breakdown) as well as business interruption resulting from those risks.

2,150 locations in 67 countries are covered under this program. Assets are insured at replacement value.

Transport insurance

Risks of loss or damage to goods while in transit, including intragroup shipments, are covered by a global insurance program which was renewed in January 1, 2020 and is deployed in 38 countries.

Erection all risk insurance

The erection all risk insurance program, providing cover for damage to work and equipment for projects taking place at our clients' premises, was continued in 2020. This program is deployed in 35 countries.

Other risks

In addition, Schneider Electric has taken out specific cover in response to certain local conditions, regulations or the requirements of certain risks, projects, and businesses.

Self-insurance

To optimize costs, Schneider Electric self-insures certain high-frequency/low-severity risks through two captive insurance companies:

- a captive company based in Luxembourg provides mainly Property Damage and Transport reinsurance worldwide as well as Liability reinsurance outside the USA and Canada. The total amount retained for these risks is capped at EUR20.2 million per year;
- for the entities located in the USA and Canada, a captive insurance company based in Vermont (USA) is used to standardize deductibles for general/ products/professional liability, workers' compensation, and automobile liability. These retentions range from USD2 million to USD5 million per claim, depending on the risk. An actuary validates the reserves recorded by the captive company each year.

The cost of self-insured claims is not material at the Group level.

Cost of insurance programs

The cost (including tax) of the Group's main global insurance programs, excluding premiums paid to captives, totaled around EUR21 million in 2020.



EUREF-Campus realized its carbon neutrality goals 30 years ahead of schedule with EcoStruxure™ from Schneider Electric.

2

Sustainable development

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1. Sustainability at the heart of Schneider Electric's strategy

1. Sustainability at the heart of Schneider Electric's strategy

In this 21st century, humanity is facing the most daunting challenge in its history: the need to radically transform its economic growth model in less than 30 years or face catastrophic environmental and social repercussions. Continued growth of GHG emissions is causing the world to warm at a rate never recorded before, causing devastating effects: an increase in the frequency and magnitude of extreme climate events, melting glaciers, and worldwide biodiversity loss. However, solutions exist today to reverse the trend while bringing new business and job opportunities.

Resolutely determined to contribute to the 17 United Nations Sustainable Development Goals (SDGs), Schneider Electric's innovative solutions aim to overcome the energy paradox: balancing the need to reduce the planet's carbon footprint with the inalienable human right to quality energy and access to digital.

The Group is convinced that on this journey for a better planet, no one should be left behind – neither the 780 million people without electricity for whom Schneider develops inclusive business models and creates solutions for clean, safe, and reliable energy, nor the 50 million energy-poor Europeans the Group supports through its Foundation.

Schneider Electric has made its purpose clear: to empower all to make the most of our energy and resources, bridging progress, and sustainability for all. At Schneider Electric, we call this "Life Is On".

For 15 years, the Group has measured its holistic sustainability performance through a dashboard called Schneider Sustainability Impact (SSI) and has set specific governance bodies to ensure that sustainability is positioned within every part of the Group's strategy from the Board of Directors level (via the Human Resources and CSR Committee) to the Executive Committee level (via the Group Sustainability Committee) and diffuses to operational levels as well. Today, Schneider Electric is a recognized worldwide sustainability leader, notably ranked #1 Most Sustainable Corporation by Corporate Knights in January 2021, and a member of several initiatives and partnerships to advance collectively on the 17 SDGs.

2020 was a complex and pivotal year: we faced a global pandemic that challenged the Group to keep supporting critical life infrastructures, like hospitals and power systems, while protecting our employees and partners. We responded to the needs of our ecosystem of suppliers during these difficult times and also volunteered to help those most impacted by contributing to the manufacturing of protective equipment and respirators all over the world. The Tomorrow Rising Fund, set by the Schneider Electric Foundation, has benefitted 1.5 million people in 67 countries in response to the emergency and will continue to support the recovery of the education system and build stronger resilience. We also successfully exceeded our 2020 SSI target (9.32 vs 9/10 target), with 13 programs achieving or exceeding their 2018-2020 goal.

With only 10 years left to reach the SDGs, Schneider Electric has stepped up its commitments to accelerate the transformation by making new 2021-2025 commitments to drive real and meaningful impact over the next five years.

The Group's sustainability roadmap

2020

Reach the 21 objectives of the Schneider Sustainability Impact (SSI) 2018-2020 on its five pillars: climate, circular economy, health & equity, ethics, and development.

At the end of 2020, the SSI achieved a 9.32/10 score, well above the 9/10 target.

2025

Progress on our Climate Pledge to reach carbon neutrality in the Group's operations (with quality offsets).

Reach the eleven global, and one local, objectives of SSI 2021-2025, as well as the 25 objectives of Schneider Sustainability Essentials (SSE) under our 6 long term commitments (climate, equal, resources, generations, trust and local).

2018 – 2020

SCHNEIDER
SUSTAINABILITY
IMPACT



1.1 Towards long-term positive impact

1.1.1 A holistic and strategic vision of sustainability

"Sustainability" is about creating system value. It encompasses continuous improvement of environmental, social, and ethical dimensions across an organizations entire value chain and stakeholders.

Schneider Electric's short-term roadmap (3-5 years) is built on a consultation process involving external and internal stakeholders, called a materiality assessment, as well as dedicated internal governance mechanisms involving the Strategy & Sustainability team, employees, experts in the Group, the Executive Committee, and the Board of Directors, under the leadership of the Chief Strategy & Sustainability Officer.

The 2018-2020 sustainability strategy is built around five major challenges: climate, circular economy, health and equity, ethics, and development. Bold sustainability programs with concrete impact are deployed under each pillar.

In 2020, Schneider Electric defined six new objectives for the 2021-2025 period:

1. **Act for a climate positive world**, by continuously investing in and developing innovative solutions that deliver immediate and lasting decarbonization in line with our Carbon pledge.
2. **Be efficient with resources**, by behaving responsibly and making the most of digital technology to preserve our planet.
3. **Live up to our principles of Trust**, by upholding ourselves and all around us to high social, governance, and ethical standards.
4. **Create equal opportunities**, by ensuring all employees are uniquely valued and work in an inclusive environment to develop and contribute their best.
5. **Harness the power of all generations**, by fostering learning, upskilling, and development for each generation, paving the way for the next.
6. **Empower local communities**, by promoting local initiatives and enabling individuals and partners to make sustainability a reality for all.

In the medium (5-10 years) and long term (10-30 years), Schneider Electric aligns its strategy on key issues under the United Nations SDGs and global climate scenarios in coherence with its business model and global footprint.

This holistic approach to sustainability allows the Group to greatly mitigate risks and also brings tangible value added through a greater attractiveness to customers, new talents, and investors, while boosting innovation.

The numerous awards received each year (e.g. #1 Most Sustainable Corporation, RE100 Clean Energy Trailblazer, Financial Times top 50 Diversity Leaders, Gartner Supply Chain Top 25, etc.) and the Group's leadership in the main ESG indices (e.g. Dow Jones Sustainability World Index, Euronext Vigeo Eiris World 120, etc.), confirms that Schneider Electric is headed in the right direction.

1.1.2 A unique position to fight climate change

As a global specialist in the digital transformation of energy management and automation, the Group places its expertise and solutions at the service of its customers to ensure that energy is safe, reliable, efficient, connected, and sustainable. The Group proposes an integrated offering of technologies and market-leading solutions tailored to customer needs, promoting the transition towards more electric, digital, decarbonized, and decentralized energy.

In fact, Schneider Electric is uniquely positioned among the 1,000+ companies taking action for climate change because it acts on both sides of the equation:

- The solutions Schneider Electric brings to the market are directly linked to activities to mitigate, adapt, and improve humanity's resilience to climate change;
- At the same time, Schneider Electric acts to reduce its end-to-end CO₂ footprint, aiming for a net-zero CO₂ supply chain by 2050, with precise steps for 2025, 2030 and 2040.

This positive contribution is measured as Green Revenues, which represent 72% of the Group's total revenues in 2020. In addition, to further contribute to a new electric and digital world, 100% of Schneider Electric's innovation projects are aligned with its purpose, more than 90% being either strictly green or neutral.

2030

- Reach net-zero operational emissions and reduction of scope 3 emissions by 35% (vs 2017) as part of the Group's validated 1.5°C Science-Based Target (SBT)
- Consume 100% renewable electricity (RE100)
- Double energy productivity (vs 2005) (EP100)
- Switch to 100% electric cars (EV100)
- Provide access to energy to 80 million people

2040

- Become carbon neutral on full end-to-end footprint by 2040 (full scopes 1,2 and 3), 10 years ahead of 1.5°C climate trajectory. This means that all Schneider products will be carbon neutral by 2040 (using quality offsets)

2050

- Engage with suppliers towards a net-zero CO₂ supply chain (no CO₂ offsets)



1. Sustainability at the heart of Schneider Electric's strategy

1.1.3 Two complementary sustainability performance dashboards starting 2021

The execution of the Group's 2021-2025 sustainability strategy will be tracked through quantitative Key Performance Indicators (KPIs), under two complementary tools: Schneider Sustainability Impact (SSI) and the new Schneider Sustainability Essentials (SSE).

The SSI is the translation of our 6 long-term commitments into a selection of 11 highly transformative and innovative programs. The programs will be tracked and published quarterly, audited annually, and linked to short term incentive plans for the managers of the Group. A notable addition to the SSI in 2021 is the local aspect, aiming to deploy local actions in the 100+ markets where the Group operates in order to better empower all leaders and collaborators to unlock meaningful local impacts.

Another tool has been created to maintain a high level of commitment and transparency in the actions taken by the Group: the SSE. This new tool brings balance between the innovative transformation plans of the SSI and the need to keep progressing on other long-lasting programs. In this spirit of continuous improvement, and in a holistic vision of sustainability, the SSE will track annual progress with 25 quantitative KPIs, and some additional qualitative programs.

Collectively, the SSI 11 Global Impacts and its Local Impact, as well as the 25 SSE programs, are the Group's short term sustainability roadmap and our contribution to the 17 UN SDGs. More details on our contributions to each SDG are provided in our Sustainability Report, available online.

Schneider Sustainability Impact 2021-2025

Long-term Commitments

2021-2025 SSI programs

Act for a **climate positive world**



1. Grow our green revenues to 80%
2. Deliver 800 million tons of saved and avoided CO₂ emissions to our customers
3. Reduce CO₂ emissions from top 1000 suppliers' operations by 50%

Be efficient with **resources**



4. Increase green material content in our products to 50%
5. 100% of our primary and secondary packaging is free from single-use plastic and uses recycled cardboard

Live up to our principles of **Trust**



6. 100% of our strategic suppliers provide decent work to their employees
7. Measure the level of confidence of our employees to report behaviors against our principles of Trust

Create **equal opportunities**



8. Increase gender diversity, from hiring to front-line managers and leadership teams (50/40/30)
9. Provide access to green electricity to 50 million people

Harness the power of all **generations**



10. Create opportunities for the next generation – 2X number of opportunities for interns, apprentices, and fresh graduate hires
11. Train 1 million underprivileged people in energy management

Empower local **communities**



12. 100% of Country and Zone Presidents define 3 local commitments that impact their communities in line with our sustainability transformation



Schneider Sustainability Essentials 2021-2025

Long-term Commitments

2021-2025 SSE programs

Act for a climate positive world



1. 150 Zero-CO₂ sites
2. 100% substitution with SF₆-Free medium voltage technologies
3. 90% of electricity sourced from renewables
4. 15% CO₂ efficiency in transportation

Be efficient with resources



5. 15% energy efficiency in our sites
6. 80% of product revenues covered by Green Premium™
7. One-third of corporate vehicle fleet comprised of electric vehicles (100% by 2030)
8. 100% of sites with local biodiversity conservation and restoration programs
9. 200 'Waste-to-Resource' sites
10. 420,000 metric tons of avoided primary resource consumption through 'take-back at end-of-use' since 2017
11. 100% of sites in water-stressed areas have a water conservation strategy and related action plan

Live up to our principles of Trust



12. Deploy a 'Social Excellence' program through multiple tiers of suppliers (baseline to be defined in 2021)
13. 100% of employees trained every year on Cybersecurity and Ethics
14. 0.38 or below Medical Incident rate
15. Halve the weight of safety units recalled
16. In the Top 25% in external ratings for Cybersecurity performance
17. 4,000 suppliers assessed under our 'Vigilance Program'

Create equal opportunities



18. <1% pay gap for both females and males
19. 60% subscription in our yearly Worldwide Employee Share Ownership Plan (WESOP)
20. 100% of employees paid at least a living wage
21. 3X the number of employee-driven development interactions on the Open Talent Market

Harness the power of all generations



22. >90% of employees undergo digital upskilling through the Digital Citizenship program and digital transformation training
23. Systematic career review and development plan for all employees ten years before retirement
24. 75% employee engagement score

Empower local communities



25. 50,000 volunteering days since 2017

1. Sustainability at the heart of Schneider Electric's strategy

1.2 Evaluation of the main extra-financial risks and opportunities created

1.2.1 Evaluation methodology

As part of its Extra-Financial Performance Declaration, the Group presents the main risks and opportunities identified with respect to major societal challenges in this section.

In order to compile the list of main extra-financial risks for the Group, a panel of both internal and external tools is used to address the expectations of its stakeholders as best as possible.

The Global Sustainability team leads the evaluation, working in close collaboration with the Internal Audit team.

Internal tools:

- A regular stakeholder consultation (materiality assessment and matrix), at least once every three years;
- The Internal Audit risks matrix, updated every year;
- Specific committees (Carbon, Human Resources, Ethics, etc.);
- Vigilance risks matrix.

Continuous monitoring of external signals and international frameworks:

- Regulatory framework: the key topics listed under Article R225-105 of the French Commercial Code (Extra-Financial Performance Declaration);
- International institutions/organizations (UN Global Compact and SDGs);
- Environment, Social, Governance (ESG) rating agencies;
- Specific requests from investors and customers;
- Recommendations from the Taskforce on Climate-related Financial Disclosure (TCFD), and various frameworks (SASB, GRI...).

The analysis covers the entire value chain of the Group and its stakeholders: suppliers and subcontractors, transactions, customers, as well as Schneider Electric's scope – extending to the activities at its Foundation – on cross-functional, environmental, social and societal topics, human rights, and anti-corruption.

Each topic is monitored by the relevant departments and their management teams who are in charge of proper risk assessments and the implementation of mitigation and prevention actions. The main departments and managers are:

- Sustainability, Access to Energy, Environment and the Global Sustainability SVP and Chief Strategy & Sustainability Officer;
- Human Resources and the Chief Human Resources Officer;
- Procurement and the Chief Procurement Officer;
- Governance, Safety and Ethics and the Chief Compliance Officer and Chief Governance Officer & Secretary General.

The main identified risks are quantified on probability of occurrence and magnitude of impact by these departments. On this basis, the list is reviewed and validated by relevant SVPs, the Board of Directors' secretariat, and Internal Audit team, and presented to the Human Resources and CSR Committee and to the Group Sustainability Committee at least every 3 years, in coherence with the SSI calendar.

Seven main non-financial risk categories were identified and are presented in detail on pages 78 to 81: environment and circular economy, climate, health and safety at work, human resources, anti-corruption, human rights in the supply chain, and socially responsible investments. Risks presented here are gross risks, i.e. absolute risks before a mitigation plan is implemented. The main net extra financial risks are presented in "Risk Factors", chapter 1.9, page 49.

Risks arising from the sourcing of critical materials, identified by the industry standard SASB on Electrical and Electronic Equipment, are discussed in chapter 2 pages 117 and 193.

1.2.2 Materiality analysis

In 2020, Schneider Electric built its third materiality matrix⁽¹⁾ by questioning external stakeholders (e.g. customers, suppliers, international organizations, trade associations, experts, shareholders), and top and senior managers within the Group, including the Executive Committee. Nearly 200 stakeholders have been consulted in total (143 through an internal survey, 54 interviewed in person).

Participants were first asked what they felt were the key worldwide trends most likely to impact Schneider Electric in the future, before being asked to assess the significance of 31 issues according to a quantitative scoring scale. Then, participants were interviewed for qualitative evaluation and justification of the given scores. Participants were guided to prioritize the most transformative issues.

Issues were scored according to their importance as follows:

- 1 – Medium or low importance
- 2 – Important
- 3 – Critical
- 4 – Chosen in top 3 most critical topics

These surveys and interviews also enabled Schneider Electric to consolidate the relationship with its stakeholders and learn about their expectations. Beforehand, the challenges were defined using a study of the sector's stakes (analysis of the different CSR guidelines, sector benchmarks, etc.) and a comparison with the 2017 materiality analysis. With the help of consulting firm Utopies, the aim is to ensure that Schneider Electric reports on the most important economic, social, and environmental challenges; identifies current and future opportunities and risks for the business; and updates its sustainability agenda with key stakeholders' expectations. In particular, the materiality matrix was one of the sources used to design the 2021-2025 Schneider Sustainability Impact and Schneider Sustainability Essentials, and to confirm the topics to be addressed in the registration document.

1.2.3 Key learnings

Overall, stakeholders point to growing instability – whether environmental, social, political, or economic. This creates uncertainties for businesses, which should work on building resilience.

- Climate is the main trend identified externally and internally. It includes the trend for energy transition and electrification, on which external stakeholders expect Schneider Electric to take the lead.

(1) Definition is based on AA 1000 Assurance Standard's materiality principle as well as the Standard GRI strategic roadmap.

- Inclusion and the need for a just transition covers the Company's extended responsibility to its ecosystem, in particular in the supply chain, to ensure the low carbon transition equally benefits all. Stakeholders also mentioned the growing expectations in providing ethical and sustainable products.
- Resilience, and the move towards more local supply chains, specifically post-COVID-19 can be a manner to mitigate geopolitical uncertainty and a rise in protectionism.
- Ethics in digital: the growth of digitalization and the need for stronger ethics represents both an opportunity and a risk for Schneider Electric. This covers topics such as the power of data and the ethical use required, the opportunities and dangers of Artificial Intelligence (AI), as well as people's wellbeing, or job security in a transitioning world.
- Resource scarcity and circular economy showed very high expectations internally.

- Licence to operate – fundamental “must have” topics such as product quality and safety, cybersecurity, etc.
- Standard issues – topics which are on track, and on which Schneider Electric must remain mobilized (e.g. health and security, environmental excellence, corruption).
- Key transformational topics – those which have the potential to transform markets and differentiate Schneider Electric from others (e.g. climate change engagement, circular economy, human engagement).

4. The SSI is a renowned and transformative program which is a source of pride internally, and recognition externally, but which needs a new lease of life: simplified, with increased internal buy-in and awareness.

The materiality matrix below displays the results of the analysis, which can be summarized in 4 megatrends:

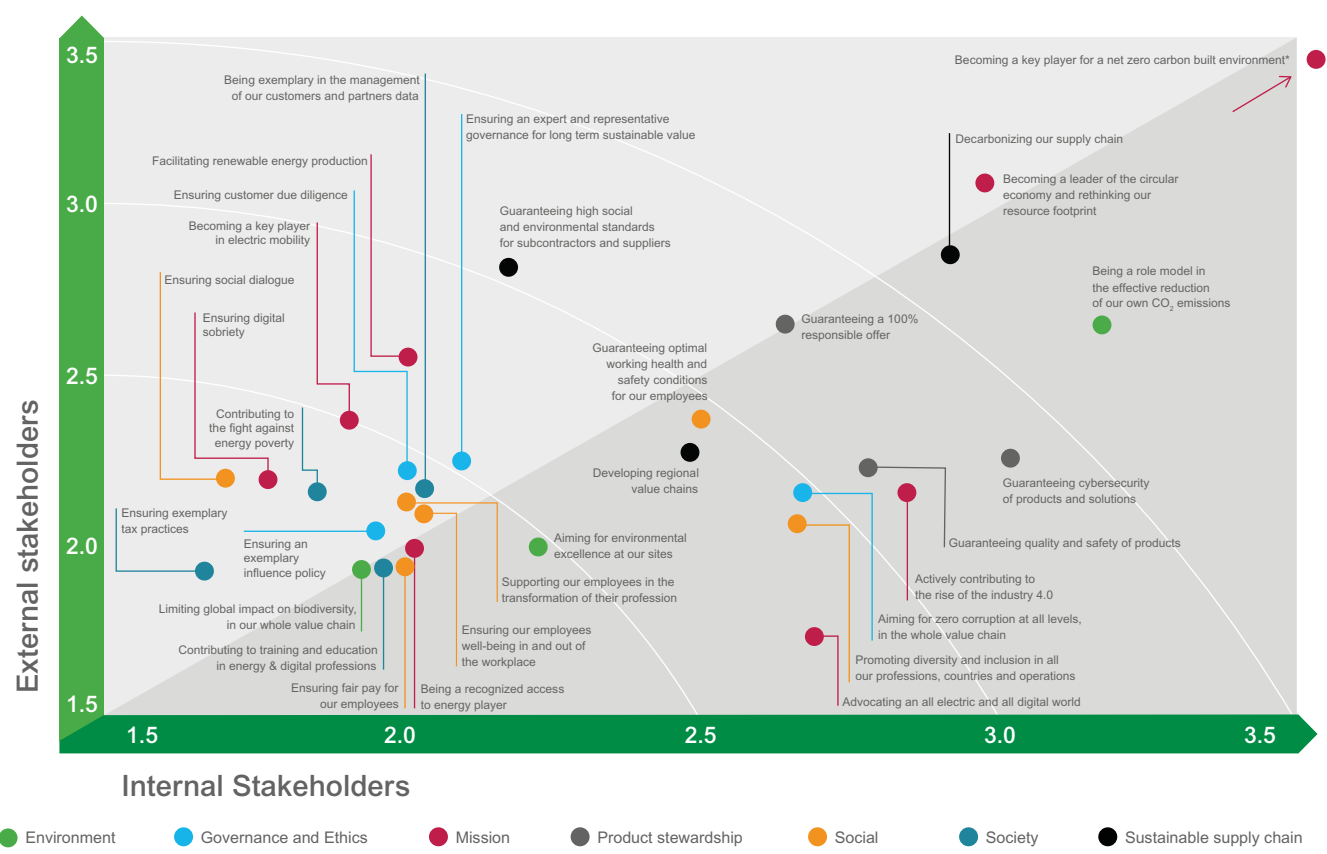
During the discussions, some elements were often mentioned:

1. The vision of the Group, endorsing the link between sustainability and digital, is complex and not always easy to understand for non-experts. Schneider Electric could be more pedagogic in its advocacy.
2. There are high expectations for Schneider to become a globally recognized leader for a decarbonized world, with its products and solutions, and in terms of thought leadership.
3. All 31 topics are deemed important reinforcing our holistic vision of sustainability. Issues were prioritized based on three groups:

- Leading climate action in our ecosystem with our partners;
- Pioneering circular economy and being efficient with resources;
- Ensuring a fair transition and guaranteeing high ethical, social, and environmental standards along more local value chains;
- Leverage digital in cybersecure solutions to boost positive impact.

The 2020 registration document, Schneider Electric's commitments for the climate (see pages 122 to 127), and the 2021-2025 Schneider Sustainability Impact cover all these priority challenges through Group policies, improvement plans, indicators, and short-term or long-term goals.

2020 materiality matrix



* "Becoming a key player for a net zero carbon built environment" scored 3.57 (internal) and 3.46 (external)

1. Sustainability at the heart of Schneider Electric's strategy

Following its assessment of material risks, Schneider Electric presents its main extra-financial risks and opportunities.

| Risk description and impact | Policies | Due diligence and 2020 performance | Opportunity created |
|---|--|---|--|
| Environment and circular economy | | | |
| Circular economy | | | |
| <p>Strengthening of circular economy regulation (on product life cycle):</p> <ul style="list-style-type: none"> Increase of secondary materials in products should not have adverse impacts on product safety, durability, reparability and serviceability Need for product specific standards, to adapt horizontal regulations to product specificities Conflicting regulations, between objective to enable a 2nd life for products (refurbishment/recycling) and hazardous substances restriction | <p>Circular economy strategy EcoDesign Way™ Green Premium™</p> | <ul style="list-style-type: none"> Participation in multi-stakeholder panels (FREC, MIIT China, AFEP, GIMELEC, FIEEC, IGNES, ORGALIME) Circularity in EcoDesign Way™ for product lifetime, reparability, and serviceability SSI#5: 75% sales under our new Green Premium™ program (76.7% achieved) | <p>Circular business opportunities</p> |
| <p>Volatile prices and materials/resource availability:</p> <ul style="list-style-type: none"> Cost increase of primary materials Disruption of supply | <p>Green Materials Raw material cost productivity and hedging strategy</p> | <ul style="list-style-type: none"> SSI#7: 100% cardboard and pallet for transport packing from recycled or certified sources by 2020 (99% achieved) 2025 SSI & SSE "Resources" programs | <p>Lean, agile, efficient manufacturing processes</p> |
| <p>Safety risk if assets handled by non-certified third parties (repair, end-of-life):</p> <ul style="list-style-type: none"> People health and safety impact Reputational impact | <p>Circular offers: ECOFIT™, and takeback schemes (EOL, etc.) End-of-life information for our products with Green Premium™</p> | <ul style="list-style-type: none"> SSI#8: 120,000 tonnes of avoided primary resource consumption through ECOFIT™, recycling and take-back programs by 2020 (157,588 tonnes achieved) | <p>Market growth for Schneider Electric circular offers (repair, retrofit, takeback, EOL)</p> |
| <p>Strengthening of waste regulation:</p> <ul style="list-style-type: none"> Increased costs and administrative requirements of waste management Reputational impact | <p>Circular supply chain: waste as worth, Towards Zero Waste to Landfill</p> | <ul style="list-style-type: none"> SSI#6: 200 sites Towards Zero Waste to Landfill by 2020 (206 achieved) | <p>Industrial waste monetization</p> |
| Chemical substances | | | |
| <p>Strengthening of chemical substance regulation, market shift, and consumers preferences for eco-friendly products:</p> <ul style="list-style-type: none"> Access to market since products may be forbidden (regulations) or blacklisted (prescriptors) Multiplication of uncoordinated regional legislation, with different requirements | <p>Substances and Material Directive: REACh, RoHS, China RoHS, CA Proposition 65 EcoDesign Way™ Green Premium™</p> | <ul style="list-style-type: none"> SSI#5: 75% of sales under our new Green Premium™ program (76.7% achieved) Chemical substitution Deployment of REACh o5a "once an article, always an article" Extended transparency (77.3% of product revenue covered by a Product Environmental Profile in 2020) | <p>Market opportunity for Green Premium™ offers</p> |
| Pollution prevention and control | | | |
| <p>Soil, water, and air contaminations at Schneider Electric sites:</p> <ul style="list-style-type: none"> Non-compliance findings from public authorities and fines Health impacts on personnel at our sites Site property pollution and environmental provisions | <p>Group Environment Policy Environmental risk analysis Environment due diligence in M&A</p> | <ul style="list-style-type: none"> IMS (Integrated Management System) with ISO 14001 certification (232 sites certified ISO 14001 in 2020). CLEARR Assessment for industrial Global Supply Chain factories. | <p>Robust management system to drive environmental performance Increased stakeholder trust</p> |

| Risk description and impact | Policies | Due diligence and 2020 performance | Opportunity created |
|---|--|--|--|
| Climate | | | |
| Climate change mitigation | | | |
| <p>Transitional risks such as: volatile energy prices and rising carbon prices; climate and energy regulation strengthening; and evolution of energy mix and phase-out of fossil fuels:</p> <ul style="list-style-type: none"> • Energy cost increase • Cost increase of purchased goods and services • Emissions in supply chain • Electric power outage and power quality | <p>Energy Policy Schneider Energy Action and Smart Factory programs Climate Pledge</p> | <ul style="list-style-type: none"> • 10% energy efficiency target in 2020 versus 2017 baseline (10.3% achieved) • Digital energy management in our sites with EcoStruxure™ • SSI#1: 80% renewable electricity target by 2020 (80% achieved) • SSI#2: 10% CO₂ savings in transports (8.4% achieved) • SSI#3: 120MTCO₂ saved on customers' end (134 MTCO₂ achieved) • SSI#4: 25% increase in turnover for our EcoStruxure™ Energy and Sustainability Services (+17.6% achieved) | <p>Market growth for Schneider Electric energy efficiency and renewable offers</p> <p>Showcase of EcoStruxure™ in our sites</p> <p>Reduced costs</p> <p>Reduced environmental impact</p> <p>Increased revenues</p> <p>Customers attractiveness</p> |
| <p>Growth of energy demand from IT and IoT:</p> <ul style="list-style-type: none"> • IT cost increase • Reputation impact | Green IT/OT | <ul style="list-style-type: none"> • WeGreenIT study • Data center optimization • Application landscape rationalization • Hardware asset management | <p>Digitization and IoT are enablers of the energy transition</p> <p>Lean IT/OT architectures</p> <p>Customer attractiveness</p> <p>Reputation improved</p> |
| <p>SF₆ regulation strengthening:</p> <ul style="list-style-type: none"> • Phase-out of SF₆ in products and production processes • SF₆ cost increase (tax) | SF ₆ -free strategy | <ul style="list-style-type: none"> • 0.25% SF₆ leaks target in 2020 in manufacturing process (0.14% achieved) • 100% SF₆-free medium voltage technologies substitution availability by 2025 | <p>Disruptive innovation enabling the green energy transition</p> <p>Increased revenues</p> <p>Customers attractiveness</p> <p>Positive climate impact across buildings & industrial manufacturing</p> |
| Climate change adaptation | | | |
| <p>Increased frequency and severity of extreme weather events:</p> <ul style="list-style-type: none"> • Damage to property and assets • Supply disruption | <p>Business continuity and risk management Insurance Policy</p> | <ul style="list-style-type: none"> • Weather risks affect business continuity and risk management programs, leading to preventive investment to secure assets • Business continuity • Dedicated environmental provisions | Business continuity expertise extended to critical suppliers |
| <p>Water scarcity:</p> <ul style="list-style-type: none"> • Disruption of supply | Water stewardship | <ul style="list-style-type: none"> • Water scarcity risk mapping • Water intensity reduction of 5% in 2020 versus 2017 (performance: -29.6% achieved, intensity of 77 m3/million EUR turnover) | Showcase EcoStruxure offers for water efficiency |
| Health and Safety at work | | | |
| Ideal working place | | | |
| <p>Not providing ideal working conditions to colleagues could create a risk of not being able to attract and retain best talent on the market:</p> <ul style="list-style-type: none"> • Absenteeism • Cost of turnover • Disengagement • Branding – Company image on the market | <p>Employee Value Proposition Global Family Leave Policy Pay equity Global Anti-Harassment Policy Career development and learning Flexibility@Work guidelines Well-being practices</p> | <ul style="list-style-type: none"> • SSI#11: 90% of employees have access to a comprehensive well-being at work program (including access to medical coverage and well-being training) by 2020 (90% achieved) • SSI#12: 100% of employees are working in countries that have fully deployed the Family Leave Policy by 2020 (100% achieved) | Schneider Electric is well recognized as an attractive employer |

1. Sustainability at the heart of Schneider Electric's strategy

| Risk description and impact | Policies | Due diligence and 2020 performance | Opportunity created |
|--|---|--|---|
| Health and Safety at work (continued) | | | |
| Safety | | | |
| Legal nonconformance: <ul style="list-style-type: none"> Loss productivity Impact to Company image/customer confidence Citation/fines | Safety strategy Global safety directives Global EHS alert EHS assessment | <ul style="list-style-type: none"> SSI#10: Medical Incident Rate below 0.88 per million hours worked (0.58 achieved end 2020) | Absolute requirement Global Action Plan |
| Serious/fatal employee injury/illness: <ul style="list-style-type: none"> Loss of, or impact to, employees Loss of productivity Property damage Impact to Company image/customer confidence Citation/fines | Safety strategy Global safety directives Serious Incident Investigation Process (SIIP) GlobES reporting Global Safety alerts EHS assessment | <ul style="list-style-type: none"> 2020 LTIR (Lost time Incident Rate based on 1 Million hours worked) is at 0.32 for Schneider employees, 15% better than 0.37 target | Absolute requirement Global Action Plan |
| Human Resources | | | |
| Recruitment and competencies | | | |
| Risk of not attracting and retaining the best talent in the market: <ul style="list-style-type: none"> Cost of recruiting and onboarding Impact of talent's brand perception | New applicant tracking and candidate relationship management systems to be implemented in 2020-2021 Investment in sourcing and market intelligence tools for all recruiters in 2020 Open talent market for internal mobility New Employee Value Proposition (EVP) Schneider GoGreen program | <ul style="list-style-type: none"> GoGreen in the City 2020 achieved 24,400+ registrations and nearly 3,000 students around the world submitted their ideas for a sustainable city. Four top talents were hired from the program Glassdoor rating of Schneider Electric's new EVP increased from 4.0 (end 2019) to 4.1 (end 2020) | Increase in brand awareness, talent market share, and reduction in employee turnover Faster time to hire, better candidate and hiring manager experience, and better quality of hire |
| Gender equity | | | |
| Risk of not providing equal opportunities to everyone and impacting ability to attract and retain the best talent on the market: <ul style="list-style-type: none"> Cost of turnover Loss of women in top potential pipeline Legal issues Brand/Company image | Recruitment of women Women representation in leadership roles Gender pay equity Executive-level governance body to drive gender equality across Schneider Electric Diversity & Inclusion Committee, sponsored by two Executive Committee members and consisting of 12 board members from different entities and geographies | <ul style="list-style-type: none"> 40% of new hires are women by 2020, 50% by 2025 (41.5% achieved) 30% of leaders are women by 2025, (24% achieved) SSI#15: 95% of employees are working in a country with commitment and processes in place to achieve gender pay equity by 2020 (99.6% achieved) Financial Times, Forbes, Bloomberg, Great Place to Work in the US and Universum recognized Schneider Electric as a great place to work and a leader in Diversity, Equity and Inclusion in 2020 | People attraction and retention with equal opportunities for everyone |
| Engagement | | | |
| Risk of having disengaged employees feeling that their opinion is not taken into account which could impact the financial results of the Group: | Continuous listening strategy, employee-centricity Gives our employees the opportunity to share their opinion and is key to being agile in the way the Group's organizations are driven | <ul style="list-style-type: none"> A global survey covering 100% of Group employees once per year; design and launch of pulse survey targeting populations for whom attention is needed (return from maternity leave, results dropping down); and verbatim deeper analysis SSI#9: 70% Employee Engagement Index in 2020 (69% achieved) | Improved employee engagement leading to greater performance |

| Risk description and impact | Policies | Due diligence and 2020 performance | Opportunity created |
|---|--|---|--|
| Anti-corruption | | | |
| <p>Corruption is the abuse of entrusted power for private gain. It can be classified as grand, petty, and political, depending on the amounts of money lost and the sector where it occurs. It may occur through third parties' activities (partners, suppliers, agents, companies to be acquired):</p> <ul style="list-style-type: none"> • Reputation impacts • Legal impact • Financial impact • Impact on the development of the Company • Impact on the employer brand | <p>Principles of Responsibility Global Anti-Corruption Policy Anti-Corruption Code of Conduct Gifts & Hospitality Policy Business Agent Policy</p> | <ul style="list-style-type: none"> • Red and Green Line alert system (Alerts investigated and closed in 2020 led to 108 actions) • Specific risks map for anti-corruption • SSI#18: 100% of sales, procurement and finance employees trained every year on anti-corruption (94% achieved in 2020) | <p>More opportunities with actual and potential customers People attraction and retention Sustainable business development</p> |
| Human rights in the supply chain | | | |
| <p>Violations of human rights and fundamental freedoms such as:</p> <ul style="list-style-type: none"> • Health and safety of employees • Forced labor and protection of vulnerable populations • Decent working conditions • Discrimination and unfair treatment <p>Non-respect of these fundamental rights may result in:</p> <ul style="list-style-type: none"> • Reputation impact • Legal impact • Health & well-being impact for employees of Schneider, its suppliers and sub-contractors | <p>Schneider vigilance plan with suppliers and subcontractors, leveraging RBA Code of Conduct Schneider Human Rights Policy</p> | <ul style="list-style-type: none"> • EEHS risk mapping of suppliers • On-site supplier audits with RBA protocol • EEHS in procurement process (code of conduct, supplier qualification, performance review, etc.) • Continuous improvement with ISO 26000 standard • Training • Green Line Alert system • SSI#16: +5.5 pts increase in average score of ISO 26000 assessment for our strategic suppliers (+6.3 achieved) • SSI#17: 350 suppliers under human rights and environment vigilance received specific on-site assessment (374 achieved) | <p>Collaboration strengthening with suppliers</p> |
| <p>Sourcing of conflict minerals and other similar sensitive materials may directly or indirectly finance armed groups, fuel forced labour and other human rights abuses, and support corruption and money laundering. Also, can damage the reputation of the company.</p> | <p>Schneider Electric encourages its suppliers to build and maintain a due diligence process to ensure conflict minerals-free sourcing The Group is an active Responsible Minerals Initiative (RMI) member</p> | <ul style="list-style-type: none"> • Conflict-free mineral monitoring • 87% of the smelters and refiners identified in our supply chain conformant or active in a recognized third-party validation scheme (+1 pt vs 2019) • Schneider Electric has a "conflict-free objective" | <p>Collaboration strengthening with suppliers, and improved reputation Increased trust with customers favouring business relations Contribution to UNSDG #16 "Peace, justice and strong institutions"</p> |
| Socially responsible investing | | | |
| <p>Given current momentum for sustainable finance and emerging regulations (e.g. EU Taxonomy), there could be a risk that the Group is not captured by Socially Responsible Investment (SRI), ESG or green portfolios:</p> <ul style="list-style-type: none"> • Reputational impact • Market share value | <p>Transparent and public reporting on sustainability objectives and performance Engagement with stakeholders to identify critical sustainability topics Engagement and dialog with investors to ensure expectations are met</p> | <ul style="list-style-type: none"> • Schneider Sustainability Impact program (SSI score of 9.32/10 in 2020, vs 9/10 target) • New Schneider Sustainability Essentials (SSE) program • Numerous leadership positions in ESG indices and external recognitions in particular: • #1 Most Sustainable Corporation by Corporate Knights • CDP A score for 10 years in a row, • DJSI industry leader and member of the world index • First ever convertible Sustainability-Linked Bond successfully emitted | <p>Greater attractivity to investors, customers and talents Strengthened partnerships with clients, suppliers, and other partners in the Group's ecosystem Anticipation of sustainability trends and risk mitigation</p> |

1. Sustainability at the heart of Schneider Electric's strategy

1.3 The Schneider Sustainability Impact, a regular and objective measure of the Group's actions

1.3.1 A single, specific sustainability performance monitoring tool since 2005

To have a significant impact and initiate lasting change, performance must be measured, although there is no recognized international standard that defines an organization's sustainability performance. That is why Schneider Electric defines specific objectives and measures its results each quarter (since 2005) in a dashboard commonly referred to as a "barometer". In 2018, this barometer was renamed Schneider Sustainability Impact (SSI). The action plans of the SSI are carried out at Group level. Schneider uses this tool to address its sustainability challenges and to improve each of the pillars of its strategy identified through its

materiality matrix. The SSI uses a scoring scale of 10 and provides an overall measure of the Group's progress on sustainability issues. The tool also enables Schneider Electric to anticipate and effectively manage its sustainability risks and opportunities by mobilizing key stakeholders around specific, measured objectives and reliable results. The barometer's monitoring systems are audited annually by an external auditor (limited assurance).

Each barometer seeks to:

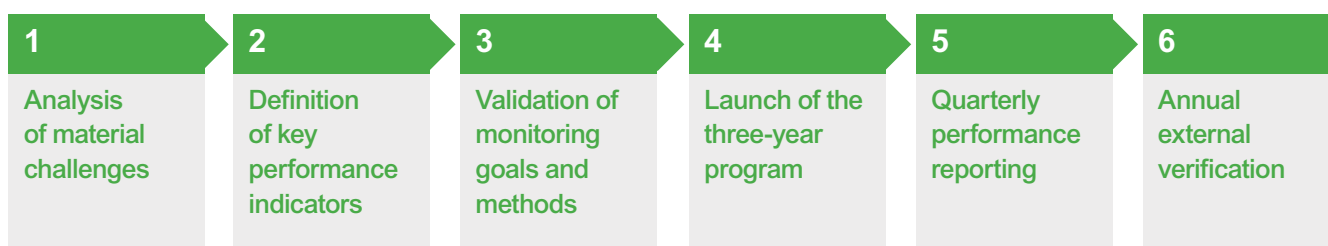
- **Mobilize** the whole Company around sustainability goals (ethics, social, environmental and business);
- **Share** the Group's improvement plans with stakeholders;
- Create system value.

On a daily basis, Schneider Electric proves that economic, environmental, and social interests are convergent.

Overview of the 5 barometers since 2005, and example achievements

| 2005-2008: | 2009-2011: | 2012-2014: | 2015-2017: | 2018-2020: | 2021-2025: |
|--|---|---|--|--|---|
| 10 KPIs in program | 13 KPIs in program | 14 KPIs in program | 16 KPIs in program | 21 KPIs in program | 11+1 KPIs in program |
| >120 Products with an environmental profile | 70.4% of employees worked on ISO 14001 certified sites | 16% CO ₂ savings on transportation | 100% of products in R&D designed with Schneider EcoDesign Way™ | 9.32/10 2020 overall performance | 6 Long term objectives |
| -20% Number of lost days from work accidents per employee per year | 1,291,768 Households at the Base of the Pyramid got access to energy thanks to Schneider Electric solutions | 460 Missions with the "Schneider Electric Teachers" NGO | 98.4% of our entities passed our internal Ethics & Responsibility assessment | 9 Indicators with increased objectives in 2019 | New tool Schneider Sustainability Essentials with 25 objectives |

1.3.2 Process to select and prioritize commitments



1.3.2.1 Analysis of material challenges

Every three to five years, the Group defines a new SSI dashboard in the wake of an exercise to identify sustainability challenges on the basis of external and internal contributions.

The voices of each stakeholder are thus taken into account via the Group's materiality matrices, meetings with SRI investors, and the questionnaires from rating agencies or from customers, which all shed light on our strategic points of differentiation and on salient societal concerns.

1.3.2.2 Definition of key performance indicators

For each target and indicator, and this is a critical point for the operational implementation of each SSI, the ambition is defined in consultation with the departments concerned.

In 2020, a specific SSI Steering Committee was created, with about 50 members: representatives of each Excom member, geography, function, and business unit. Three all-hands workshops took place, and the sustainability team organized individual follow up interviews with each member to define precise and measurable programs.

For the Group, it is a guarantee of strong mobilization in the field that is consistent with actual priorities; for teams, it is the assurance of having the necessary means and visibility to improve. In each new period, the barometer update takes into account results obtained, progress still expected, the emergence of new topics and new priorities, and the experience gained. Thus, it is a powerful tool to move the Group forward on its major challenges.

Four scenarios may emerge from one SSI to the next:

- Improvement plans are maintained in the barometer and their targets are renewed or increased;
- Improvement plans change, new and more innovative or better-adapted indicators that cover the same subject are implemented; old indicators continue to be monitored internally if necessary;
- Improvement plans are removed from the barometer; this is also the case with indicators that have reached a threshold. They continue to be monitored internally if necessary;
- Improvement plans to address new challenges are implemented.

1.3.2.3 Governance and validation of the barometer

The Sustainability department presents a draft version of the new barometer to the Board of Directors' Human Resources and CSR Committee, and to the Group Sustainability Committee for validation. This latter committee includes six members of the Executive Committee: Strategy and Sustainability; Global Human Resources; Global Supply Chain; Global Marketing; Governance & Secretary General and Finance. The new barometer is then approved by the CEO.

Quarterly results are supervised by the Group Sustainability Committee, which makes decisions on any corrective actions that may be necessary to reach objectives. This committee meets twice a year. The Human Resources and CSR Committee within the Board of Directors conducts an annual review of the Group's Sustainability Policy, analyzing in particular, the performance of the barometer.

Extra-financial annual results are presented together with financial results by Jean-Pascal Tricoire, Chairman and CEO of Schneider Electric, in order to demonstrate the Group's commitment to making sustainability part of the Company's long-term strategy. In addition, since 2014, quarterly results have been presented together with quarterly financial information to institutional investors by the Chief Finance & Legal Affairs Officer.

1.3.2.4 A key component of the variable compensation of the Group's employees

Since 2011, the barometer score is included in the variable compensation of global functions and Company leaders. In 2020, the incentives, in the profit-sharing incentive plan for the French entities: Schneider Electric Industries and Schneider Electric France, and in the long-term incentive plan for the Group's key talents and critical roles. Further details are provided in section "Compensation and benefits" pages 165 to 167.

1.3.2.5 Active communication of sustainability performance

The results of each SSI are released through the main channels below:

- Quarterly conference calls on the Group's financial and extra-financial results to investors and the business press;
- The Group's website (quarterly press releases, presentation of integrated quarterly results);
- The Intranet (including a quarterly internal video featuring the CEO and the CFO on the quarter's results – these videos have strong internal visibility);
- The "webradios", which inform the internal Sustainability Fellows about performance and achievements for the quarter and provide an update on key sustainability topics;
- Communications with the Board of Directors via its Human Resources and CSR Committee and the Executive Committee;
- The Group's annual reports (Universal Registration Document including the statutory auditors' report, Schneider Sustainability Report, integrated report);
- The quarterly internal rating for managers on monitoring the level of achievement of objectives related to variable compensation;
- Customers or investors events.

1. Sustainability at the heart of Schneider Electric's strategy

1.3.3 Schneider Sustainability Impact 2018-2020

The 2018-2020 Schneider Sustainability Impact (SSI) includes 21 key performance indicators covering five major challenges (climate, circular economy, health and equity, ethics, and development). Once each performance is converted into a score out of 10, the average of these scores indicates the overall performance of the SSI, with all the indicators having the same weight. Departments directly affected by the improvement plans (Human Resources, Environment, Access to Energy, etc.), each represented by a project leader, implement measures to achieve the objectives of the plans. This project leader works directly with local managers in their respective areas. Each program is sponsored at the SVP and EVP levels.

Each year, the SSI performance impacts short-term incentive plans for more than 60,000 managers (20% of collective share).

| Schneider Sustainability Impact 2018-2020 | | | | |
|---|--|--------------|--------------|------------------|
| Megatrends and SDGs | 2018-2020 programs | 2018 results | 2019 results | 2020 results |
| Climate  | 1. 80% renewable electricity | 30% | 50% | 80% ▲ |
| | 2. 10% CO ₂ efficiency in transportation | -1.8% | 4.1% | 8.4% ▲ |
| | 3. 120 million metric tons CO ₂ saved on our customers' end thanks to EcoStruxure™ offers | 51 | 89 | 134 ▲ |
| | 4. 25% increase in turnover for our EcoStruxure™ Energy and Sustainability Services | 13.8% | 23.8% | 17.6% ▲ |
| Circular economy  | 5. 75% sales under our new Green Premium™ program | 45.7% | 55.2% | 76.7% ▲ |
| | 6. 200 sites labeled Towards Zero Waste to Landfill | 178 | 193 | 206 ▲ |
| | 7. 100% cardboard and pallets for transport packing from recycled or certified sources | 62% | 96% | 99% ▲ |
| | 8. 120,000 metric tons of avoided primary resource consumption through ECOFIT™, recycling, and take-back programs | 43,572 | 97,439 | 157,588 ▲ |
| Health & equity  | 9. 70% scored in our Employee Engagement Index | 67% | 64% | 69% ▲ |
| | 10. 0.88 medical incidents per million hours worked | 0.94 | 0.79 | 0.58 ▲ |
| | 11. 90% employees have access to a comprehensive well-being at work program | 20% | 47% | 90% ▲ |
| | 12. 100% employees are working in countries that have fully deployed our Family Leave Policy | 75% | 99% | 100% ▲ |
| | 13. 100% workers received at least 15 hours of learning (11.25 in 2020), and 30% of workers' learning hours are done digitally | 57% | 62% | 90% ▲ |
| | 14. 90% white-collar workers have individual development plans | 78% | 79% | 92% ▲ |
| Ethics  | 15. 95% employees are working in a country with commitment and process in place to achieve gender pay equity | 92% | 99% | 99.6% ▲ |
| | 16. +5.5pts increase in average score of ISO 26000 assessment for our strategic suppliers | +1.8 | +3.7 | +6.3pts ▲ |
| | 17. 350 suppliers under human rights and environment vigilance received specific on-site assessment | 155 | 279 | 374 ▲ |
| Development  | 18. 100% sales, procurement, and finance employees trained every year on anti-corruption | 69% | 94% | 94% ▲ |
| | 19. x4 turnover of our Access to Energy program | x1.31 | x1.56 | x1.64 ▲ |
| | 20. 400,000 underprivileged people trained in energy management | 196,162 | 246,268 | 281,737 ▲ |
| | 21. 15,000 volunteering days thanks to our VolunteerIn global platform | 5,691 | 11,421 | 18,469 ▲ |

▲ 2020 audited indicators.

The 2017 performance serves as a baseline for the 2018-2020 Schneider Sustainability Impact (SSI). Please refer to pages 185 to 189, for the methodological presentation of indicators. The performance of each indicator is presented in detail in corresponding chapters.

Indicator 13 and 20 scores have been adjusted for 2020 to take into account the impact of the pandemic on specific actions such as face to face training not being able to take place. As agreed with external auditors, a 'rule of three' removing one quarter from the calculation has been applied for the annual results for these two indicators only. This means that, in 2020 only, performance for indicator 13 is calculated against a target of 11.25 hours of training (instead of 15 hours) and performance for indicator 20 is calculated against a target of 380,000 (instead of 400,000). Note that without these corrections, the 2020 SSI score would have been 9.29/10. These modifications are important to reflect well the work of our teams in an exceptional context, but they do not significantly alter the SSI performance (0.3% change).

1.4 Open dialog with stakeholders

1.4.1 Focused dialog with clearly identified stakeholders

This diagram is an overview of sector stakeholders proposed in France by Gimélec, the French trade association for electrical equipment, automation, and related services.

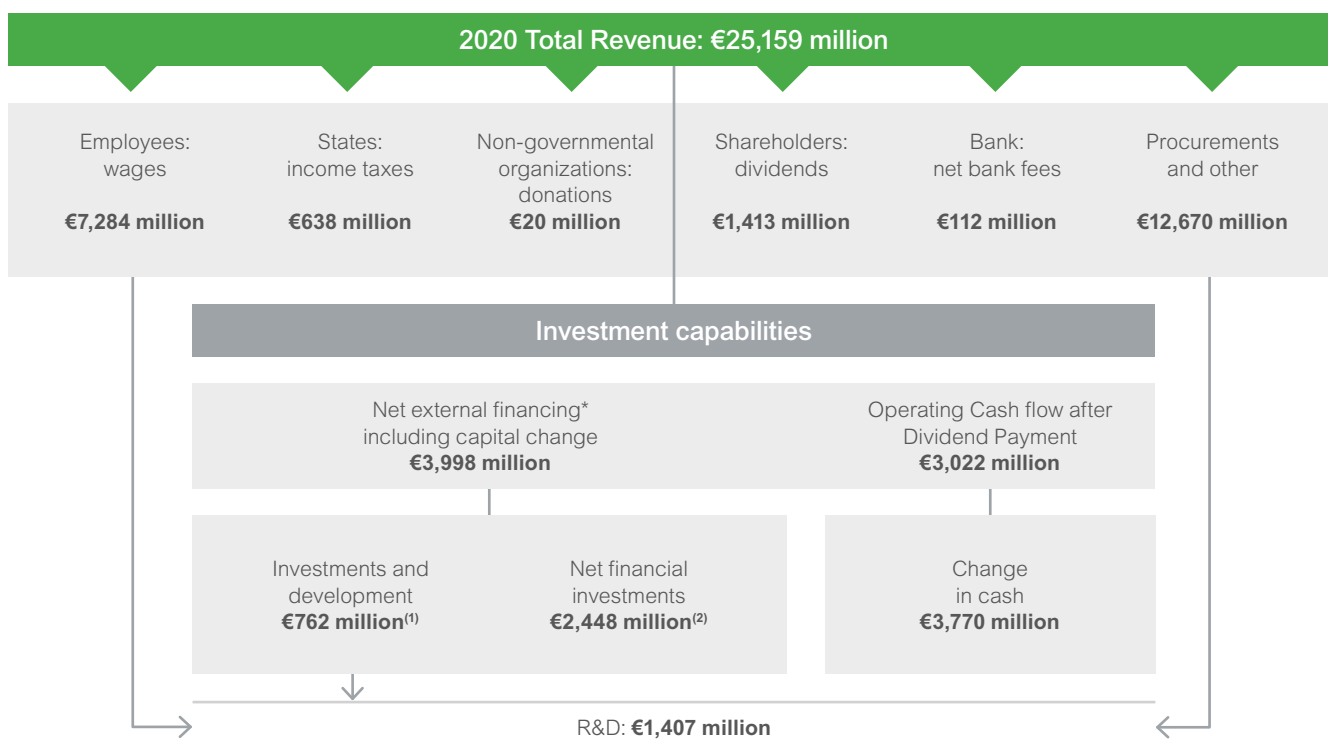
Schneider Electric engages in open and continuous dialog with each of its stakeholders. In particular, the Sustainability department takes into account the comments, ratings, and evaluations from stakeholders on the Group's Sustainability Policy and programs. This feedback is integrated into the drawing up of the registration document, the Group corporate brochure (Schneider Sustainability Report), the integrated report, and new improvement plans throughout the Company program as well as during the design of the SSI every three years.



Source: CSR sector reporting guide, 2017.

1.4.2 Revenue breakdown

Every year for the last 15 years, Schneider Electric has published a diagram showing its revenue distribution for its various stakeholders. This exercise allows the importance of each stakeholder to be highlighted from the point of view of financial flows and shows their share in this flow.



* Borrowings, capital increases and treasury stock disposals.

(1) Of which €311 million in R&D.

(2) Of which €106 million for long-term pension assets.

1. Sustainability at the heart of Schneider Electric's strategy

The table below presents the major dialog channels with stakeholders. It is not exhaustive.

| Stakeholder | Dialog | Department |
|----------------------|--|---|
| Customers | Quarterly customer satisfaction surveys Co-innovation programs Online publication of environmental information on products | Quality, Customer Satisfaction, R&D, Sales, EcoDesign |
| Financial | Quarterly conference calls to present financial and extra-financial information, meetings, and plenary meetings Regular meetings with individual shareholders Quarterly newsletters to shareholders Response to extra-financial rating questionnaires Individual meetings with SRI analysts Response to SRI analyst questions | Finance, Board Secretary, Sustainability |
| Partners | Purchaser/supplier meetings Suppliers' day Supplier qualification process Awareness-raising about the Global Compact and ISO 26000 Participation in commissions and work groups on the sustainability of professional groups | Procurement, Environment, R&D, Businesses, Sustainability |
| Social | Yearly employee satisfaction survey Social dialog with employee representation bodies Sustainability webradios | Human Resources, Sustainability |
| Technical | Collaborative approach, creation, and participation in competitiveness cluster initiatives, R&D programs, university chairs, and professional associations Active participation in international standardization bodies PEP Ecopassport program | R&D, Activities, Environment |
| Institutional | Commitment to and promotion of the Global Compact Relationships with public authorities, legislators and the European Commission, especially in the field of energy efficiency | Sustainability, Purchases, Influence |
| Civil society | Participation in working groups and local and international organizations on challenges within our industry Community programs Partnerships with local NGOs | According to subject and audience, Foundation, and Access to Energy program |

1.4.3 Engaging employees in sustainability: The Sustainability Fellows community

Schneider Electric believes that all of its employees should be aware of the major sustainability issues and be ambassadors of its sustainability commitments. To achieve this goal, an initiative was launched in 2013: the Sustainability Fellows. Relying on the internal social network, the community's objective is to make all employees aware of what sustainability is, what the main challenges linked with this topic are, inside and outside the Company, and to understand the link between Schneider Electric's strategy and climate or societal challenges. The goal is also to allow members of this

community to share their views in order to solve problems, improve the Company's policies and actions, or to learn about the different ways to get involved daily or occasionally. The Sustainability department acts as the community manager: from posts or polls to quarterly webradio live broadcasts. The community grew from a few hundred people in early 2013 to more than 3,700 Sustainability Fellows in 2019.

In 2021, a new network of local SSI leads will be deployed to track progress of the 3 local commitments set by Schneider Electric Country Presidents.

1.4.4 Global and local external commitments to move forward collectively

Schneider Electric works with different local and international organizations and associations on economic, social, and environmental issues to foster sustainability in cooperation with various players. Schneider confirms its commitment to and participation in discussions on challenges related to climate change.

| Topic | Commitment |
|--|---|
| Sustainable governance and cross-functional topics | <p>International: World Business Council for Sustainable Development (WBCSD); Business for Social Responsibility (BSR); United Nations Global Compact (Jean-Pascal Tricoire, Chairman of Global Compact France since 2013, was appointed in 2018 a member of the Global Compact Board of Directors); International Chamber of Commerce (ICC, Environmental and Energy commission); International Electrotechnical Committee (IEC) in many areas, including environmental standardization; T&D Europe (the European association of the electricity transmission and distribution equipment and services industry); Business for Inclusive Growth coalition (B4IG); CEN-CENELEC Circular Economy groups supporting the European mandate M/543. International Business Europe, European Alliance to Save Energy, CEO Alliance, Energy Solutions, European Partnership for Energy and the Environment (EPEE)</p> <p>France: French Study Center for Corporate Social Responsibility (ORSE, board of directors); Entreprises pour l'Environnement (EpE), French Association of Private Sector Companies (AfeP, environmental and energy, CSR commissions); French Business Confederation (Medef, Energy Competitiveness Climate, Environment, CSR commissions); French trade association for electrical equipment, automation and related services, (Gimélec, sustainability commission and commissions on topics related to energy efficiency, smart grids); French trade association for electronic, electric and communication equipment (FIEEC); CCI France (Environmental and Energy commission).</p> |
| Climate | <p>International: Carbon Pricing Leadership Coalition; Caring for Climate; The Climate Group and We Mean Business (RE100, EP100, EV100, Responsible Climate Policy, Report Climate Change Information/TCFD); Business Climate Summit; Clinton Climate Initiative; The 2°C Challenge Communiqué; White House Pledge; UN Global Compact LEAD (Pathways to Low-Carbon & Resilient Development); Energy Transitions Commission (ETC); T&D Europe – Chair of the European group in charge of “Alternatives to SF₆ gas” in the T&D industry; signatory of the UN Global Compact Business Ambition for 1.5°C Pledge (1.5°C Science-Based Target set); Global Footprint Network.</p> <p>France: EpE (Zen 2050), French Business Climate Pledge, Climate Chance.</p> |
| Cybersecurity | <p>International: ISO/IEC JTC 1/SC 27: Information security, cybersecurity and privacy protection; IEC/TC65/WG10: Security for industrial process measurement and control – Network and system security; ITIC, the IT Industry Council (Board and Cybersecurity Chair).</p> <p>Europe: CEN/CLC/JTC 13 – Cybersecurity and Data Protection; CLC/TC 65X – Industrial-process measurement, control and automation; Digital Europe (board); The European cybersecurity organization (ECISO, convenorship of the group in charge of the standardisation, certification and supply chain management aspects); EG2 group (part of the European Commission Smart Grid task force, in charge of advising it for a future network code for electricity supply cybersecurity).</p> <p>US: IEEE Power System Communications & Cybersecurity Committee (PSCC); ISA99: Industrial Automation and Control Systems Security; The Cybersecurity Coalition.</p> |
| Energy/Energy efficiency/Electric mobility/Digital/Renewables | <p>International: Alliance to Save Energy; The Green Grid (Board); eu.bac (the European association for building automation and controls – energy efficiency in buildings); Orgalim (Orgalim Presidency and Chairmanship of the Energy and Climate Group); CAPIEL/CECAPI (Capiel vice Chair; Impact of Digitization for Buildings; Smart buildings); Global Alliance for Building and Construction (GABC).</p> <p>Energy Solutions, CEO Alliance</p> <p>Europe: European Alliance to Save Energy (Vice-chair); Energy Solutions; Solar Power Europe; CEN- CENELEC-ETSI clean energy package group; International Electrotechnical Committee (IEC, in many areas, including e-mobility and smart charging, storage, microgrids, distributed energy resources, grid integration both on digital and hardware perspectives).</p> <p>SmartEn, Wind Europe</p> <p>France: National Industry Council (Sectoral Strategic Committee: New Energy Systems); National Energy Transition Council, Green Building Plan; Promodul, financing company for energy transition; Avere (Electric Vehicle Association, Board of Directors and vice-chairmanship); IFPEB (<i>Institut français pour la performance énergétique du bâtiment</i>); Industry of the Future Alliance; P2E Initiative; Ignes (digital, energetic and security engineering industries); France Data Centers; <i>Comité Stratégique de Filière</i> (CSF); <i>Industries des Nouveaux Systèmes énergétiques</i>; Minalogic, Conseil National de l'industrie.</p> |

1. Sustainability at the heart of Schneider Electric's strategy

| Topic | Commitment |
|---|---|
| Industry 4.0 and Smart Manufacturing | <p>Industry 4.0 enables smart manufacturing with a wide offer of information and operational technologies as well as communication technology. The acceleration of digitization, software and data in the industrial field is orchestrated by Industry 4.0 for more interoperability, efficiency and value creation.</p> <p>International: OPC Foundation (Board, CTO), FDT Group (Board), FieldComm Group (FCG, Board), ECLASS (Board), AutomationML (Board), Open Process Automation Forum (OPAF), Industrial Digital Twin Association (IDTA, Chair), Digital Twin Consortia (DTC), Industrial Automation and Control Systems Security (ISA 99), Edge Computing Consortium (ECC). IEC TC65 (Industrial-process measurement, control and automation, Secretary & chair of Sub-committees), ISO TC184 (Automation systems and integration, Chair), ISO/IEC JTC1 SC 41 (IIOT and Digital Twin), CEN/CENELEC ISO joint working group on CyberSecurity, ISO Smart Manufacturing Coordination Committee, IEC Smart Manufacturing System Committee</p> <p>National initiatives: Industrie4.0 (Germany), Alliance Industrie Du Futur (France), Piano Industria 4.0 (Italia), Smart Manufacturing (USA), International Coalition for Intelligent Manufacturing (China)</p> |
| Smart grids and sustainable cities | <p>International: Research Triangle Cleantech Cluster (Raleigh, North Carolina); Grid Edge Executive Council (Greentech Media); Fort Collins Cleantech Cluster (Colorado); OpenADR Alliance; smartEn (Smart Energy Europe, association of market players driving digital and decentralized energy solutions Chairman of the Board); Peak Load Management Alliance; North American Electric Reliability Council (NERC, Functional Model Demand Response Advisory Team); NEMA Smart Grid Council; IEEE (T&D and Power and Electronics Society); Association of Energy Service Professionals (AESP); Association for an Energy Efficient Economy (AEEE); Pacific Northwest Demand Response program; Capiel (European Coordinating Committee of Manufacturers of Electrical Switchgear and Controlgear, Smart grid project group); Orgalim (Infrastructure Task Force); Urban Infrastructure Initiative led by the WBCSD; Electric Drive Transportation Association (EDTA); Bay Area Climate Collaborative (SF Bay); NEMA Distribution Automation Section 8DA; T&D Europe – Chair of the Working Group smart grids and micro grids; EG3 group, part of the European Commission Smart Grid Task Force, in charge of defining regulatory recommendations for the deployment of flexibility; ISGAN (International Smart Grid Action Network); CEN-CENELEC-ETSI Smart Energy grid Co-ordination group; International Electrotechnical Committee (IEC) in many areas, including the Smart Energy System committee.</p> <p>France: Think Smart grids, Tenerrdis Energy Cluster.</p> |
| Circular economy and product environmental performance | <p>International: Ellen MacArthur Foundation membership; European Standardization CEN-CENELEC JTC10 Circular Economy (supporting the European mandate M/543 for assessing recyclability, remanufacturability, repairability); PEP ecoPassport (Product Environment Profile, Presidency), PEP ecoPassport was selected by EU as leader of PEF (Product Environment Footprint) experimentation phase (2020-2021) for EEE cluster (Electric and Electronic Equipment), for promotion of transparent, robust and digital Product Environmental information; International Electrotechnical Committee (IEC, in many areas, including environmental standardization).</p> <p>France: Afep (Circular economy working group), AFNOR Circular Economy, Gimélec (chairmanship of strategic taskforce for Circular Economy); MTES/Feuille de Route Économie Circulaire (active contributions, working groups).</p> |
| Access to energy | <p>International: Sustainable Energy for all; Club ER; Alliance for Rural Electrification; Co-lead of the B4IG coalition's "Access to essential goods and services" working group; IFC Energy2Equal; Solar Impulse Foundation.</p> <p>France: ADEME (Ecological Transition Agency)/ SER (Renewable Energy Trade Association) working groups on Access to energy; Supporting partner of the Movement for Social*Business Impact/Enterprise and Poverty Chair at HEC.</p> |
| Fuel poverty | <p>International: Ashoka, Social Innovation to tackle energy poverty program; European Policy Center; Fondation du Roi Baudouin, Plateforme de lutte contre la précarité énergétique.</p> <p>France: The <i>Rénovons</i> initiative/CLER the energy transition network; (Hope, <i>la chaire pour lutter contre la Précarité Énergétique</i>/Fondation Grenoble INP; <i>Stop à l'exclusion énergétique</i>/Fondation des transitions.</p> |
| Diversity & Inclusion | <p>International: Signatory of the UN Women's Empowerment Principles (WEP); Signatory of the Global Deal; Member of the B4IG coalition's "Building inclusive workplaces" working group; signatory of the Women's Forum climate charter; Member of the ILO Global Business and Disability Network (GBDN); Member of the Gender and Diversity KPI Alliance.</p> <p>France: Diversity Charter; Agreement for professional gender equality; Parenthood Charter; Disability Agreement; Agreement on inter-generational mechanism; Apprenticeship Agreement; Signatory of PaQte, a collective of companies working to be more inclusive with specific action plans for working-class neighborhood; Youth and regional development with associations (FACE, <i>100 Chances 100 Emplois, Energie Jeunes</i>, ADIE, GEFLUC).</p> |
| Education | <p>International: Training program in energy management for disadvantaged people, in partnership with local vocational training centers and/or national or international non-profit organizations.</p> <p>France: Paul-Louis Merlin school, framework agreements with the Ministry of National Education, Higher Education and Research, partnerships with the continuing education network of UIMM, Ingénieurs Pour l'École network (IPE), selected by the Ministry of Education for the Digital School project.</p> |

| Topic | Commitment |
|--------------------------------|--|
| Ethics and human rights | <p>International: Transparency International, Global Compact LEAD (Decent Work in Global Supply Chains); member and co-leader of the B4IG coalition's "Advancing human rights in direct operations and supply chains" working group.</p> <p>France: <i>Cercle éthique des affaires</i> (Business ethics club, Board of Directors); <i>Club Droits Humains</i> (Human rights club) of Global Compact France; EpE.</p> |
| Biodiversity | <p>Livelihoods (carbon offset fund for biodiversity and rural communities), act4Nature Initiative; <i>Caisse des Dépôts et Consignations</i> (CDC) – Positive Biodiversity Businesses club (B4B+) membership.</p> |
| Philanthropy | <p>International: International Association for Volunteer Effort (IAVE), more than 70 NGOs supported each year in over 35 countries.</p> <p>France: Fondation de France, Admical (<i>Association pour le développement du mécénat industriel et commercial</i>, member of the European network CERES); <i>IMS-Entreprendre pour la cité</i>; <i>Centre français des fonds et fondations</i>; Pro Bono Lab; <i>Alliance pour le Mécénat de compétences</i>.</p> |
| Standardization | <p>With around 700 experts actively participating in international and national standardization bodies, Schneider Electric is making a decisive contribution to the creation and distribution of standards that ensure the safety and reliability of electric facilities and equipment, and address their environmental impacts all along their life cycle to prepare for a better circular economy, support the new energy landscape with the goal of greener energy integration, safer energy delivery and better integration of prosumers, and support the digital transformation of the industry.</p> <p>Schneider serves, in particular, as a main contributor of the French electrotechnical institute, which is a founding member of international (IEC – International Electrotechnical Commission) and European organizations (Cenelec – European Committee for Electrotechnical Standardization).</p> <p>Involved in these two organizations, at governance and technical levels, it participates actively in the standardization of smart grids, for which it leads the definition of standards and the standardization roadmap within the European smart grids coordination group, as well as the group in charge of standardizing the interfaces between smart buildings and smart grids.</p> <p>It chairs the IEC Committee on Environmental standardization of Electric and Electronic Equipment and is secretary of IEC SC23K on Energy Efficiency Products, Systems and Solutions.</p> <p>It chairs the French Committee for environmental standardization and the French Committee on Circular Economy.</p> <p>It was a major contributor to smart manufacturing initiatives such as the AIF in France. Notably, it is a member of the Council Board and of the IEC Conformity Assessment Board.</p> <p>It chairs the Smart Energy Grid coordination group of the CEN-CENELEC-ETSI (European Standardization Committee – European Committee for Electrotechnical Standardization – European Telecommunications Standards Institute), responsible for ensuring availability of an appropriate set of standards for the rollout of smart grids in Europe, as well as supporting the coming new legislative "Clean Energy Package".</p> <p>CEN-CENELEC-ETSI are the three official European standardization bodies.</p> <p>Schneider also chairs the group at the IEC level in charge of defining the roadmap of international standards to support the rollout of the Smart Energy sector (smart grids, in addition to interfaces with other energies). This roadmap also includes cybersecurity and resilience, as well as the impact of the IoT.</p> <p>It contributes to the European Commission's Circular Economy package, with CEN-CENELEC-ETSI developing a set of standards assessing reparability, reusability, recyclability, remanufacturability, etc. of products by 2020 which fall within the scope of the EcoDesign directive. Schneider has appointed active experts in each of the working groups.</p> <p>In 2018 it led the UPS manufacturers' group in the EU Commission's Product Environmental Footprint (PEF) pilots for defining rules to assess the PEF of products put on the EU market, prior to its implementation of the European policy.</p> <p>It chairs several ISO (International Standardization Organization) technical committees.</p> <p>At the forefront of digital transformation, it is a board member of the European AIOTI initiative (Alliance for Internet of Things Innovation), leading in particular the buildings work group, and leading the IEC 17 working group on compliance assessment in the field of cybersecurity.</p> <p>Since February 2007, Schneider has represented France on the IEC's Advisory Committee for Environmental Aspects (ACEA).</p> <p>ACEA works to advise and coordinate the IEC's efforts to tackle environmental issues.</p> <p>The Group also chairs the IEC's Advisory Committee for Energy Efficiency (ACEE), created in 2013, and chairs the Advisory Committee on Safety (ACOS).</p> <p>It also chairs many French standardization committees hosted by AFNOR (French standards organization).</p> <p>It is particularly heavily involved in the working group on sustainability (chairs environment and circular economy groups) and in the work on the rational use of energy.</p> |

1. Sustainability at the heart of Schneider Electric's strategy

1.5 Integrated and transverse governance of sustainable development

At Schneider Electric, sustainability is integrated in the processes and bodies that design and execute the Group's strategy at board, executive and operational levels.

1.5.1 The Board of Directors

In 2013, the Board of Directors decided to extend the powers of the Governance and Remunerations Committee to corporate social responsibility issues. Since 2014, there has been a specific committee for CSR: the Human Resources & CSR Committee. The committee meets at the initiative of its Chairman or at the request of the Chairman and CEO. The agenda is drawn up by the Chairman, after consulting with the Chairman and CEO. The committee shall meet at least three times a year (five meetings in 2020).

The committee may seek advice from any person it feels will help it with its work.

Main responsibilities:

- Employee shareholding schemes and share allocation plans;
- Compensation of Group managers;
- Succession plan for key Group Executives;
- Human Resources;
- CSR policy and results.

In 2020, the Human Resources & CSR Committee reviewed the CSR strategy (see chapter 3, pages 255-256).

1.5.2 The Group Sustainability Committee

Since 2010, the three members of the Executive Committee in charge of Human Resources, Global Supply Chain and Strategy & Sustainability have met twice per year with the Sustainability Director to monitor and steer the Group's action plans in this area. In 2016, the Global Marketing EVP, joined this committee. In 2020, Chief Governance Officer & Secretary General as well as the Chief Financial Officer also joined.

The committee may seek advice from any person it feels will help it with its work.

Main responsibilities:

- Decides the Sustainability dynamic and reduce;
- Validates the Schneider Sustainability Impact;
- Monitors global sustainability performance and rankings;
- Reviews alignment with UN Sustainability Development Goals;
- Informs the Board HR&CSR Committee.

1.5.3 The Sustainability department

The Sustainability department, created in 2002, has been part of the Strategy department since 2008. It has the following responsibilities:

- Schneider Electric's sustainability strategy and rollout action plans at Group level with relevant entities;
- Schneider Electric's innovative community projects to ensure continued improvements in the Group's performance in this area;
- Central point of contact for internal and external stakeholders regarding sustainability at Schneider Electric.

It is organized around three areas:

- Social responsibility, specifically with the Schneider Electric Foundation as well as local economic and social development programs;
- Access to energy, with responsibility for the Access to Energy program;
- Group performance, in particular by steering the Schneider Sustainability Impact, the Extra-Financial Performance Declaration, the Schneider Sustainability Report, and the integrated report.

1.5.4 The Schneider Sustainability Impact Steering Committee

In 2020, a specific SSI Steering Committee was created, with about 50 members: representatives of each Excom member, geography, function, and business unit. Three all-hands workshops took place, and the sustainability team organized individual follow up interviews with each member to define precise and measurable programs for the 2021-2025 SSI.

1.5.5 Other key organizations

- Global Supply Chain organization, with responsibilities including safety and the environment;
- Human Resources organization;
- The Ethics Committee.





* Non-exhaustive list: Access to Energy Committee, Carbon Committee, SERE (Safety Environment Real Estate) Committee, Ethics Committee & Fraud Committee, Duty of Vigilance Committee, Foundation's Executive Committee & Schneider VolunteerIn Board, HR Committee, Diversity & Inclusion Committee, SSI pilots and sponsors.

1. Sustainability at the heart of Schneider Electric's strategy

1.6 External and internal guidelines for a solid framework

1.6.1 External guidelines

The United Nations Global Compact and Sustainable Development Goals (SDGs)

The Global Compact was launched in 1999 by UN Secretary-General Kofi Annan. It brings companies and non-governmental organizations together under the aegis of the United Nations. Parties signing the Global Compact commit to 10 fundamental principles in four areas: human rights, labor rights, the environment, and anti-corruption. By signing the Global Compact in December 2002, Schneider Electric made a public commitment to these universal values. In line with the requirements of the Global Compact, Schneider publishes an annual Communication on Progress (COP) and meets the requirements of the Global Compact Advanced Level.

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership. Schneider Electric is committed to contribute to the 17 SDGs through its sustainability programs.

International Organization for Standardization (ISO)

In 2010, the ISO published its guidelines on organizations' social responsibility (ISO standard 26000). This standard promotes a compromise involving different players from the public, private, and non-profit sectors from around 100 countries, and a vision of how an organization should view societal responsibility. This standard legitimizes the sustainability actions undertaken by the Group since the early 2000s and provides an educational support and framework for its actions in the field. The Group has worked since 2012 to promote the adoption of the ISO 26000 principles with its suppliers.

Schneider also adopts other ISO guidelines or certifications see ISO 14001 and ISO 50001, page 132; ISO 45001, page 146; ISO 9001, page 131; ISO 27000, page 109; ISO 14025 and 14021, page 143.

The Global Reporting Initiative (GRI)

The GRI was established in 1997 as a mission to develop globally applicable directives to report on economic, environmental, and social performances. Brought about by the Coalition for Environmentally Responsible Economies (CERES) in association with the United Nations Environmental Program (UNEP), the GRI integrates the active participation of companies, NGOs, accounting bodies, business associations, and other stakeholders from across the globe. In 2016, Schneider integrated updates to the GRI Standards. A reference table with its indicators and those proposed by GRI is available on the Schneider Electric website.

The Sustainability Accounting Standards Board (SASB)

The SASB Foundation was founded in 2011 as a not-for-profit, independent standards-setting organization. Schneider Electric provides information in alignment with SASB reporting guidelines for its sector (Electrical and Electronic Equipment). A correspondence table can be found in pages 192 to 193.

The Task Force on Climate-related Financial Disclosures (TCFD)

In June 2017, the TCFD, a working group led by Michael Bloomberg under G20 Financial Stability Board's (FSB) mandate, published its recommendations for companies' climate action disclosure. CEOs from more than 100 companies signed a statement of support for the TCFD recommendations and Schneider Electric's CEO was among them. Detailed information can be found in Schneider Electric's CDP Climate Change public disclosure and in this report on pages 194 to 197.

The Sciences-Based Target initiative (SBTi)

Science-Based Targets (SBTs) specify how much and how quickly companies need to reduce Greenhouse Gas (GHG) emissions in order to avoid a 1.5°C or 2°C global temperature increase, compared to pre-industrial levels. Schneider Electric is part of the 1,000+ companies globally that have committed to reduce GHG emissions in alignment with prevailing climate science through the SBTi. The Group's GHG footprint is calculated following the World Resources Institute (WRI) GHG Protocol pages 202 to 203. The Group's target to achieve net-zero operational emissions and to reduce scope 3 emissions by 35% by 2030 (vs 2017), was validated 1.5°C aligned by the SBTi in 2019.

Organisation for Economic Co-operation and Development (OECD)

The OECD is an international organisation that works to build better policies for better lives. Schneider Electric is aligned with the OECD Guidelines for Multinational Enterprises. Schneider Electric signed the OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and established a "Conflict Minerals Compliance program" based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from conflict affected and high-risk areas.

International Labor Organization (ILO)

Schneider Electric is a Member of the ILO Global Business and Disability Network (GBDN) and adheres to the principles of the ILO Declaration on Fundamental Principles and Rights at Work. The Group's Principles of Responsibility were inspired in part by the standards issued by the International Labor Organization (ILO).

1.6.2 Internal governance model

Policies create the backbone of an organization's compliance and security program. They ensure employees understand how to implement critical tasks and meet behavior expectations. Regulators have made clear the need for effective policy development and management programs. It is no longer enough to merely document the existence of policies and procedures.

Organizations must be able to demonstrate that employees know, understand and apply them. In other words, simply developing and publishing policies is no longer sufficient in the eyes of our stakeholders (NGOs, regulators, customers, financial partners, etc.). To that end, Schneider Electric has established a four tier form of documentation pyramid of norms, under the umbrella of our Ethics Charter called the Principles of Responsibility, organized in policies, standards, procedures, and guidelines.

Policies consist in formal statements produced and supported by the leadership team, that state where the organization stands on important issues. Schneider has around 70 global policies distributed in the five pillars of the Principles of Responsibility: Human rights and people development, Ethical business of conduct, Responsible purchasing, Environment and Digitally trusted and secure. The Schneider Electric Global Policy Management Policy provides the rules to be followed for global policies.

Standards assign quantifiable measures and define acceptable level of quality. They aim to make a policy more meaningful and effective. Procedures establish the proper steps to take to operationalize a policy and/or standard. Finally, guidelines provide additional guidance with a set of recommendations to clarify expectations in relation to a given procedure.

Principles of Responsibility

Schneider Electric has written guidelines that promote an ethical framework and strategic roadmap in which the activities of the Group are carried out: The Principles of Responsibility, which are supplemented by policies and related directives. They are available publicly on our [website](#) in 26 languages. Further details are provided page 100.

Human rights and people development

In 2017, Schneider Electric drafted a specific Human Rights Policy as part of a broader program on duty of vigilance in its value chain and in line with the UN Guiding Principles on Business and Human Rights (see pages 101 to 102).

The Group's Human Resources policies cover the following topics: diversity & inclusion, health & well-being, safety, security and travel, employee engagement, family leave, anti-harassment, recruiting, international mobility, training, human capital development, talent identification, total remuneration, social benefits and COVID-19. These apply to the Group and are accompanied by global processes.

Ethical business conduct

In addition to the Principles of Responsibility, different policies and directives bolster the Group's commitments in terms of business ethics and integrity. The Business Agents Policy specifies the rules to be followed when an external stakeholder is solicited to get a deal and integrates the approval process of business agents. The Internal Fraud Investigation directive indicates the commitment to whistleblower protection. The Gifts & Hospitality Policy was approved by the Group's CEO in December 2015 and was deployed locally. It is supplemented by an anti-corruption Code of Conduct detailing related processes. Other policies cover social media management, competition law, conflict of interest, export control, etc.

Digitally trusted and secure

With the speed of the digitalization, Schneider Electric developed many policies to reinforce its cyberposture and respect personal data and privacy as IT asset management and usage, acceptable use of assets, general information security, data classification, global data privacy, user access management policy, email security policy and many others. It is the pillar containing the most policies.

Act for the environment

Schneider Electric's environmental policy aims to improve industrial processes, reinforce product EcoDesign and incorporate Group customers' concerns about environmental protection by providing them with product and service solutions. It is bolstered by the Energy and Environment policies. These policies apply to the Group and are accompanied by global action plans.

Responsible purchasing

In 2016, Schneider Electric renewed the charter for its suppliers, called the Supplier Guide Book. The first chapter of this book sets out the Group's sustainability expectations in five areas: environment, fair and ethical business practices, sustainable purchasing, working conditions, and human rights. These requirements are detailed in a dedicated document called the Supplier Code of Conduct. In 2018, the Group adopted the Responsible Business Alliance (RBA) Code of Conduct for suppliers.

1. Sustainability at the heart of Schneider Electric's strategy

1.7 Ratings and awards

1.7.1 Ratings and ESG indices

Dow Jones Sustainability Index (DJSI)

In 2020, Schneider Electric was one of the 323 companies in the DJSI world index, which is comprised of corporate leaders in global sustainability as identified by SAM, now a part of S&P Global, and represents the top 10% of the largest 2,500 companies in the S&P Global Broad Market Index based on long-term economic and ESG factors. Schneider Electric was ranked 1st in the Electrical Components & Equipment group with a score of 88/100 (a +5 points progress versus 2019). It has been part of this index since 2002, except in 2010, and was an industry leader between 2013 and 2016, and in 2020.

CDP Climate A list and Supplier Engagement Leader

In 2020, Schneider Electric was one of 273 companies, of over 9,600 companies that participated in the CDP Climate Change program, to secure a place on the Climate A list, and the only company in its industry to achieve an A rating for the tenth consecutive year. Schneider Electric is also a member of the CDP Supplier Engagement Leader Board for its performances as a supplier when examining four key areas of the CDP questionnaire on climate change: governance, objectives, scope 3 emissions, and commitment in the value chain.

It belongs to several STOXX indices, in particular Global Low Carbon Footprint, Global Climate Change Leaders, EURO STOXX 50 Low Carbon, Global ESG Environmental Leaders, and Global ESG Impact indices.

CDP Water

Schneider Electric received an A- score for its third participation in CDP's Water Security questionnaire.

Vigeo Eiris industry leader and Ethibel Sustainability Index

Following assessment in October 2020, Schneider Electric is an industry leader (Electric Components and Equipment) at the highest level (Advanced), with a rating of 66/100 (+1 points versus previous rating). As of December 2, 2020, Schneider Electric is part of the Euronext Vigeo Eiris World 120, Europe 120, Eurozone 120 and France 20 indices. The average score for companies in the World 120 is 57/100.

Schneider Electric has been reconfirmed as a constituent of the Ethibel Sustainability Index (ESI) Excellence Europe and the ESI Excellence Global since 08/05/2020

FTSE4Good

Schneider Electric is part of the FTSE4Good Developed, Environmental Leaders Europe 40 (index decommissioned in August 2020), FTSE Environmental Opportunities, and FTSE EO Energy Efficiency indices.

EcoVadis Advanced level and Platinum rating

Schneider Electric has achieved Advanced level (and Platinum rating) at EcoVadis with a rating of 82/100 (+2 pts versus 2019 rating).

MSCI industry leader

Schneider Electric has been at AAA grade since 2011, an industry leader and a member of the MSCI SRI, Socially Responsible, ESG Leaders, Select ESG Rating & Trend Leaders, Low Carbon Leaders, and Low Carbon Target (list non-exhaustive).

Sustainalytics leader

Following its assessment in August 2020, Schneider Electric was ranked 1st among peers with \$37.3-\$70.8 billion market cap, with a 13.4 risk rating (Low Risk) and is part of the STOXX Global ESG Leaders, Environmental Leaders, Social Leaders, Governance Leaders, Impact, and STOXX Sustainability indices.

ISS

Schneider Electric achieved a 1 ranking in Environment, 1 in Social, and 4 in Governance at ISS (Institutional Shareholder Services, Inc.) in the 2020 QualityScore. The rating scale runs from 1 to 10, with 1 representing the lowest risk level and 10 the highest. Schneider Electric is at Prime level at ISS-ESG with an absolute B rating (versus B- in 2019), the best rating in its industry (Electric Components) out of 136 companies.

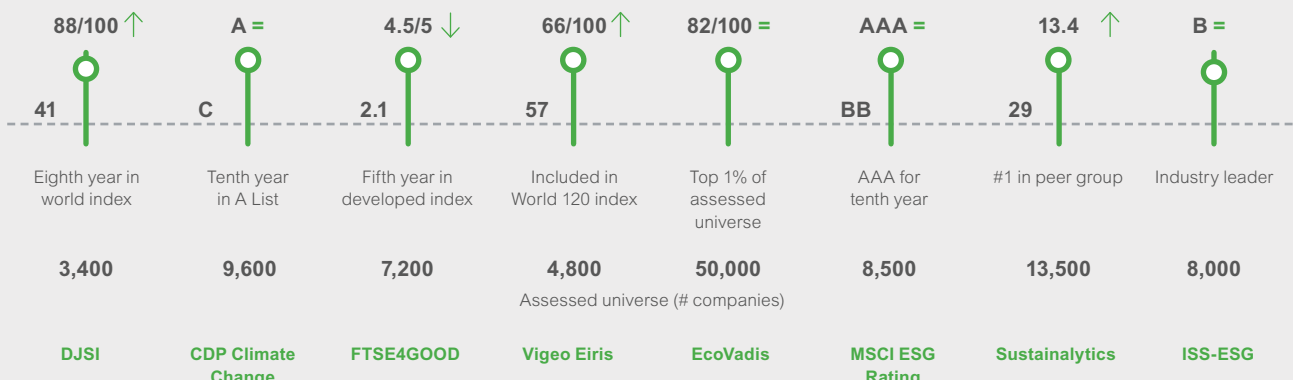
ECPI

Schneider Electric is included in the ECPI Carbon, Ethical, Renewable Energy, Global Developed ESG Best in Class, Megatrend, Climate Change, and Circular Economy leaders.

Overview of Schneider Electric sustainability external ratings

-- Industry average score

○ Schneider 2020 score



1.7.2 Other awards in 2020 and beyond

Impact & ESG

Global 100 most sustainable corporations

Schneider Electric ranked 29th in January 2020 in the list drawn up by Corporate Knights, and 1st in January 2021 for the first time. This is the tenth year running it has appeared on this list.

2021 most responsible French companies

In November 2020, Schneider Electric was ranked 1st among 250 French companies by French magazine, Le Point and German independent institute, Statista for its commitment to sustainability and its innovative tool – Schneider Sustainability Impact.

Impact Finance

The new independent, B-Corp Certified, impact rating agency, has ranked Schneider Electric 1st in CAC40 for its contribution to the UN Sustainable Development Goals for the second year in a row. The Group obtained a score of 434/1000, way ahead of the CAC40 average of 231/1000.

Climate

Carbon Clean 200 list

In the first quarter of 2020, Corporate Knights ranked Schneider Electric 9th worldwide for its revenue devoted to energy transition. In February 2021 Schneider Electric ranked 8th.

Circular Economy

The Circulars 2019

Schneider Electric won an award in the Multinational Companies category of The Circulars 2019 awards for its commitment to the circular economy. This award recognizes Schneider Electric's efforts to make the circular economy a core tenet of its strategy and its innovation as well as its ambitious goals in the field.

Supply Chain

Gartner 2020 Supply Chain top 25

Schneider Electric has progressed to 4th position (versus 11th in 2019) in the Gartner Supply Chain top 25 ranking for the exemplary management of its value chain. Schneider also received Gartner's 2019 Industrial Manufacturing Supply Chain innovator award.

Diversity & Inclusion

Bloomberg Gender-Equality Index

In 2020, Schneider Electric was present in Bloomberg's Gender-Equality Index. In 2021, among 380 companies and for the fourth consecutive year, the Group is also present in this Index.

Financial Times Top 50 Diversity leader 2021

Schneider Electric was recognized as a Top 50 Diversity leader by the Financial Times for the second year in a row. As a result of Schneider's relentless commitment to be an inclusive and diverse company, its ranking increased to 27th overall and 2nd in

its industry category.

Equileap Global Gender Equality Report and Ranking

According to Equileap, Schneider Electric is one of the 100 companies worldwide with the highest level of workplace gender equality. The Group ranked 31st overall in 2019, and 1st in its sector. It is also ranked 5th in the Top 20 European list, published in March 2020, with a score of 63%.

Ethics & Governance

Ethisphere

Schneider Electric was one of the 135 most ethical companies according to Ethisphere's ranking in February 2021; only three French companies were included in this year's ranking.

Best 2020 vigilance plan

In January 2021, Schneider Electric won the Best 2020 Vigilance Plan after an assessment of all the CAC40 companies by the Sustainable Investment Forum (FIR) and A2 Consulting.

Grands prix de la transparence 2020

Schneider Electric has entered the Top20 most transparent company by ranking 11th. The Group has also received the Gold label which has only been awarded to 15 companies having obtained a 30% higher transparency rating to the overall SBF 120 average.

Employer awards

Universum Top 50 World's Most Attractive Employers

Schneider was recognized by students worldwide as one of the World's Most Attractive Employers ranking 48th in Engineering and IT by Universum. Over 235,000 respondents from the Universum Talent Surveys have ranked the companies they find most desirable to work for.

Catalyst award

Schneider Electric received an award in 2019 for its capacity to attract female employees in India, an initiative that is an integral part of the Group's global diversity and inclusion program.

Fortune, Glassdoor

Schneider is recognized by Fortune as one of the "World's Most Admired Companies", in the Top 5 of the electronic industry, for the third consecutive year.

Schneider received a score of 4.1 from Glassdoor at the end of 2020.



2. Green and responsible growth driving economic performance

2. Green and responsible growth driving economic performance



In this section:

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Context and goals

Climate change is one of the main challenges of the 21st century. Schneider Electric works for industries that account for the majority of global energy consumption but as energy consumption is not always optimized, it makes it one of the largest sources of CO₂ emissions. As a global specialist in the digital transformation of energy management and industrial automation, Schneider Electric places its expertise and solutions at the service of its customers to ensure that energy is safe, reliable, efficient, connected and sustainable. The Group's differentiation lies in its complementary actions to support its customers in their zero CO₂ journey, while aiming for outstanding environmental, social, and ethical performance. The Group works in more than 100 countries, with adaptable practices, standards, and values. The Company has defined Principles of Responsibility that apply to the entire Group and are based on dedicated organization and processes. In addition, Schneider Electric is committed to sharing its sustainability vision with as many of its suppliers as possible.

Key targets and results

| Schneider Sustainability Impact 2018-2020 | | | |
|---|---|------------------|----------------|
| Megatrends and SDGs | 2018-2020 programs | 2020 progress | 2020 target |
|  | 1. Renewable electricity | 80% ▲ | 80% |
| | 2. CO ₂ efficiency in transportation | 8.4% ▲ | 10% |
| | 3. Million metric tons CO ₂ saved on our customers' end thanks to EcoStruxure™ offers | 134 ▲ | 120 |
| | 4. Increase in turnover for our EcoStruxure™ Energy and Sustainability Services | 17.6% ▲ | 25% |
|  | 16. Increase in average score of ISO 26000 assessment for our strategic suppliers | +6.3pts ▲ | +5.5pts |
| | 17. Suppliers under human rights and environment vigilance received specific on-site assessment | 374 ▲ | 350 |
| | 18. Sales, procurement, and finance employees trained every year on anti-corruption | 94% ▲ | 100% |

▲ 2020 audited indicators.

The 2017 performance serves as a starting point value for the Schneider Sustainability Impact 2018-2020.

Please refer to pages 185 to 189 for the methodological presentation of indicators and the following pages for the analysis of the results: pages 133-134 for indicator 1; pages 134-135 for indicator 2; pages 126-127 for indicator 3; pages 97-98 for indicator 4; pages 116-117 for indicator 16; pages 112-114 for indicator 17; and pages 107-108 for indicator 18).

2.1 Smart energy management products and solutions to help fight climate change

2.1.1 Description of risks and opportunities

The planet is facing an unprecedented challenge as it works to recover from the COVID-19 pandemic. Close on the heels of the recovery from this health and economic crisis will be the ongoing need to urgently decarbonize our buildings, industries, data centers, and homes if we are to succeed in meeting the parameters of the Paris Agreement on climate change.

Schneider Electric [research](#) indicates that 93% of large companies are deploying energy and resource efficiency measures to reduce their overall carbon emissions, and 70% of companies surveyed for our 2020 [insight report](#) have set and publicly announced energy and/or sustainability goals.

Energy and emissions management lies at the heart of Schneider Electric's business strategy. Customers – companies, citizens, governments – all want to reduce their costs and environmental impact while constantly improving the reliability, safety, accessibility, and performance of their energy and digital solutions.

To ensure that energy efficiency and greenhouse gas (GHG) reduction targets are achieved, and to facilitate the increasing share of renewable energy and clean technologies in the energy mix, Schneider Electric provides an innovative and competitive portfolio of products and software solutions to help its customers.

2.1.2 Energy & Sustainability Services

As of this writing, more than 1,000 companies globally have committed to reduce GHG emissions in alignment with prevailing climate science through the [Science-Based Targets initiative](#). Some of these same companies have also made public commitments to energy productivity, renewable energy procurement, or electric vehicle deployment through initiatives such as the RE100, EP100, and EV100. Deregulation of global energy markets drives even further the need for organizations to seek professional support in their decarbonization and energy procurement pursuits. Thousands of Schneider Electric's corporate customers rely on the unbiased and trusted advice and expertise of the Energy & Sustainability Services (ESS) division.

The increasing complexity of and pressures in energy and resource management calls for data-driven, integrated strategies that support organizations across their product and service portfolio. We call this holistic approach to buying energy smarter, using it more efficiently, and stewarding global resources, Active Energy Management (AEM). AEM enables Schneider Electric clients worldwide to maximize investments, deliver greater returns, and build more robust, resilient operations that can endure in the face of growing global challenges.

Practical examples of AEM include:

- Tracking, managing, and disclosing environmental data to voluntary or regulatory agencies and shareholders;
- Managing the increasing convergence in energy procurement of conventional and renewable power;
- Exploring and investing in renewable and clean technologies;
- Implementing demand response programs based on real-time price or carbon signals;
- Combining distributed energy resources and efficiency technology to cut costs, reach CO₂ reduction goals, and increase resiliency;
- Using utility records to validate compliance with industry standards and regulatory requirements.

Schneider Electric's ESS division helps the world's leading companies set energy and sustainability goals for themselves and their supply chain, develop a strategy and roadmap for action, collect data, and deploy solutions and programs to reduce their footprint and meet their goals.

ESS offers include:

- Energy and sustainability consulting services, including climate change mitigation, carbon neutrality strategies, and supply chain decarbonization initiatives;
- Strategic procurement programs including traditional and renewable energy, distributed energy resources, microgrids, global Energy Attribute Certificates (EACs) and carbon offsets;
- Enterprise efficiency consulting and performance contracting to measure, manage, and reduce energy and resource consumption;
- Sustainability consulting services including science-based carbon reduction target goal setting, and ESG reporting and disclosure;
- Energy and sustainability certification, compliance, and reporting;
- Enterprise-wide energy and sustainability data collection with integration into the AI-enabled EcoStruxure™ Resource Advisor software platform (Schneider Electric's ESS division manages more than 128 million metric tons of carbon equivalent on behalf of its clients annually).

Buying energy smarter. Using energy efficiently. Operating more sustainably. All worthy pursuits on their own, but much more effective when combined through AEM. As climate change and resource scarcity concerns grow, integrated energy and carbon management gives companies a holistic view of their performance and access to the data they need to refine their strategies and drive innovation and action. Moreover, companies that embrace smart grid technologies increase electric reliability and lower the risk of price fluctuations, which make for more profitable companies.



2. Green and responsible growth driving economic performance

SSI#4: 25% increase in turnover for our EcoStruxure™ Energy & Sustainability Services (ESS)

ESS works with thousands of clients around the world to help them proactively manage their energy, carbon, and resource footprints. ESS annually manages more than EUR 30 billion in energy spend (70 GW), 128 million metric tons of CO₂, and over 250,000 client sites. ESS is the foremost advisor to corporations on global energy procurement, including renewable energy and emission-reducing technologies. It has received recognition for its microgrid solutions, sustainability consulting, and EcoStruxure™ Resource Advisor software, as well as being honoured as a leading ESCO and Energy-as-a-Service provider.

% turnover increase vs 2017

+17.6%

2.1.3 Partner of choice in energy transition

Distributed Energy Resources (DERs) are reshaping the energy landscape. Consumers are now able to reach new heights in energy cost savings, sustainability, and resilience by investing in DERs behind-the-meter, turning themselves into prosumers.

Intermittent and decentralized, DERs employ innovative power systems designed to optimize and ensure system stability, and to finance asset implementation. This calls for behavioral changes, new and smart technologies, and new business models. Today, DERs can help tackle energy challenges by creating an optimized way to access reliable, green, and resilient energy.

Microgrids are the emerging energy ecosystem that provides practical answers through a local, interconnected energy system within clearly defined electrical boundaries, which incorporate loads, DERs, energy storage, and control capabilities.

Schneider Electric's microgrid management offerings consist of:

- The EcoStruxure™ Microgrid Advisor, which is a cloud-based solution that leverages powerful analytics to optimize microgrid performance in terms of sustainability, energy costs, and productivity;
- The EcoStruxure™ Microgrid Operation, which is an on-premise solution that ensures grid stability and energy reliability in several scenarios (islanded, grid-tied, etc.);
- The Energy Control Center, which is the whole microgrid in one box – minimizing the impact on the rest of the installation.

The open, scalable EcoStruxure™ solutions can be connected with Schneider Electric or third-party systems, for both new and existing infrastructures. This, combined with innovative business models to help end users navigate the landscape, optimize system design and operation, and achieves the desired energy goals.

Schneider Electric's Access to Energy solutions electrify remote areas, from individual systems in homes and micro-enterprises to larger scale systems in public institutions, schools, healthcare centers, and other community buildings. Schneider Electric recently launched Villaya Emergency, a mobile hybrid microgrid, that provides cost effective clean energy to people without access to energy (see section 5.2, pages 174-175, for more details).

2.1.4 Driving grid transformation in energy transition

The energy landscape is under transition, driven by megatrends like decentralization and decarbonization of energy generation as well as digitization across the grid. Grid operators must innovate to provide customers with reliable power, all the while running operations at maximum efficiency.

Schneider Electric recognizes that the world of the prosumer and that of the electricity company, are tightly interconnected. EcoStruxure™ for Electricity Companies harmonizes and unites both sides of the energy equation. It contains offers that help both supply and demand energy players to harness and capitalize on the new energy landscape.

With EcoStruxure™ for Power & Grid:

- The Group helps Power & Grid companies to build a sustainable future by providing greener power generation, building smarter grids, and serving affordable low carbon energy to consumers, while improving their profitability;
- EcoStruxure™ for Power & Grid makes electrical networks and generation assets smarter through digitalization. Schneider Electric's digital solutions help its customers satisfy their own customers' electricity demand without interruption, with greater grid resilience, more reliability, and better cost avoidance, integrating greener and more sustainable energy at an acceptable cost while still reducing their carbon footprint;
- It integrates DER and renewable/intermittent energy sources into existing grids in a safe and optimal way. It ensures the grid stays stable and manageable as the growth of decentralized renewables continues into the foreseeable future;
- It optimizes and extends the life of existing grid assets through services. Power & Grid companies are some of the most asset-intensive organizations on the planet, and Schneider Electric's services, expertise, and technologies lead to substantial efficiencies and avoided downtime, which means huge cost savings for its customers;
- It provides microgrid solutions for prosumers. Microgrids and energy-as-a-service are gaining popularity because they solve many different energy problems. These include, ensuring a reliable power supply, reducing energy costs, reducing CO₂ emissions, taking ownership of consumption, giving users the power of choice and control, and optimizing the energy mix according to one's particular goals.

2.1.5 Energy efficiency

Energy efficiency means using less energy for equivalent performance or service. This reduces energy consumption and carbon emissions and saves money while contributing to energy security and creating jobs. In its World Energy Outlook 2017, the International Energy Agency (IEA) estimates that over 80% of the economic potential of energy efficiency in buildings and more than half in industry, remains untapped. The world has to use energy at least 3% more productively each year in order to stay below the 2 °C global warming level, and there is a big opportunity to reduce emissions with [energy efficiency](#).

Improved energy efficiency not only pays dividends by trimming consumption and costs, it also brings environmental sustainability benefits, which can deliver as much as 2.5 times the value of reduced energy usage (IEA). The good news is that most companies are working towards increasing energy efficiency.

Schneider Electric has been investing in software companies to digitize the design, build process, and operation of the next generation of energy efficient buildings. These investments include:

1) our partnership with Autodesk to design the next generation of energy efficient buildings, 2) our acquisition of Rib Software to increase efficiency of build process, and 3) our investment in Planon Software to enable sustainable operation of buildings.

Schneider Electric promotes active energy efficiency solutions, which consist of optimizing the entire energy cycle using energy control products, systems, services, and software. Schneider Electric is helping companies and utilities to reduce energy consumption by up to 30%, as well as optimizing their processes.

Schneider Electric's EcoStruxure™ architecture framework enables the Group, its partners and end-user customers to develop scalable digital solutions that:

- Maximize energy efficiency and sustainability through smarter systems and real-time, data-driven decisions;
- Optimize asset availability and performance through predictive analytics and proactive maintenance;
- Enable smart, productive, and profitable operations through reduction of waste and downtime;

- Provide mobile insight and proactive risk-mitigation through simulation, situational awareness, and digitization;
- Foster open innovation and interoperability through development and partnerships with leading standards organizations and best-in-class technology leaders.

For Schneider Electric, EcoStruxure™ is tailored to its end-markets, where it has decades of deep domain expertise and applied experience. EcoStruxure™ solutions are deployable both on-premise and in the cloud, with built-in cybersecurity at each of the innovation levels: connected products; edge control; apps, analytics, and services.

For the residential end-market, Schneider Electric's "Wiser" system controls, measures, and monitors home energy usage, for increased comfort and a more efficient use of energy in residential homes. Schneider Electric also offers the integration of safe recharging infrastructures for electric vehicles in home electrical systems and enables next generation efficient electric home heating.

2.1.6 A measure of Green Revenues and Green Innovation

[Schneider's purpose](#) is to empower all to make the most of our energy and resources, bridging progress and sustainability for all.

In line with this purpose, Schneider Electric activities and revenues evolve, to bring more efficiency and sustainability for its customers in more than 100 markets. 2020 Green Revenue performance of the Group has increased from 70% in 2019, to 72%, mainly driven by the economic downturn of investments in the Oil & Gas sector (and therefore relatively reducing the Group's revenues in this sector). In 2021, as the economy recovers from the sanitary crisis, the Group expects this effect to lessen. In addition, to further contribute to a new electric and digital world, 100% of Schneider Electric's innovation projects are aligned with its purpose, more than 90% being either strictly green or neutral, according to the definition⁽²⁾ outlined below.

Schneider has set the ambition to reach 80% Green Revenues by 2025 as part of its Schneider Sustainability Impact.

(1) Green Revenues: Green Revenues are defined as offers that bring energy, climate, or resource efficiency to our customers, while not generating any significant harmful impact to the environment. Schneider Electric's Green Revenues are split into four categories described thereafter. Activities included are:

- 1) Energy efficiency architectures bringing energy and/or resource efficiency to customers. Offers include building management systems, power management systems, lighting and room control, thermal control, variable speed drives, Energy and Sustainability Services (ESS), and industry automation;
- 2) Grid reinforcement and smart grid architectures contributing to electrification and decarbonization. This includes all technologies and architectures contributing to a New Electric World, helping grid and electrification come to life: smart grid and microgrid technologies, EV charging infrastructures, medium voltage systems to upgrade electricity distribution networks, low voltage connectable offers enabling smart grid management and energy efficiency, secure power and switches that enable security, and security of supply;
- 3) Products with differentiating green performance, flagged thanks to our Green Premium program. Green Premium products offer environmental transparency (with digital life cycle analysis and circular end-of-life instructions), superior compliance to stringent environmental regulations, and differentiating performance on climate, resources, or health (note: double-accounting with categories 1 or 2 is removed);
- 4) Services that bring benefits for circularity (prolonged asset lifetime and uptime, optimized maintenance operations, repair, and refurbish) and energy efficiency (maintenance to maintain the operational performance of equipment and avoid a decrease of energy efficiency over time).

Revenues derived from activities with fossil sectors and others are excluded, including Oil & Gas, coal mining, and fossil-power generation, in line with prevailing corporate responsibility reporting practices and forthcoming EU regulations (Green Taxonomy), even though Schneider Electric's technologies deliver resource and carbon efficiency in such sectors as well. In line with Schneider Electric's strategy to phase out SF₆ from offers by 2025, SF₆-containing switchgear for medium voltage applications are also excluded. In addition, neutral technologies such as signaling, racks and enclosures, access control, or emergency lighting are excluded.

(2) Green and neutral innovation: Green innovation concerns every innovation contributing to a decarbonized world, for instance energy and processes efficiency, resource optimization, SF₆-free projects, or Green Premium offers. Innovation for offer development.

2. Green and responsible growth driving economic performance

2.2 Schneider Electric's Principles of Responsibility

As a global company, Schneider Electric is convinced that its responsibility goes beyond compliance with local and international regulations and is committed to conducting its business ethically, sustainably and responsibly. Schneider Electric believes that companies can make a positive impact and contribute to making the world a better place for all. The Group supports the 17 United Nations Sustainable Development Goals (SDGs), and their translation into tangible business actions. The Principles of Responsibility are the Group's Ethics Charter, which serves as a reference for every person and every team in the Company. Together they aid us in pursuing Schneider's objectives in a way that is meaningful, inclusive and positive. The Principles of Responsibility apply to all employees at Schneider and its subsidiaries, as well as to contractors, self-employed workers, and persons working on the Group's premises. They also serve as a source of inspiration in its relations with customers, partners, suppliers, and external stakeholders in general.

The Principles of Responsibility were inspired by the Universal Declaration of Human Rights, the ten principles of the United Nations Global Compact, and standards issued by the International Labor Organization (ILO) and the Organization for Economic Cooperation and Development (OECD). The new version of the Principles of Responsibility was published in June 2019 on Schneider Electric internal and external [website](#) and can be downloaded in 26 different languages.

2.2.1 The five pillars of the Principles of Responsibility

Today the Principles of Responsibility are built on the following five pillars:

- **Human rights and people development:** what Schneider Electric stands for in terms of human rights, diversity and inclusion, safety at work, employees development, fighting against forced labor, and zero tolerance for all kinds of harassment;
- **Ethical business conduct:** Schneider Electric business is important, but the way the Group conducts this business is equally important. Schneider conducts business in an ethical, sustainable and responsible manner. With its Principles of Responsibility and its compliance program, codes and policies, Schneider addresses matters such as corruption, conflicts of interest, business agents or fair competition;
- **Digital trust and security:** in a world becoming more digital every day, Digital Trust is a fundamental area of focus for Schneider Electric, its employees and network of customers, partners and suppliers. The Principles of Responsibility embrace this important responsibility, covering cybersecurity, data protection and privacy, and Artificial Intelligence (AI);
- **Act for the environment:** environment is at the heart of Schneider Electric's activity, through the offers and solutions the Group brings to customers, through the sentiment of Schneider employees and culture, and through its ambition to contribute positively on climate change, environment and biodiversity issues. The Principles of Responsibility address the subjects of climate change and CO₂ emissions, resource saving and circular economy, as well as environmental preservation;

- **Responsible corporate citizenship:** Schneider Electric is a community of people that interacts with other groups and communities across the planet. Schneider's ambition to make a difference is here expressed through specific programs such as Access to Energy, or the Group support to the development of local communities.

In 2021, building on this foundation, Schneider Electric will shift towards how the Group earns the trust of its internal and external stakeholders:

- Adding new topics such as quality and leadership focusing on earning and keeping trust with customers, partners, teams, investors and communities around the world.
- Strengthening ties to policies to ensure all employees know and understand the framework within which Schneider Electric works.

2.2.2 Communication and training for all employees

Ethics and responsibility are both a team effort and an individual commitment. Management has been continuously involved in the design of the deployment plan, on communication sessions and learning tools to ensure everyone at Schneider Electric is aware of the Principles of Responsibility and has the opportunity to learn and to reflect.

The new version of the Principles of Responsibility was first introduced by the CEO and the Executive Committee to the community of Top Leaders, and then cascaded by leaders throughout the organization via specific communication events (townhall speeches, conferences, seminars...). A dedicated mandatory learning including interviews from Executive Committee leaders, role plays in real situations, quiz tests, and an acknowledgement of the Principles of Responsibility has been made available to employees. This training is either an e-learning for connected employees, or an in-class version for non-connected employees. At the end of 2020, the training completion rate for all Schneider Electric eligible employees was 93%:

- Connected employees: 97% completion
- Non-connected employees: 82% completion

This dedicated mandatory learning on Principles of Responsibility will evolve in 2022 to reflect the new charter.



2.3 Human rights

2.3.1 Risks and opportunities

Human rights, which are a main priority for a long time, have been growing in terms of risk exposure, due to the increase of legal enforcement, geopolitical influence, and new challenges raised by social, economic and digital disruptions (e.g. forced labor, living wages or migrant workers). Schneider Electric has consistently focused on human rights and has the ambition to remain an exemplary company on this subject.

Schneider Electric's review of risks and opportunities related to human rights covers the following areas:

2.3.1.1 Fundamental human rights:

- Respect and dignity: healthy and respectful relations at work between individuals and teams, and towards communities;
- Child labor: defined by the International Labor Organization (ILO) as work that deprives children of their childhood, their potential, and their dignity, and that is harmful to their physical and mental development;
- Forced labor: defined by the ILO as all works or services for which a person has not offered themselves voluntarily or willingly;
- Freedom of association: the right for workers to join professional organizations that can defend their interests.

2.3.1.2 Decent working conditions:

- Health and safety: potential incidents of various degrees of severity related to workplace conditions;
- Security at work: physical or verbal violence that may originate from internal or external threats;
- Working time and leave: ensuring employees work on a schedule that respects legal time frames, rest periods, and leave provisions, and are given the opportunity to balance personal and professional time;
- Wages and benefits: paying employees a compensation that is fair in view of their profile, skills, and qualifications;
- Harassment: continuous solicitation with the intention of exhausting a person or forcing that person into unwanted behaviour;
- Data privacy: securing the data that individuals are placing into the Company's hands so that their privacy and freedom remain safe and protected.

2.3.1.3 Equal opportunities:

- Discrimination: creating a situation of inequality based on an employee's personal characteristic, at work or when hiring;
- Diversity and inclusion: risk of introducing several biases that would result in an unbalanced representation of the society inside the Company, and the exclusion of some groups or communities from the Company;
- Development of competencies: giving employees the opportunity to learn, maintain, and develop their skills and abilities.

In accordance with the 2017 French duty of vigilance law and its ambition to behave as an exemplary company, Schneider Electric implemented a specific vigilance plan. In 2020, Schneider Electric reviewed and updated its "duty of vigilance risk matrix" which highlights human rights risks at its sites, as well as for suppliers, contractors, and local communities. Several actions are implemented to mitigate the highest identified risks in this matrix. For more details, see section "Vigilance plan", pages 110-114.

2.3.2 Group policy

Schneider Electric's human rights approach is articulated around three principles.

First, Schneider Electric is committed to fully respecting and applying laws and regulations in all countries where it operates. Second, Schneider Electric is committed to fostering and promoting human rights throughout all its operational sites and subsidiaries worldwide.

Third, Schneider Electric wishes to support human rights beyond its borders, leveraging its large network of partners and stakeholders to promote the implementation of actions that will ensure the respect of people's rights.

Through its Principles of Responsibility, Schneider Electric is taking a strong position on what values it stands for. The "human rights and people development" pillar gives guidance on the following subjects:

- Respect, fairness, and dignity;
- Diversity, inclusion, and individual development;
- Safety at work;
- Health, well-being, and the way we work;
- Protecting the vulnerable against labor abuses;
- No tolerance for harassment.

Schneider Electric has formulated a specific global human rights policy that defines its position on human rights. It is applicable to all Schneider Electric permanent or temporary employees working on Group premises. It also aims to inspire external stakeholders. For all human rights risks identified above, and based on the "Protect, Respect, Remedy" principles, the policy provides a framework and gives guidance to employees and teams on how to behave in their daily operations or when facing a specific situation.

2.3.2.1 Schneider Electric's alignment with international standards and frameworks

Schneider Electric adheres to the following principles or guidelines:

- The ILO Declaration on Fundamental Principles and Rights at Work;
- The international human rights principles encompassed in the Universal Declaration of Human Rights, which sets out a common standard for all types of organization;
- The OECD Guidelines for Multinational Enterprises, which formulate recommendations for companies, including for the respect of human rights;
- Since 2003, Schneider Electric is part of the United Nations Global Compact. In 2011, the United Nations issued the Guiding Principles on Business and Human Rights which precisely define the roles and responsibilities of States and businesses on these matters. Schneider Electric is committed to these Guiding Principles and to the United Nations Convention on the Rights of the Child.

2. Green and responsible growth driving economic performance

2.3.2.2 Specific policies

In addition to its Principles of Responsibility and the global human rights policy, Schneider Electric has implemented specific global policies to provide guidance in the following areas:

Human resources

- Diversity & Inclusion Policy: applies to the entire Company and covers all facets of diversity, as Schneider Electric wants to mirror the communities in which the Group operates. This policy is based on respect and dignity, which are the foundations for fairness and equity;
- Family Leave Policy: provides a framework so that every employee, whatever the country of employment, can take some specific leave to enjoy some of life's special moments with their families. This policy was updated in 2020;
- Global Anti-Harassment Policy: states Schneider Electric's commitments to have zero-tolerance for any kind of harassment or offensive behavior;
- Flexibility at Work Policy: defines global Flexibility at Work pathways, mandatory and recommended, to ensure consistency and equitable treatment in the application of flexible work arrangements across business units and countries for all eligible Schneider Electric employees.

Health and safety

- Health & Safety Policy: states the rules and guidelines applicable to all Schneider Electric employees, and also to specific populations performing specialized tasks. It is supported by learning tools, and it is the subject of an annual "Global Health & Safety Day";
- Global Travel Policy: defines the rules applicable to travelers, including the safety guidelines, procedures, and processes to ensure the safety of Schneider business travelers at all times;
- Global Security Policy: defines the global scope of security applicable to all entities, locations, and activities. This policy also emphasizes the crucial role of managers to ensure security.

2.3.3 Due diligence

2.3.3.1 Deployment of internal actions

Schneider Electric entities and subsidiaries are monitored through the implementation of Key Internal Controls. These controls are designed in coordination with the Internal Audit team and consist in an annual self-assessment covering different operational topics. Human rights and health and safety controls are included in this annual review. The results of these assessments allow Schneider Electric to benchmark the entities and to prioritize mitigation plans when necessary.

Internal actions regarding respect and dignity, freedom of association, health and safety, working time and leave, wages and benefits, harassment, discrimination, diversity and inclusion, and development of competencies are described in section "Committed to and on behalf of employees", pages 144-169.

Schneider Electric is implementing training programs that are specific to the policies listed above, to raise the level of awareness of employees and give them advice on how to react or behave in specific situations. Some of these trainings are mandatory, others are part of recommended training paths. Such programs cover a very wide area of topics, from anti-harassment to well-being, or how to overcome bias and develop an inclusive culture. For more details, see section "Learning and development", pages 153-156.

Specifically, for health and safety, the Group maintains a follow-up of safety metrics. Incidents are reviewed with management, corrective actions are implemented when necessary, and communications are sent to relevant teams throughout the Company. When needed, a global safety alert can be launched to draw all relevant employees' attention. Schneider Electric organizes a yearly "Global Health & Safety Day", to inform all employees and keep the level of awareness high on this key topic. For more details, see section "Employee health and safety", pages 146-149.

2.3.3.2 Deployment of actions towards suppliers

Human rights are included in the integration of the sustainable purchases approach in the selection of new suppliers. Schneider Electric uses a qualification process called Schneider Supplier Quality Management (SSQM) to select new suppliers. It is based on an evaluation questionnaire combined with on-site audits, which include human rights and health and safety assessments.

Schneider Electric's Supplier Code of Conduct states the framework in which the Group wishes to operate with vendors. Schneider Electric expects suppliers to respect the fundamental principles on health, safety, people's protection, and development as defined in this document.

Other actions are implemented through the Group's vigilance plan. For more details, see section "Vigilance plan" and section "Relations with subcontractors and suppliers", pages 110-117.

2.3.4 Partnerships and working groups

The Group has joined *Entreprises pour les droits de l'Homme* (EDH – Businesses for Human Rights), a leading French association of businesses providing its members with tools and advice on implementing the UN Guiding Principles on Business and Human Rights. In 2018, Schneider Electric also joined the Responsible Business Alliance (RBA), a non-profit coalition of more than 120 companies from the electronic, retail, automobile, and leisure industries, for compliance with human rights and sharing the best practices with regards to on-site auditing and monitoring of suppliers' activity, including forced-labor issues.

The Group also joined the Global Compact LEAD working group "Decent Work in Global Supply Chain". Schneider Electric co-leads the G7 Business for Inclusive Growth (B4IG) coalition's "Advancing human rights in direct operations and supply chains" and "Building inclusive workplaces" working groups.

As a result of the working group on advancing human rights, in 2020, B4IG members adopted a collective statement supporting a European framework on mandatory human rights due diligence and providing suggestions to be considered in legislation.

2.4 Ethics & Compliance program

The exposure of the Group to risks of non-compliance and unethical practices has been increasing for several years, due to broader externalities for the Group through its geographic expansion, participation to complex projects and large range of acquisitions, leading to the need to strengthen the effectiveness of its risk-based ethics & compliance program.

Over the past years, the increase of law enforcement by public authorities, new regulations, and higher reputational risk with media exposure have led to the design of a preventive approach of several risks including corruption, fraud, violation of human rights (fundamental ones, health & safety, discrimination, harassment & sexual harassment), anti-competitive practices, sanctions & export control.

Adopting a full compliance approach on that topics brings trust to our employees, customers, partners and suppliers, but also to local communities.

2.4.1 Governance of the Ethics & Compliance program

Schneider Electric has built a strong governance to lead the Ethics & Compliance program to the best standards, with responsibilities at board, executive, corporate, and zone levels.

Board level: Schneider Electric's Board of Directors oversees the Ethics & Compliance Program through a dedicated annual session of the Audit & Risk Committee during which the program, risks and improvements, and action plans, are reviewed by the Directors. In addition, the Audit & Risk Committee agreed on the Audit plan which covers several audits related to the Ethics & Compliance Program or part of its, and its members are notified of their findings and related recommendations once their finalization.

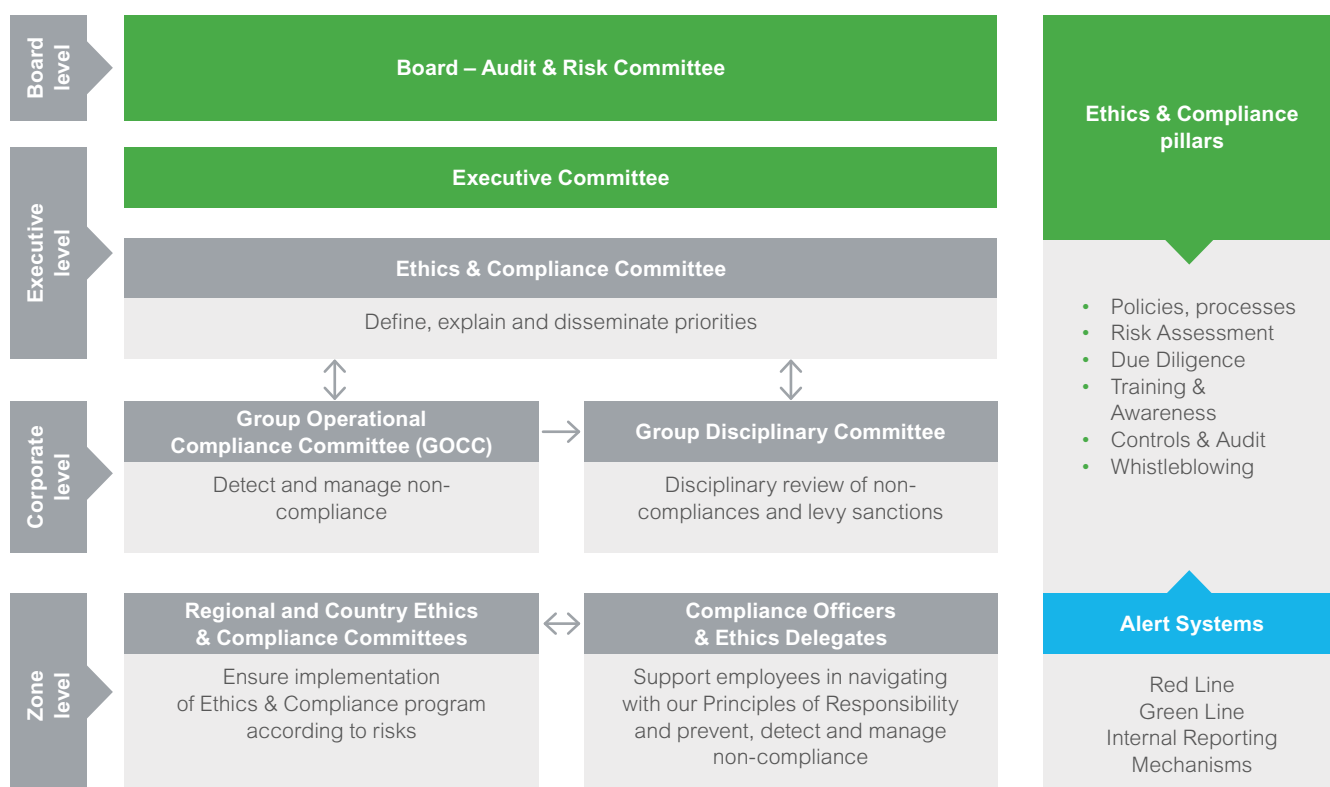
Then, through the Human Resources & CSR Committee, the Board of Directors monitors the performance of the extra financial/ ESG ratings, including performance on its Ethics & Compliance program.

Executive level: Schneider Electric has put in place a dedicated governance to lead the Ethics & Compliance program to the best standards. The program is overseen by the Group Executive Committee, through the Group Ethics & Compliance Committee. This bi-annual committee is composed of seven permanent members in charge of defining the program's strategy and priorities: the Chief Governance Officer & Secretary General, Committee Chairman; the Chief Human Resources Officer; the Chief Strategy & Sustainability Officer; the Chief Compliance Officer; the Chief Legal Officer; the Sustainability SVP; and the Group Internal Audit & Control Officer. They ensure that the program is consistent with the Group's strategic goals. This committee sits twice a year.

Operationally: the Group Ethics & Compliance Committee is assisted by the Group Operational Compliance Committee (GOCC) and the Group Disciplinary Committee which ensure effectiveness of the Speak-up culture (a culture in which employees feel free and psychologically safe to share their ideas, opinions and concerns, without fear of retaliation) and whistleblowing system, and fair and transparent disciplinary policy. Once a year, the Board Audit and Risks Committee reviews the Ethics & Compliance program's effectiveness and the allocation of resources to the program (human and financial).

- The GOCC detects and manages cases of non-compliance with the Ethics & Compliance program in accordance with the Group Case Management & Investigation Policy released in February 2020, and reviews monthly the effectiveness of the whistleblowing system. The GOCC is co-led by the Chief Compliance Officer, the Chief Legal Officer, the Group Internal Audit & Control Officer, the Group Compliance Director, the Group HR Compliance Officer, and the Group Security Officer.

Governance of the Ethics & Compliance program



2. Green and responsible growth driving economic performance

- The Group Disciplinary Committee is in charge of levying sanctions and remediation actions on serious non-compliance cases confirmed by the GOCC. The Group Disciplinary Committee is co-led by the Chief Governance Officer & Secretary General, the Chief Human Resources Officer, the Chief Compliance Officer, the Chief Legal Officer, and one rotating member.

At a zone level, regional Ethics & Compliance committees ensure implementation of the Group Ethics & Compliance program in alignment with risks identified. Operationally, they rely on Regional Compliance Officers who drive the implementation in the zone, with the support of Ethics Delegates and relevant subject matters experts at local levels.

To reinforce a cross-functional and integrated approach of the Ethics & Compliance program, in August 2020, Schneider Electric decided to create a standalone Ethics & Compliance Department, chaired by a dedicated Chief Compliance Officer acting on behalf of the Group Ethics & Compliance Committee, and reporting to the Chief Governance Officer & Secretary General, to drive the strategy on the Ethics & Compliance program. Together with relevant subject matter experts from the Legal, Human Resources, Finance, and Strategy & Sustainability departments, and in close collaboration with Internal Control and Audit functions, the department assesses the effectiveness of the Ethics & Compliance program. This department is composed of four teams (the Group Compliance team, the Health & Safety team, the Fraud Examination team, and the Software Licensing Compliance team) and two other contributors whose roles were created in 2020 (the Policy & Business Continuity Planning Director and the Group HR Compliance Officer).

2.4.2 Dedicated compliance policies completing the Principles of Responsibility

To ensure that the tools are provided to follow them, the Principles of Responsibility are complemented by global and local policies, providing specific answers to the different pillars, legal obligations, and local practices. On ethics and compliance matters, Schneider Electric has deployed several policies: Anti-Corruption Code of Conduct (aligned with French Sapin II law requirements), Gifts & Hospitality Policy, Competition Law Policy, Business Agent Policy, Anti-Harassment Policy, Human Rights Policy, and Export Control Policy.

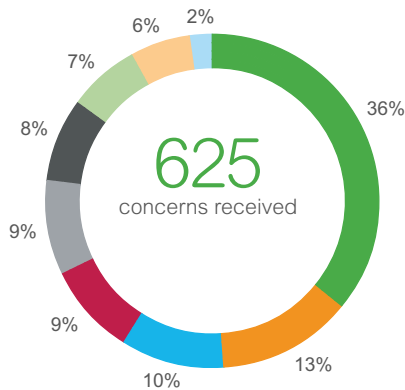
Adherence to policies is ensured through training programs at global level and local levels.

2.4.3 A whistleblowing system to cover all stakeholders

2.4.3.1 The professional whistleblowing system for employees

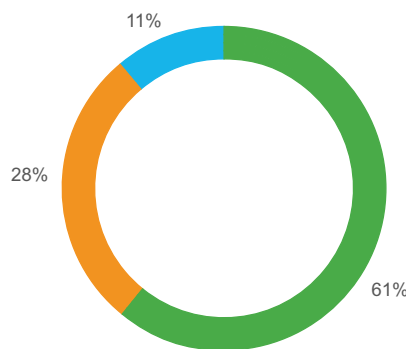
As a pillar of Schneider Electric's Ethics & Compliance program, the development of a strong Speak-up culture is embodied by reporting mechanisms such as reporting to the manager, the HR business partner, the Ethics Delegates, or the Compliance Officer without fear of retaliation. In addition, employees can directly access the whistleblowing system through the Red Line portal, which provides support to people if they are a victim/witness to a potential violation of the Principles of Responsibility. The Red Line is available online globally, at all times, and protects the anonymity of the whistleblower (unless there is legislation to the contrary). Since December 2019, employees can better report their concerns, by selecting a type of concern and checking the definition of it. In compliance with local legislation, this system is provided by an external, impartial third-party company and proposes alert categories, a questionnaire, and an information exchange protocol between the person issuing the alert and the person responsible for the internal investigation.

Number of concerns received through our whistleblowing system per region



- North America
- Middle East Africa (MEA)
- Greater China
- India
- South America
- Europe
- East Asia Japan Pacific (EAJP)
- Russia & Commonwealth of Independent States (CIS)
- France

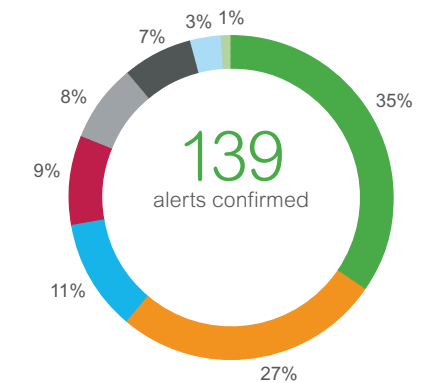
Outcomes of the received concerns through the red line*



- Alert non confirmed
- Alert confirmed
- Not considered as an alert

* % calculated not taking into account cases still under investigation and not yet evaluated

Distribution of confirmed alerts by type of issue



- Discrimination, harassment, unfair treatment
- Conflict of interest
- Bribery
- Theft
- Violation of policy
- Health & Safety
- Other
- Labor practices

Each concern reported on the whistleblowing system is analyzed by the GOCC and relevant Regional Compliance Officer, and where considered necessary, investigated. Based on the findings of the investigation, the relevant managers or the Group Disciplinary Committee for the most sensitive alerts, take appropriate measures in order to sanction the party or parties involved and to remediate consequences of the misconduct (such as launch a specific audit, review a process, perform training, etc.). Each year, a detailed report on the effectiveness of the system is presented to the Audit & Risks Committee, which reviews effectiveness of the alert system.

Unless there are legal provisions to the contrary, the system can be used to send any concern in every country in which the Group operates, especially regarding discrimination, harassment, sexual harassment, safety, unfair competition, bribery and corruption, conflicts of interest, accounting manipulation, theft, and fraud. 625 concerns were received on the whistleblowing system, either through internal reporting mechanisms or through the Red Line in 2020.

After first analysis, 512 concerns were considered as valid alerts. After being investigated, alerts confirmed during the year led to 108 actions including employment termination in 44 confirmed alerts and written warnings in 19 confirmed alerts. For HR related concerns, even if investigation does not allow to qualify the situation, actions may be taken, such as assigning obligation of coaching and/or training or improving internal processes.

2.4.3.2 The professional alert system for external stakeholders

Listening to external stakeholders to ensure full compliance with the Principles of Responsibility is a key priority for Schneider Electric. The Green Line, launched in 2018, is a professional whistleblowing system, available online and featuring a simple and intuitive interface. It is aimed at all Schneider Electric external stakeholders, suppliers, subcontractors, customers, and commercial agents who might be experiencing or may have witnessed any unethical situation involving or affecting Schneider.

The processing of alerts follows the same procedure as alerts received through the internal whistleblowing system and has the same confidentiality protections.

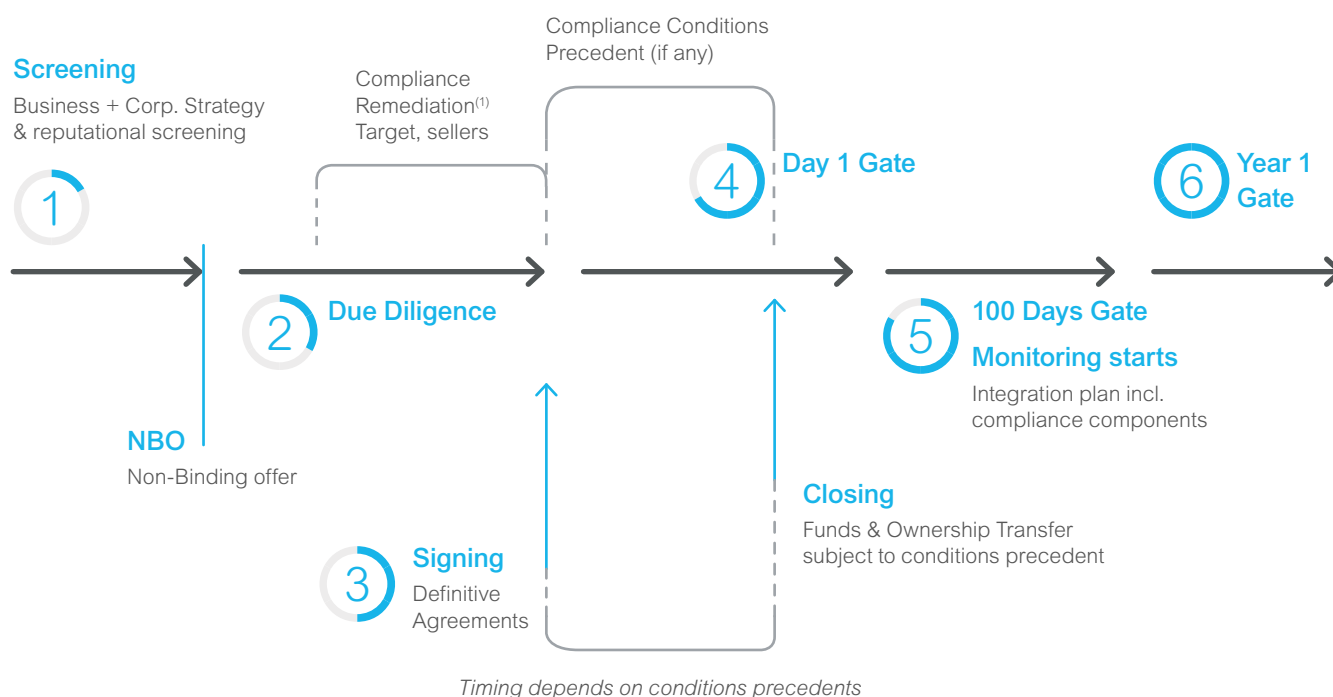
76 concerns were received through the Green Line in 2020. Such concerns have been investigated in accordance to the same process described above leading to the actions described.

2.4.4 Third-party relationship management

Third-party relationship management programs are complex as each of them presents multiple risks and different oversight functions that need to be consulted on individual risk assessments. While business agents can be used for many legitimate purposes, such as to perform tasks that Schneider Electric cannot perform as efficiently, the experience has shown that using them can be very risky in terms of exposure to bribery or corruption. Therefore, a Business Agent Policy is necessary to determine legitimate business purposes only. Business agents cover all third parties retained entirely or in part to assist Schneider Electric, directly or indirectly, in its business operations, including to obtain a sales order, contract award, permits, licenses, or other business advantage for Schneider Electric. They are subject to a due diligence and approval process, which has been centralized with the Business Agent Policy in 2019 and digitized in July 2020. Several documents and information are gathered and sent to the Group Compliance team who will perform the due diligence and manage the approval process by analyzing risks of corruption, sanctions, and unethical practices. At the first level of assessment, the business agent could be approved based on the level of risk, or additional checks could be carried out if necessary. The Group Compliance team can request to validate payments to a business agent based on this assessment.

Our robust network of suppliers is the foundation of our supply chain, and we extend the same level of ethical control to them as we do to ourselves. For more information, please refer to section 2.9 "Relations with subcontractors and suppliers".

Six steps to securing long-term value creation in acquisitions



(1) Compliance remediation is a continuous process that will extend beyond the due by closing date.

2. Green and responsible growth driving economic performance

M&A operations represent specific risks regarding ethics and compliance, specifically corruption and export control risks. With the support of the Group Ethics & Compliance Committee, a specific process was put in place in February 2020 to ensure full compliance of M&A operations with anti-corruption and export control regulations: this process was built by the Group Compliance Director, the Global Export Control Director, and M&A team, ensuring a methodology that fit with M&A processes and ways of working, as described in the figure page 105.

2.4.5 Regular monitoring and control of the Ethics & Compliance program

The Ethics & Compliance program is an integral part of the Group's Key Internal Controls. In particular, there are two categories of specific controls that the internal controllers review in subsidiaries when evaluating the degree of maturity and the effectiveness of the program: the Principles of Responsibility and alert system, and the Business Agent Policy. Whenever an evaluation indicates points of weakness, action plans must be set up and monitored by internal auditors.

Furthermore, the Group's Internal Audit program includes specific tasks related to the Ethics & Compliance program, and to activities or subsidiaries for which an evaluation of the maturity and effectiveness of the program will be reviewed. Several internal audits were conducted in 2020 resulting in recommendations related to the improvement of the Ethics & Compliance program.

The Audit & Risks Committee reviews the internal audits and related recommendations as part of its annual review of the Ethics & Compliance program.

2.4.6 External engagement

Schneider Electric knows that corruption cannot be fought alone, so we participate in the initiatives of many non-governmental organizations (NGOs) and professional associations, such as Transparency International France, a leading NGO that aims to stop

corruption and promote transparency, responsibility, and integrity across all sectors. Schneider Electric is also member of *Le Cercle d'Éthique des Affaires* (The Ethical Business Circle), a professional association that facilitates cooperation between business leaders across France to share best practices. From a corporate governance point of view, Schneider Electric has taken part in MEDEF's "*Haut comité de gouvernement d'entreprise*" (HCGE).

To maintain innovation in our approach to ethics and compliance, Schneider Electric became the eighth sponsor of the Master of Law and Business Ethics at CY Cergy Paris University in 2020 and will benefit from the work of the Master's Chair, led by experts in France and in the United States, as well as from listening to the students and reviewing their work.

2.4.7 Training and awareness

Local awareness sessions on the Principles of Responsibility and our specific policies are conducted by Compliance Teams, Legal Teams and Ethics Delegates: such awareness sessions cover general overview of the Ethics & Compliance Program, or a specific policy, such as Anti-harassment policy, Competition policy, Gifts & Hospitality policy. In 2020, at least 237 sessions were organized at local level face to face or remotely.

Besides training of our employees, since the beginning of 2020, as part of the integration process of companies acquired, a specific training for Leaders of the acquired company is organized on the Ethics & Compliance Program, with specific focus on what is expected from the Leadership teams to endorse the program and follow up actively completion of mandatory trainings to be followed by employees on Principles of Responsibility and anticorruption.

In November 2020, Schneider Electric organized its first global "Ethics & Compliance Day" campaign in order to promote the Company's values on business ethics and to bring a focus on the need of a working environment that promotes a Speak-up culture.



2.5 Focus on anti-corruption

2.5.1 Risks and opportunities

Schneider Electric interacts constantly with several stakeholders throughout the world: its borders are expanding, its environment is changing ever more quickly, its activities are becoming globalized, and its social responsibilities are growing. The challenges are numerous:

- Gain and maintain the highest trust of stakeholders;
- Mitigate the growing pressure from public authorities through solid ethics and compliance programs, especially to fight corruption;
- Attract and retain talents, especially within new generations, who consider an ethical working environment as a key element of engagement.

Each year, Schneider Electric's Internal Audit Department draws up a risks matrix at Group level which is presented to the Executive Committee and used to identify all risks faced by the Company, especially with regard to ethics and compliance.

Furthermore, to meet the legal obligations specified by the December 9, 2016 French law known as the Sapin II law, the Company launched a risk mapping exercise focusing on corruption risks, which was conducted in 2018 at global level and in 2019 at regional levels. In 2020, action plans were implemented in accordance with risks identified. In 2021, a new Ethics & Compliance Risk Assessment will be launched as part of the new Group's risk management framework.

2.5.2 Group policy

As stated in our Principles of Responsibility and Anti-Corruption Code of Conduct, Schneider Electric is committed to comply with all applicable laws and regulations, such as the OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the US Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, and the French Sapin II law.

Schneider Electric applies a zero-tolerance policy towards corruption and other unethical business practices and considers that "doing things right" is a key value-creation driver for all its stakeholders. We count on our employees and third parties to promote business integrity. For doing so, we must provide them with the tools to encourage them to act right.

In order to meet the requirements of the French Sapin II law, the Group released an Anti-Corruption Code of Conduct. The Code was reviewed in November 2019 to take into account results of the corruption risk mapping, to incorporate principles of the former Anti-Corruption Policy, and to provide employees with examples illustrating situations they may face. The Anti-Corruption Code of Conduct shall serve as a handbook that anyone may consult when having doubts about appropriate business practices. It is not intended to address every issue one may encounter, but it provides appropriate examples of corruption risks and offers guidance to resolve many ethical dilemmas.

Anti-corruption awareness is one component of the compliance program. We want to ensure that country leaders, managers, employees, and third parties are aware of our Anti-Corruption Code of Conduct.

In addition to the compliance with all international and local regulations, all Schneider Electric employees are expected to comply with the Company's values of integrity and transparency.

Managers are expected to walk the talk by complying with rules, spreading the right message in their teams, and support reporting of misconducts.

The Anti-Corruption Compliance program is part of the Ethics & Compliance program.

The Gifts & Hospitality Policy provides guidance to employees on the ethical handling of gifts and hospitality received and given by Schneider Electric employees.

A new version of the Business Agent Policy was released in August 2019 to meet legal requirements and public authorities' guidance, especially regarding risk-based approach of the due diligence, as well as internal recommendations following several audits performed on applicability of the policy in 2018.

2.5.3 Prevention of the risks related to corruption

2.5.3.1 Anti-corruption trainings

At Schneider Electric, we value training as it is the best way to prevent risks and misunderstandings concerning ethical topics. It allows us to raise awareness, promote responsibility, and support our employees and third parties.

As such, an anti-corruption e-learning was developed in 2018. In 2019 and 2020, the e-learning was updated through a design thinking approach, aiming to listen first to the trainees' needs and expectations and then to identify targeted employees considered "at risk" through their job codes. This led to a curriculum of learnings, presenting three modules: a general module on the Zero Tolerance message against corruption and an explanation of the legal framework and risks, and two specific modules providing concrete examples, advice, and explanations about internal processes. The modules were supported by top leaders' videos demonstrating the "tone at the top" on this crucial matter.

SSI#18: 100% of sales, procurement and finance employees trained every year on anti-corruption

Launched in 2018, the anti-corruption e-learning, initially mandatory for Finance, Sales and Procurement teams, was extended to 201 job codes identified at risk, representing approximately 38,000 employees in 2020, compared to 23,000 employees in 2018. At the end of 2020, 94% of exposed employees had completed this e-learning.

% targeted employees trained in 2020

94%

2. Green and responsible growth driving economic performance

Furthermore, in-person learnings were organized in sensitive geographic areas regarding ethics and compliance challenges (Brazil, India) or in locations where a specific risk is higher (such as the export control risk).

The focus on ethics and compliance has increased this year due to the COVID-19 pandemic, with actions put into place such as global guidance for all country presidents on "Ethics & Compliance considerations in the management of COVID-19", global risk-management live talks focusing on general compliance, HR compliance, and export control, and finally, weekly meetings with subject matter experts to identify and manage the main risks related to COVID-19. This close collaboration accelerated synergies between the Ethics & Compliance and Legal Departments which led to several transversal projects, launched in H2 2020.

2.5.4 Focus on responsible lobbying, political activity, and donations

In its Principles of Responsibility, under "responsible corporate citizenship", Schneider Electric takes a clear stance with regards to responsible lobbying, political activity, and donations. As a Company, Schneider Electric has a role to play in the public debate addressing leading issues with the global community. It is necessary that the Group states its positions clearly, participates in technical discussions, and supports responsible public policy development. However, Schneider Electric believes that this representation of interests shall be conducted in a transparent and fair manner, allowing its third parties and stakeholders to understand its activities, positions, and statements. In particular, Schneider Electric does not engage in political activity or political representation and does not make any payment to political parties in relation to its public representation. In 2020, Schneider Electric has not been involved in sponsoring local, regional, or national political campaigning.

In the US, political contributions can only be made by a corporation through a legally formed Political Action Committee (PAC) or Super Political Action Committee. Schneider Electric does not engage with Super PAC activity nor does it have a PAC in the US and therefore cannot make any political contributions in this country.

Donations and lobbying activities are risks specifically addressed in the Anti-Corruption Code of Conduct.

Schneider Electric presents information about its lobbying activities in the French High Authority for Transparency in Public Life, in the EU transparency register, and in the US Lobbying Disclosure Act Registration.

For 2017 to 2019, the Group discloses membership fees towards trade associations, business coalitions, and think-tanks to a large extent in the sense that many organizations' fees are not primarily focusing on political campaigns or legislative activities but rather on standardization activities and industry best practices. However, as they could be referenced in policy development in the margin of their activities, we decided to include these. The following geographies are covered: Europe, the US, China, and Russia, which are where the Group is mostly active when it comes to policy and legislation.

Total contributions to such groups globally amounted €3.2 million in 2017, €2.6 million in 2018 and €5.2 million in 2019. 2020 data is not available at the time this report is published as reporting on these matters typically ends mid-year or end of year.

Largest contributions and expenditures concern two main engagement topics:

- The first is "sustainable energy for all": Schneider Electric believes that energy management and energy efficiency are critical to move towards a new energy landscape and therefore supports a policy framework that unleashes the business and climate opportunities related to the new energy landscape. Contributions and expenditures on this topic amounted €0.52 million in 2019 (€0.37 million in 2018) globally;
- The second is "powering the digital economy": The Group supports the emergence of digital economy to bring new opportunities for businesses and people and therefore supports a policy framework that facilitates the digital transformation globally. Contributions and expenditures on this topic amounted €0.27 million in 2019 (€0.23 million in 2018) globally.



2.6 Compliance with tax regulations

Schneider Electric Group engages to comply with the international and local tax regulations applicable in each of the countries in which it operates, and to provide to the tax authorities with all the information necessary to enable them to carry out their mission. The tax policy of the Group can be consulted on our [website](#).

2.7 Digital trust and security

2.7.1 Cybersecurity context and stakes

Digitization is evolving and rapidly transforming Schneider Electric's environment. This new environment generates many opportunities and risks. Companies are now more and more vulnerable to the following risks:

- Threats to revenue and reputation due to data breaches;
- System risks due to bogus system access and control;
- Inherent system vulnerabilities from cloud data storage and computing;
- Physical damage to machines and factories from malicious attacks.

These risks are inherent to any company operating in the digital space, but in the case of industrial infrastructures such as the ones of Schneider Electric's customers, the physical and financial damage can be particularly high and, in some cases, involve security impacts.

2.7.2 Reinforcing the Group's cybersecurity posture and that of its ecosystem of partners and customers

Schneider Electric deploys several actions to reinforce its cyberposture and that of its ecosystem of partners and customers:

- Holding a cyber related business risk register to articulate potential vulnerabilities/attacks and define remediation activities;
- Identifying and prioritizing high value assets (crown jewels) to the Company's operation;
- Implementing cyber capabilities and digital locks around people, processes and technologies;
- Deploying general and dedicated awareness and training programs on cybersecurity and General Data Protection Regulation (GDPR);
- Monitoring, detecting, responding and learning from events and all those with partners and customers;
- Performing reality checks via metrics, internal and external reviews, cyber crisis drills and vulnerability assessments;
- Partnering with leading companies in the field of cybersecurity.

2.7.3 Proposing cybersecurity by design

- Cybersecurity Framework and other recognized standards (ISA/IEC 62443 and ISO 27000);
- Schneider Electric IoT-enabled EcoStruxure platform provides our customers with end-to-end cybersecurity solutions and services to protect a vast digital ecosystem.

2.7.4 Personal data protection

Schneider Electric believes that the global implementation of a digital strategy must reconcile economic objectives and respect for fundamental human rights, including the right to protection of personal data and privacy.

Schneider Electric establishes an organization, work streams, policies, procedures and controls required by the obligations stemming from GDPR and data privacy and protection regulations, including:

- internal data privacy policy and Binding Corporate Rules (BCR);
- training and awareness campaigns;
- processing registers;
- online privacy policy and privacy notices;
- digital assets privacy assessment process;
- data breach management and notification process;
- maturity assessment and audit controls.

Schneider Electric has put in place a governance ecosystem including a Group Data Protection Officer, a DPO network, an implementation team, Data Privacy & Protection Champions and Steercos.

In 2020, Schneider Electric has automated several processes including processing registers, consent management, digital asset privacy review, and has mapped key processes with the main expectations of ISO 27701. It has also rolled out new Privacy by Design Checklist and Guidelines and developed tailored training for targeted audiences. Schneider Electric has also been developing a Global Data Privacy & Protection compliance approach and addressed privacy compliance in relation to COVID-19.

2.7.5 Training and awareness

Online training on cybersecurity is mandatory for all employees. This training helps employees to understand what are the cyber threats they may face and how they should behave to be protected from the risks. At the end of 2020, 99% of Schneider Electric employees have completed this training. Specific employee categories received mandatory training for risks linked to their activity.

Schneider Electric implemented the GDPR requirements and specific training was launched to present the major challenges of this regulation. This training is mandatory for Schneider Electric employees in Europe and key functions.

2. Green and responsible growth driving economic performance

2.8 Vigilance plan

2.8.1 Context

Schneider Electric seeks to be a role model in its interactions with customers, partners, suppliers, and communities, when it comes to ethics and the respect and promotion of human rights. The Group strives to have a positive impact on the planet and the environment by contributing to finding solutions to limit climate change.

The Group's vigilance plan reflects this ambition. It also complies with the provisions of 2017 French law on Corporate duty of vigilance. The plan includes:

- A risk analysis specific to vigilance: risks that Schneider Electric poses on the ecosystem and environment;
- A review of the key actions implemented to remediate or mitigate these risks;
- An alert system;
- Governance specific to vigilance.

In this Registration document, Schneider Electric reviews the risk matrix analysis and some of the actions to mitigate these risks are described. When necessary, the reader will be directed to other sections of the report to get the relevant information. For more comprehensive and complete information, the full vigilance plan of the Group is available as a standalone document and can be downloaded from Schneider Electric's [website](#).

2.8.2 Evaluation of the main risks towards Schneider Electric's environment

2.8.2.1 Methodology

Schneider Electric developed a specific risk matrix for the implementation of its vigilance plan which is reviewed annually. The methodology is consistent with other risk evaluations maintained at Group level but focuses specifically on the risks posed by Schneider on its environment and ecosystem.

In order to enhance the existing risk matrix and cover a more comprehensive scope, in 2020, Schneider Electric worked with an external consultancy. This work led to a sharper granularity of risk categories, a reorganization of the supplier categories, and a focus on local communities.

The scope of work covered Schneider Electric, its subsidiaries and majority-owned joint ventures, its suppliers and subcontractors, as well as local communities.

2.8.2.2 Risk categories

Four risk categories have been identified: human rights, environment, business conduct and offer safety and cybersecurity. In order to be able to make a granular assessment of the risk level based on the nature of that risk and the magnitude of its impact on Schneider Electric's ecosystem, each category has been divided into specific risk areas.

Human rights:

- Decent workplace;
- Health and safety.

Environment:

- Pollution and specific substances management;
- Waste and circularity;
- Energy, CO₂ and GHG.

Business conduct:

- Ethical business conduct;
- Alert system, protection, and non-retaliation.

Offer safety and cybersecurity:

- Offer safety;
- Cybersecurity and data privacy.

2.8.2.3 Risk location

The Group has studied four areas where risks may occur:

- **Schneider Electric sites:** sites have been segmented based on categories that present a specific level of risk. Employees with frequent travels (sales, field services, travelers, audit, top management) have been assessed separately;
- **Suppliers:** the level of risk differs based on the type of process and technologies used, and the Group has therefore segmented the analysis by component category. The risk level is an average assessment. The geographical location is factored in when selecting suppliers for the audit plan;
- **Contractors:** when implementing a customer project, like building a large electrical system at a customer's site, Schneider Electric is working with contractors, leveraging their expertise (civil work, electrical contracting, etc.). This "off-site" project work generates a specific level of risk for contractors. A separate "off-site and projects execution" category for contractors has therefore been defined for the assessment.
- **Local Communities:** Schneider Electric has identified two distinct segments: communities located around Schneider Electric sites and communities located around customer projects. Communities have been assessed against three risk categories; human rights, environment and business ethics.

2.8.2.4 Risk evaluation and scale

The evaluation combines the probability of occurrence of the risk, with the seriousness of consequences from the risk. This is an evaluation of risk before impact of mitigation actions. After taking into consideration the impact of these mitigation actions, the level of risk may be significantly reduced. Risks are assessed on the following scale:

1 – Non-existent; 2 – Low; 3 – Medium; 4 – High; 5 – Very high.

In this 2020 risk assessment, no "Very high" risk levels were identified.

2.8.2.5 Key findings

Globally, the 2020 risk assessment exercise did not result in any significant variation of the level of risk versus previous year, reinforcing the relevance of last year's exercise. However, some variations are worth noting:

- **Schneider Electric sites:** Cybersecurity is confirmed as a priority subject, reflecting the global evolution across countries and industries. The COVID-19 pandemic and its social, business, and economic consequences has led to a growing pressure on teams and individuals. That leads to the implementation of specific measures to protect employees and help them preserve their well-being. On the subject of CO₂, GHG, and particles emissions the situation is stable, while the introduction of our new SF₆-free offer is about to bring an important mitigation of the current risk.
- **Suppliers:** risk levels tend to be more evenly spread across the different categories of risk, except in the case of suppliers' segments such as raw materials, transportation and shipping, plastics, or battery manufacturing. As supplier categories have been adjusted to better reflect the industry sector, the risk comparison with the previous year is complex. Aside this supplier categories adjustment, no specific risks increase for suppliers has been identified.

- **Contractors:** the 2020 assessment confirmed external off-site contractors as one area that needs special attention. This is due to the specific nature of project work (civil work, installation, etc.) that implies high labor activity on construction sites.
- **Communities:** the assessment work is still ongoing and therefore conclusions are still preliminary. Overall, it seems that communities located around Schneider Electric sites, at least for the largest sites, are not affected, or only marginally affected by Schneider Electric's presence. This is mostly due to the

fact that Schneider Electric's sites are located in large, already structured industrial areas, or in cities. In regards to customer projects, the assessment shows that there may be some impact on communities. Schneider Electric is usually just one of the suppliers to the customer project, and the impacts are therefore highly variable and linked to the industrial profile of the end-customer. A more detailed evaluation is in progress.

Schneider Electric 2020 vigilance risk matrix

The risk matrix below summarizes Schneider Electric's risk analysis:

| | | Schneider Electric sites | | | | | | Suppliers | | | | | | Contractors | | Communities | | |
|--------------------------------|--|--------------------------|-------------------------|---------------------------------------|--------------------------|-----------------|----------------|-------------------------|-----------------------------|---------------|------------------------------------|----------|-----------|------------------|-----------------------------|---------------------------------|---------------------------------|--------------------------------|
| | | Offices | Travelers, sales forces | Factories low voltage and electronics | Factories medium voltage | Project centers | Field services | Travels and hospitality | Transportation and shipping | Raw materials | Metal transformation and treatment | Plastics | Batteries | Other components | On Schneider Electric sites | Off site and projects execution | Around Schneider Electric sites | Around customers project sites |
| Human rights | Decent workplace | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Health and Safety | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Environment | Pollution and specific substances management | | | ● | ● | ● | ● | | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Waste and circularity | | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Energy CO ₂ and GHG | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | | ● | | |
| Business Ethics | Ethical business conduct | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Alert system, protection and non-retaliation | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Offer safety and cybersecurity | Offer safety | | | ● | ● | ● | ● | | ● | | ● | ● | ● | ● | | ● | | |
| | Cybersecurity and data privacy | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |

This analysis has not revealed major changes or gaps that were not identified so far. The following evolutions are to be mentioned:

- The COVID-19 pandemic has impacted Schneider's business in several ways, like other companies. A crisis management team was set up globally, with connections to local crisis management teams in countries. This has allowed to limit the risks of illness for Schneider teams, including those working at the contact of customers. The implementation of remote working has been supported by the deployment of digital tools and the implementation of processes specific to this new way of working. Overall this was positively received by employees, but it must be noticed that lockdowns, remote management, the complexity of working from home in a sometimes unprepared environment, have created difficulties for some employees and is resulting in a higher risk on morale, fatigue, health, and overall psycho-social risks. As the consequences of the pandemic will continue to create an impact in 2021, this is an area to be specifically watched.
- Ethical Business Conduct: although no formal trend has been confirmed, it is an area that is specifically monitored as the adverse business situation in 2020 may lead to increased pressure on ethical conduct, both internally and externally.
- Cybersecurity and data protection remain a point of very high attention, and Schneider is taking the subject very seriously. Several measures and trainings are implemented in order to protect employees, customers and stakeholders from threats.
- The specific risk analysis conducted on communities residing around Schneider sites has not revealed particular areas of concerns. The largest industrial and office sites have been reviewed and risk level has been evaluated as low, or medium. This is mostly because Schneider sites are situated in large urban areas, and therefore have very little impact on their immediate surroundings.

2. Green and responsible growth driving economic performance

2.8.3 Governance

The plan is governed by the Duty of Vigilance Committee, set up in 2017. The steering committee meets twice a year in normal circumstances. Overall, since the creation of this instance, 11 committee meetings have been held (five in 2017, two in 2018, two in 2019, two in 2020). The committee's objective is to provide a discussion on strategic orientation, and prioritize initiatives and the resources allocated to their implementation. This committee also reviews the actions in progress and their results, and defines decisions on next steps for action.

Composition of the Duty of Vigilance Committee

Chairman:

- Executive Vice President Global Supply Chain (Executive Committee member)

Management:

- Senior Vice President (SVP), Sustainability
- SVP, Global Safety and Environment
- SVP, Global Procurement
- SVP, Global Customer Projects
- SVP, Ethics and Responsibility
- SVP, Human Resources

Experts:

- Environment Performance Measurement
- Sustainable Procurement

2.8.4 Mitigation actions

The following measures are the main actions implemented to mitigate the highest risks identified in the vigilance risk matrix.

2.8.4.1 Schneider Electric sites

Main environmental actions

See section "Schneider Electric's commitments towards environmental excellence", pages 118-143, for more details on the deployment of environmental actions on Schneider's sites. It covers, notably:

- Certification of its sites to ISO standards;
- Schneider Electric specific programs to reduce CO₂ emissions;
- Reduction of SF₆ emissions;
- Schneider Energy Action program for energy efficiency;
- Reduction of waste and increased circularity.

Main health, safety, and human rights actions

See section "Human Rights", pages 101 to 102, and section "Committed to and on behalf of employees", pages 144 to 169, for more details on the deployment of health, safety, and human rights actions on Schneider Electric sites. It covers, notably:

- Schneider Electric's employees safety;
- Human rights and people development policies;
- Well-being programs.

Main Business Ethics actions

See section "Ethics and Compliance", pages 103 to 106 and section "Focus on anti-corruption", pages 107 to 108, for more details on the deployment of business ethics actions on Schneider Electric sites. It covers, notably:

- Internal and external alert systems;
- Third-party relationship management;
- Specific anti-corruption actions.

Main cybersecurity actions

See section "Digitally Trusted and Secure", page 109, for more details on the deployment of data privacy and cybersecurity actions on Schneider's sites. It covers, notably:

- Cybersecurity by design approach;
- Personal data protection;
- Training and awareness on cybersecurity.

Our actions on communities

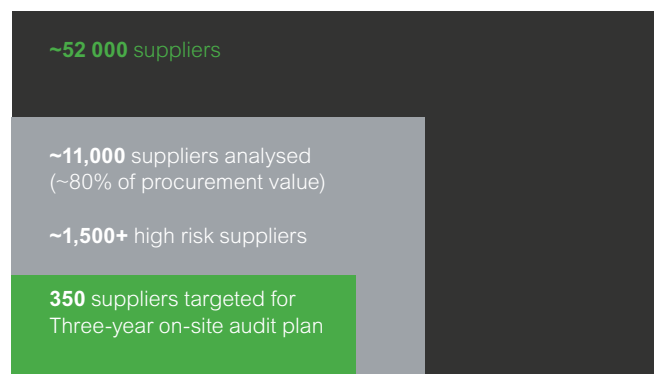
See section "Schneider Electric, an eco-citizen company", pages 170 to 184, for more details on the deployment of actions for a positive impact on communities:

- Access to Energy program;
- The Schneider Electric Foundation;
- Territorial positioning and local impact on economic and social development.

2.8.4.2 Vigilance plan for suppliers

Supplier risk categories and audit plan

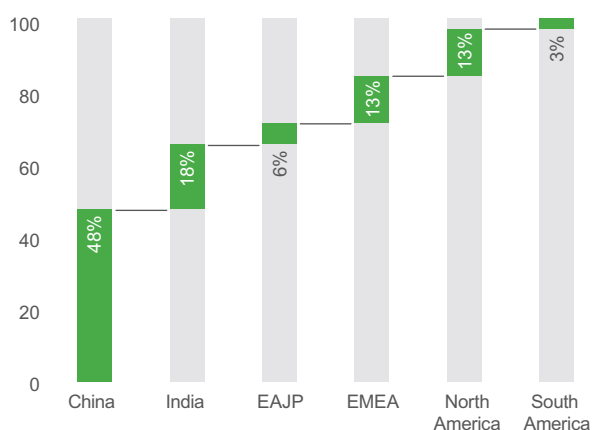
Schneider Electric is conducting a specific evaluation of suppliers. This evaluation covers all natures of risks identified and considers specific parameters such as the type of industrial process used by the suppliers, their technology, and the geographic location of those suppliers. This allows the Group to factor in risks that may arise from a country's specific situation (social, political, etc.). These parameters are compiled in a third-party independent database (Responsible Business Alliance methodology, RBA, ex-EICC, of which Schneider Electric has been a member since January 2018), with an annual evaluation. Schneider's entire network of tier 1 suppliers (52,000) is processed through this methodology. The Group identified 1,500+ "high risk" suppliers (see graph 1) and targeted to audit 350 directly or through third parties.



The audit plan was started in 2018. 2020 is the third year of implementation and Schneider Electric completed this schedule and planning of 350 audits before end 2020. Schneider Electric's audit questionnaire and audit methodology are fully aligned with the RBA framework. This audit plan is integrated into the Schneider Sustainability Impact (SSI). It is to be noted that, despite the travel restrictions imposed in different countries by the COVID-19 measures, the Group managed to complete the full three-year audit plan, with a total of 374 on-site audits completed.

In 2020 only, the Group conducted 95 initial on-site audits with suppliers (audits conducted for the first time with a supplier, within the scope of the vigilance plan, see graph 2). These audits allow Schneider Electric to identify non-conformances and request the supplier to implement corrective actions. Re-audits with suppliers already audited were also conducted to review the corrective actions implemented to remediate non-conformances identified during the initial audit.

% Risky suppliers identified in 2020 by geography – Graph 1



- EAJP: East Asia Japan Pacific
- EMEA: Europe Middle East Africa

% Non-conformances in 2020 by topic – Graph 3

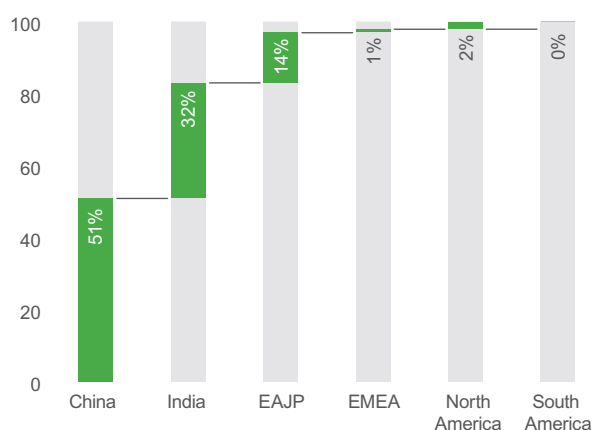


A major part of non-conformance in 2020 is related to health and safety, management system and labor regulations (34%, 26% and 24% respectively). Graph 3 gives the breakdown of non-conformances by topic and graph 4 gives them by geography.

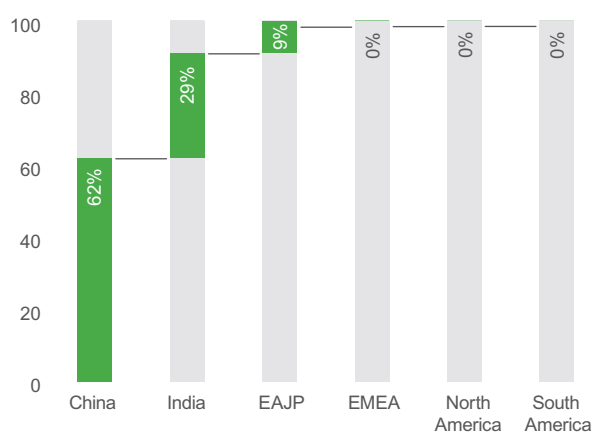
Top priorities are most serious non conformances. For each case, escalation is done at Chief Procurement Officer level. An analysis of the 133 "top priority" raised in 2020 shows the following issues are the most recurring:

- **Labor standards** (53% of top priorities non-conformance issues): lack of respect of working time and resting days (time measurement systems are often insufficient); poor overtime reporting and payment; lack of formalization of working contracts;
- **Health and safety** (34% of top priority non-conformance issues): weak emergency procedures; insufficient emergency training issues and preparation drills; insufficient fire alarm and protection systems; lack of medical response equipment; and lack of training;
- **Environment and management systems** (13% of top priorities): lack of administrative compliance, management tools, and systems; and insufficient waste management and pollution prevention systems.

% Audits carried out in 2020 by geography – Graph 2



% Non-conformances in 2020 by geography – Graph 4



Remediation and mitigation actions

As of end 2020, Schneider Electric has closed 94% of 2019 and 6% of 2020 non-conformances (all types) representing a cumulated rate of 71% over 3 years. Schneider Electric's approach is to help suppliers remediate the issues by sharing good practices and providing them with guidance and training. When non-conformances are not remediated (mainly top priorities), escalation to Chief Procurement Officer may lead to stop business relationship. In 2020, two relationships with suppliers have been terminated (two in 2019 and four in 2018).

In order to reinforce the coordination between Schneider Electric teams and suppliers on vigilance topics, a specific training program has been implemented. The primary target audience is the Schneider Electric Procurement team, and the training modules aim to increase their knowledge on the natures of risks, so they can integrate these topics early in the discussions with suppliers. At the end of 2020, 400+ employees have taken this training. These trainings combine in-class experience with e-learning sessions.

2. Green and responsible growth driving economic performance

To raise suppliers' awareness, improve their ability to identify risks earlier, and implement mitigation solutions, Schneider Electric organized face-to-face workshops dedicated to vigilance subjects. At the end of 2020, 300+ supplier teams have attended these events. These sessions include in-class face to face workshops and digital webinars.

Other actions

Schneider Electric has deployed a continuous improvement program for its strategic suppliers based on the ISO 26000 standard. Schneider Electric partners with Ecovadis company to perform ISO 26000 assessments.

As of today, approximately 700 strategic suppliers, representing 70%+ of total strategic purchasing volume, have submitted their data and obtained an average score of 57.4 pts out of 100. For reference, the average score of companies in the Ecovadis database is 44 pts, and Schneider Electric's own score is 82 pts.

2021-2025 ambition

Schneider Electric has defined new objectives for the period 2021-2025, as part of the sustainability strategy. Expanding from the previous plan to audit 350 "high-risk" suppliers, the Group took the objective to conduct 1,000 on site audits on high-risk suppliers and 3,000 self-assessment audits on medium-risk suppliers.

2.8.4.3 Contractors for project execution on customer sites

Project execution environment

Schneider Electric's products and solutions are usually combined into larger systems such as electricity distribution and energy management in a building or production process automation in a factory. The build-up of such systems can be complex and typically involve several different parties before they are commissioned by end customers. For Schneider Electric, there are two options: to sell components through channel partners who take the responsibility to build and deliver the system; or to build and deliver the system directly for the end customer, as a project. This second option requires coordinating several project contractors (panel manufacturers, system integrators, building contractors, etc.), usually on the premises of the end customer. The common characteristics of these projects are that they happen primarily off-site (mostly on customer premises, existing or future), and they involve several different parties, global or local, each bringing their specific added value. Each project is specific, in its size, duration, and location. Therefore, the relations with contractors are specific to a contract, and not necessarily recurrent.

Vigilance plan specific to the project execution environment

Schneider Electric operates with a pool of project contractors (or "solution suppliers") from more than 8,000 companies. Not all of them may be active during a year. In the course of its supplier risk mapping exercise, Schneider Electric has identified approximately 100+ solution suppliers categorized as "high risk". Schneider Electric's current three-year audit plan is targeting 60+ on-site audits of these suppliers (included in the overall 350 target). Since 2018, 53 suppliers have already been audited, a bit below the ambition due to 2020 slow down facing COVID-19.

SSI#17: 350 suppliers under human rights and environment vigilance received specific on-site assessments

The three-year program ambition has been elevated from 300 to 350 specific on-site audits, and Schneider Electric is well on track to reach the new target. The 95 initial audits performed in 2019 have allowed Schneider to raise 1,200 non-conformances. Out of these non-conformances, 133 are assessed as "top priority" and are given very specific attention during the re-audits of the suppliers. Schneider Electric's objective is to close 100% of all types of non-conformances identified, whatever their priority level.

Suppliers on-site assessments since 2017

374

Main findings and actions

The most recurring non-conformities with high risk solution contractors are: insufficient on-site security measures to protect workers; improvement needed in working conditions; the lack of working contract formalization; and respect of working hours and resting days.

In addition to these non-conformities, specific risks related to local contract negotiation and relations with local authorities may occur.

Actions following non-conformities are the same as with other suppliers (re-audits, trainings, workshops). Specific measures are implemented for this project environment: Schneider Electric implements regular reviews of safety incidents on customers' sites, involving the Global Safety team and the Project Management leadership. The Group also reinforced training on anti-corruption and business agent policies for its employees involved in commercial negotiations. The project follow-up with contractors and the selection processes for contractors has been adapted to ensure vigilance topics are considered early in the project stage.

2.8.5 Alert system and whistleblowing

To allow specific alerts to be reported with a high level of confidentiality and to be dealt with at a high level, Schneider Electric relies on an online internal system called Red Line. A similar alert system has been implemented for external cases. This system, called Green Line, is available for external stakeholders including suppliers, subcontractors, customers, and business agents. It allows alerts to be raised on issues such as corruption, theft, human trafficking, health and safety, environmental pollution, etc. Green Line is managed similarly to the internal alert system, Red Line.

For more details, see section "One alert system to cover all stakeholders" pages 104 to 105.

2.9 Relations with subcontractors and suppliers

2.9.1 Description of risks and opportunities

Schneider Electric has been involved in an ambitious approach to including sustainable development challenges in supplier selection and working processes. This approach is all the more important as Schneider Electric's Procurement volume represents more than EUR12 billion – and more than 52,000 suppliers.

With a complex global supply chain, there are some potential risks that Schneider Electric is committed to mitigating in the areas of health and safety, human rights, ethics, the environment, and sustainable development. Proactively managing upstream supplier risks, through Schneider Electric's Supplier Vigilance, Sustainable Development and Procurement programs and processes also improves the Group's reputation and shareholder value, and greatly lowers legislative and business risks.

By working closely with its suppliers to develop their maturity in integrating sustainability, Schneider Electric further de-risks and improves its competitive advantage by continually improving the global supply chain. Other opportunities and benefits include carbon footprint reduction and opportunities to co-innovate sustainable solutions with top suppliers and partners.

2.9.2 Risk identification and management

Schneider Electric has a risk management system to identify and manage critical suppliers, and uses a tool, Supplier Risk Management (SRIM), to capture risks and ensure the follow-up of identified cases with an extended source.

The Group has also been performing sustainability risk assessments with its own purchasing specialists, supported by its Schneider Supplier Quality Management (SSQM) processes and ISO 26000 assessments for strategic suppliers.

In addition, Schneider Electric is reinforcing its sustainability risk assessment by geography and type of activity as part of its vigilance plan.

Schneider Electric has also launched its professional alert system for external stakeholders (Green line).

2.9.3 Group policy

Since 2004, the Group has been encouraging its suppliers to commit to a sustainable development initiative. Since 2012, Schneider Electric has wanted to place itself in a continuous improvement process as well as to follow up with its suppliers by requiring them to make progress according to the ISO 26000 guidelines.

This approach is strengthened by the General Procurement Terms and Conditions which all suppliers must abide by: each supplier undertakes to apply the principles and guidelines of the ISO 26000 international standard, the rules defined in the ISO 14001 standard, and is informed that the energy performance of its supply has been considered as part of the selection criteria.

Schneider Electric's sustainable procurement strategy

Schneider's strategy combines actions on large and deep coverage (multiple tiers), seeks to engage strategic & impacting suppliers, allows supply chain risks identification & prevention and drives continuous improvement on four main pillars.

| | | Minimum requirements for all suppliers | | Continuous improvement for impacting suppliers | | Compliance for targeted suppliers | |
|--|--|--|------------------------|--|------------------------------------|-------------------------------------|---------------------------------------|
| | | Sign-off* | Performance assessment | ISO 26000 on strategic suppliers | Specific programs and partnerships | Vigilance audits on risky suppliers | Environment & Human rights compliance |

| | | | | | | | |
|---|---|---|---|---|---|---|--------------------------------------|
| Net zero CO₂ emission | Climate pledge alignment | ✓ | ✓ | ✓ | CO ₂ reduction program | | |
| Decent work & Human Rights | Decent work for safe and inclusive workplace | ✓ | ✓ | ✓ | Decent work program | ✓ | Conflict minerals |
| Circular supply chain | Sustainably sourced or recycled materials | ✓ | ✓ | ✓ | Sustainable packaging, plastics, metals solutions | ✓ | Green Premium Materials Declarations |
| Environment friendly | Compliant to the best standards to preserve biodiversity & health | ✓ | ✓ | ✓ | | ✓ | |

* General Terms & Conditions, Code of Conduct, Global Compact

■ Programs □ Programs tracked in Schneider Sustainability Impact

2. Green and responsible growth driving economic performance

Suppliers also commit to respect all national legislation and regulations, the REACH regulation, and the RoHS directives, and, more generally, the laws and regulations relating to the prohibition or restriction of use of certain products or substances. Lastly, suppliers are expected to report the presence and country of origin of any and all conflict minerals supplies in accordance with the requirements of the US Dodd-Frank Act of 2010 known as the "Conflict Minerals" law. In this context, Schneider Electric has a "conflict-free" objective.

Schneider Electric publishes a charter for its suppliers, called the Supplier Guide Book, initially launched in 2016. The first section of this articulates expectations for suppliers on sustainable development in the following five areas: environment, fair and ethical business practices, sustainable procurement, labor practices, and human rights. In 2018, the Group adopted the Responsible Business Alliance (RBA) Code of Conduct for suppliers.

2.9.4 Due diligence and results

2.9.4.1 Integration of the sustainable purchases approach in the selection of new suppliers

Schneider Electric uses a qualification process called Supplier Approval Module (SAM) to qualify new and legacy suppliers. It is based on an auto-evaluation questionnaire combined with on-site audits by Schneider Electric certified auditors.

It includes two specific sections on sustainability. The following have been chosen as the criteria of evaluation, as the most relevant areas identified for the business of Schneider Electric:

- People and social responsibility: training, human rights and ISO 26000, health and safety;
- Environment: ISO 14001 and energy savings, EcoDesign, REACH and RoHS, conflict minerals.

Schneider Supplier Quality Management (SSQM) includes several supplier assessment modules. The last being decisive and where sustainable development criteria account for nearly 30% of supplier evaluation. In addition, all of these criteria have a minimum level, below which a supplier cannot be selected to start business or extend business with Schneider Electric.

Schneider Electric carried out 440 SAM audit decisions in 2020. In 2014, the Group launched an e-learning program which covers expectations in these fields and defines the documents and proof to be obtained from audited suppliers. In 2017, Schneider Electric digitized its supplier approval module tool, making it more efficient and consistent across the organization.

Thanks to this capability, all newly assessed suppliers have their action plan registered in a central database available to all in real time, making supplier interactions more fluid. These are tracked by Schneider Electric supplier leaders on a monthly or pluri-annual basis depending on the severity of the risks and classification of the supplier.

2.9.4.2 Promotion of a continuous improvement process based on the ISO 26000 standard for strategic suppliers

Sustainable development is one of the seven pillars used to measure supplier performance, allowing the highest-performing suppliers to become "strategic" suppliers. Performance resulting from the Ecovadis evaluation is one of the key points of the sustainable development pillar.

The Group has set out to engage all its strategic suppliers in a process of continuous improvement on this pillar. At the end of 2020, strategic suppliers represented c. 62%+ of Schneider Electric's purchases volume. Strategic suppliers who have passed the third-party evaluation process cover 70%+ of total strategic purchasing volume.

In 2018, the Group took on the ambitious target of achieving a 5 points out of 100 increase in the average ISO 26000 assessment score of its strategic suppliers between 2018 and 2020 as part of the SSI. In 2019, this target was raised to a 5.5 points increase. This indicator of the SSI is integrated into the performance incentive of Procurement employees receiving a bonus. The Ecovadis 26000 ratings remain one of the key aspects of Schneider Electric's supply chain and Procurement-led sustainable development strategy.

The elements of the assessment are now an integral part of the business reviews scheduled between buyers and suppliers, on a quarterly to yearly basis, depending on the suppliers. This monitoring supposes an improvement from the supplier.

In addition to the external assessments, Schneider Electric defined "off-limit" situations which are: employee safety risks, environmental pollution and child labor.

These situations have been identified as material issues in Schneider Electric's supply chain and unacceptable for a supplier of the Group. Each buyer is expected to be alert enough to detect any problem areas related to sustainable development themes when visiting a supplier's site. Off-limit cases must be addressed immediately or escalated using the specifically defined process.

SSI#16: 5.5 pts/100 increase in average score of ISO 26000 assessment for our strategic suppliers

In 2020, the average score for strategic suppliers is 57.4/100, up 6.3 points versus 2017, and one of the top performing supply chains measured by the third-party evaluation (Ecovadis). For reference, the average score of companies in the Ecovadis database is 44/100, while Schneider Electric's own score is 82/100. This achievement is due to continued prioritization in the strategic sourcing process and desire to continually improve the environmental, labor and human rights, ethics, and sustainable procurement aspects of Schneider Electric's supply chain.

Points increase vs 2017

+6.3

To support this approach, training was made available to Procurement teams. Basic training on the ISO 26000 standard for all purchasers is now part of the standard purchaser curriculum and more advanced training allows employees to learn how to question strategic suppliers during business reviews (whether assessed by a third party or not). For these off-limit situations, Schneider Electric favors a practical training approach, based on case studies, to ensure that purchasers have a clear understanding of situations that are unacceptable per the Group's standards. This also includes how to react if such a situation is encountered by Procurement. Potential detection may come from supplier on-site audits conducted as part of the vigilance plan leveraging RBA guidelines: a process is in place for immediate alert towards the Procurement community, including executives, for escalation and response.

2.9.4.3 Conflict Minerals rule

In August 2012, the US Security and Exchange Commission (SEC) adopted the Conflict Minerals rule as part of the Wall Street Reform and Consumer Protection Act. As defined by the legislation, "conflict minerals" include the metals tantalum, tin, tungsten and gold, often called "3TG", which are the extracts of the minerals cassiterite, columbite-tantalite and wolframite, respectively. The legislation focuses on the sourcing of these minerals to be "DRC conflict free" – meaning when these minerals were extracted, they did not directly or indirectly benefit armed groups in the Democratic Republic of Congo (DRC) and adjoining countries. This rule requires companies to conduct a "reasonable country of minerals' origin inquiry" and due diligence to determine whether "conflict minerals", as defined in the rule, are used in their supply chain.

Although the US SEC Conflict Minerals rule does not apply directly to Schneider Electric – since it is not registered with the US SEC – it is deeply concerned about social and environmental conditions in some mines that could supply metals for its products. As part of the Group's sustainable business practices, it is committed to increasing its responsible metal sourcing efforts.

In working towards these commitments, Schneider Electric has taken numerous steps including:

- Updating its Procurement Terms and Conditions to reflect its expectations from suppliers;
- Establishing a "Conflict Minerals Compliance program" supported and sponsored by its top leadership. This program was developed based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Areas (CAHRA) and other appropriate international standards, which covers a wider scope of minerals and countries;
- Identifying the use of conflict minerals in its products;
- Engaging with its suppliers so that they respond in a timely manner to its requests for evidence of compliance.

Schneider Electric is working with an expert third party, collecting information from its suppliers to identify the source of the minerals in question and ensure they are recognized as "conflict-free" within established international standards such as the Responsible Minerals Initiative (RMI), the London Bullion Market Association (LBMA), and others. The Group is aware of the complexity of this task, and that it will take time to collect the required information, but it is committed to contributing to this responsible sourcing initiative as well as responding to its customers' potential concerns.

At the end of 2020, 87% of the smelters and refiners identified in our supply chain were designated as conformant with a recognized third-party validation scheme or actively engaging in same (equivalent to more than 90% of the relevant spend being compliant). The remainder are either from outside the conflict zone outlined in Section 1502 of the Dodd Frank Act, or solely using recycled and scrap materials. When the country of origin is known to be in the conflict zone, 100% of the smelters and refiners were verified conformant. Therefore, the Group has no reason to believe that any conflict minerals the Group sourced, have directly or indirectly financed or benefitted armed conflict in the covered countries.

2.9.4.4 Cobalt program

Mid-2020, Schneider Electric added cobalt to its conflict minerals program. Cobalt sales have been identified as potentially funding or supporting inhumane treatment, including human trafficking, slavery, forced labor, child labor, torture, and war crimes in known CAHRA. These areas are identified by the presence of armed conflict, widespread violence or other risks of harm to people. These areas are often characterized by widespread human rights abuses and violations of national or international law. The program, currently ramping up, is focusing on the responsible sourcing of cobalt used as a key element for lithium ion batteries in Schneider Electric's supply chain.

2.9.4.5 Rollout of eco-responsible initiatives

Schneider Electric is rolling out several eco-responsible initiatives with its suppliers.

For example, Schneider Electric has chosen to go further than the European REACH and RoHS regulations. The approach is rolled out in the Group over the whole product portfolio and all suppliers, regardless of their geographic origin. To support the REACH and RoHS projects, Schneider Electric has implemented a data collection process supported by a dedicated team to gather the required information from its suppliers. This has allowed it to significantly reduce its response time to collect such information and therefore be quicker to respond to its customers' inquiries. In addition to data collection, Schneider Electric put in place a review process for this data to guarantee its quality. Thanks to this process, the level of verification required for a given supplier can be adjusted in order to make the controls more stringent in cases where deviations have been detected.

On the topic of sustainable packaging, Schneider Electric engaged with its suppliers to ensure that 99% of cardboard and pallets used in the transport of goods are sourced either from recycled or certified sources, hence conserving and preserving the natural resources.

Another example is Schneider Electric's commitment to supporting the small and medium enterprises network. This support is given through an approach to work in an adapted manner with certain suppliers. In France, Schneider Electric is a major player in the International SME Pact.

Finally, by the very nature of its activity, the Group continually encourages its ecosystem (including customers and suppliers) to implement energy efficient solutions.

3. Schneider Electric's commitments towards environmental excellence

3. Schneider Electric's commitments towards environmental excellence

In this section:



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Context and goals

Schneider Electric's environmental strategy is both a reflection and an enabler of its profitable growth strategy. 2020 came with yet additional evidence of the speed of climate change, resource depletion, and biodiversity losses. In 2020, "Earth Overshoot Day" fell on August 22, later than 2019's date of July 29, however, this was driven by a COVID-19-impaired global economy and not by any major inflection towards resources decoupling. 2020 saw an increase of people conscious about the environmental challenges, and a growing number of stakeholders have now realized the urgent need to pivot global supply chains and business models towards more resource efficient alternatives. Additionally, 2020 saw many commitments towards carbon neutrality from countries as well as corporations, such as through the Group's Climate Pledge, which was announced in September 2019. Schneider Electric is determined to continue transforming its supply chain and business models towards a "one-planet prosperity" for all. Schneider Electric is working to adopt lowest-impact operations, while inventing resource efficiency-enabling technologies for its customers. The Group wants to show there are ways for companies to "do good while doing well". Its environmental strategy is built on two pillars: climate and resources.

Key targets and results

Schneider Sustainability Impact 2018-2020

| Megatrends and SDGs | 2018-2020 programs | 2020 progress | 2020 target |
|--|---|------------------|----------------|
| Climate  | 1. Renewable electricity | 80% ▲ | 80% |
| | 2. CO ₂ efficiency in transportation | 8.4% ▲ | 10% |
| | 3. Million metric tons CO ₂ saved on our customers' end thanks to EcoStruxure™ offers | 134 ▲ | 120 |
| | 4. Increase in turnover for our EcoStruxure™ Energy and Sustainability Services | 17.6% ▲ | 25% |
| Circular economy  | 5. Sales under our new Green Premium™ program | 76.7% ▲ | 75% |
| | 6. Sites labeled Towards Zero Waste to Landfill | 206 ▲ | 200 |
| | 7. Cardboard and pallets for transport packing from recycled or certified sources | 99% ▲ | 100% |
| | 8. Metric tons of avoided primary resource consumption through ECOFIT™, recycling, and take-back programs | 157,588 ▲ | 120,000 |

▲ 2020 audited indicators.

The 2017 performance serves as a starting point value for the Schneider Sustainability Impact 2018-2020. Please refer to pages 185 to 189 for the methodological presentation of indicators and the following pages for the analysis of the results: pages 133 to 134 for indicator 1; pages 134-135 for indicator 2; pages 126-127 for indicator 3; pages 97-98 for indicator 4; pages 140-143 for indicator 5; pages 138-139 for indicator 6; page 137 for indicator 7; and page 136 for indicator 8.

2025

- Achieve carbon neutrality in the Group's operations (scope 1 and 2) by sharply reducing emissions from energy, SF₆, and company vehicles, and offsetting remaining emissions;
- Demonstrate that the Group, together with its customers and partners, is carbon positive thanks to CO₂ savings delivered by EcoStruxure™;
- Reach the SSI and SSE objectives under the Climate and Resources pillars

2030

- Net-zero operational emissions and reduction of scope 3 emissions by 35% (vs 2017) as part of the Group's validated 1.5°C Science-Based Target;
- Switch to 100% renewable electricity (RE100);
- Double energy productivity versus 2005 (EP100);
- Shift 100% of Company fleet to electric cars (EV100).

2040

- Become carbon neutral on full end-to-end footprint (full scopes 1, 2, and 3), 10 years ahead of 1.5°C climate trajectory.

2050

- Engage with suppliers towards a net-zero CO₂ supply chain.

3.1 Environmental strategy

2020 was a year of acceleration. Acceleration of our collective realization of the fragility of the world's ecosystems, climate, resources, biodiversity, and even human lives. The magnitude of changes needed will not accept incremental year-on-year progress. What is now needed is placing a Planet-first lens onto our collective development path: are we living under the limits of one planet? As science tells us this is not the case, let us instead work backwards and define what needs to be done to preserve climate under 1.5 °C of global temperature increase, to achieve biodiversity "No Net Loss", and to conserve primary resources. Towards that end, innovation and R&D are needed to invent solutions, technologies, and business models to help customers operate as well within the limits of one planet. Schneider Electric's environmental strategy covers many different dimensions, from supply chain to materials selection, from finance to people decision, and from business models to value-propositions, through two main perspectives:

- **+1.5 °C climate compatibility:** the determination to build value propositions, business models, and supply chains which are +1.5 °C compatible (i.e. allowing the fast decarbonization of the Group's operations and that of its customers and suppliers);
- **One-planet resource and life compatibility:** to decouple resource consumption from business growth and create a circular economy, design products and industrial processes that do not alter life, water or biodiversity. Strive to push back "Earth Overshoot Day" towards December 31st.

Schneider Electric sees itself and reviews its progress as part of a broader ecosystem: first, how the Group as a company and in its supply chain delivers progress within the limits set out above; second, how customers are helped to do the same through offers, solutions, and services; and third, how Schneider Electric helps the world at large – its cities, buildings, and infrastructure – and progresses against the same factors (climate, resources, and life).

3.1.1 Description of risks and opportunities

Environmental sustainability comes with an array of risks and opportunities.

Products environment compliance and stewardship: with increasing chemical substances regulations, raising standards from a well-being perspective, especially in the building space, and increasing questions from B2C and B2B customers on health matters, the ability to ensure compliance of several hundreds of thousands of product references has never been so critical. When such product traceability is mastered at scale, with robust processes and systems in place, clear business opportunities emerge, as digitization of such data is increasingly needed. Winners are those who can seamlessly capture underlying data from suppliers, aggregate it, and disseminate it swiftly to customers who need it.

Circular innovations and business models: an obsession to avoid wastage and to reuse, repair, retrofit, or recycle, translates into cost savings. A circular mindset also triggers process innovations and opens the door to new business models, enhancing customer intimacy and thus loyalty (e.g. take-back and modernization services). High hopes are placed on circularity as a state of mind as it can transform multiple industries for the better. From a risk standpoint, some challenges may arise from a lack of stringent regulations or uncontrolled practices if used products come back into the loop without adequate controls and expertise. Schneider Electric's products are life-critical and it is paramount their circular features, including "recycled content", carefully reflect the products' unique constraints, as well as roles in various mission-critical applications.

Climate: Climate change can place a strain on specific supply chain legs should they be more exposed to exceptional climate disorders such as floods, winds, or fire. For this reason, Schneider Electric carries-out independent reviews of its industrial sites and their Business Continuity Plans (BCPs), and makes decisions accordingly. Companies who can quantify and reduce CO₂ in each of their processes and dealings, and deliberately aspire to achieve neutrality ahead of others, will have an edge over the competition.

Environmental transparency and traceability: more and more customers, green building standards, distributors, and electricians prefer offers with green credentials. It is both a risk, if one is too lenient in this domain and an opportunity to be harnessed, if made an integral part of a deliberate approach. Many building standards and local regulations, mandate or promote offers providing EPDs (Environmental Product Declarations). There is clearly a growing premium assigned to transparency.

Biodiversity and resources access: while Schneider Electric does not directly depend upon organic resources, the strain the world places onto ecosystems is also placing additional responsibility onto the Group's sector. The extraction of metals such as copper and aluminum, and the making of steel, both have a direct or indirect impact on natural ecosystems and biodiversity. When completing its first ever end-to-end biodiversity footprint in 2020, Schneider Electric purposely wanted to gauge its impacts, so it could work to address these. On an opportunity note, companies able to find alternatives to primary materials and adopt them at scale, or who can use alternate sourcing options for scarce materials sourcing, will increase the resilience of their supply chain.

3. Schneider Electric's commitments towards environmental excellence

Sites and property risks: ill-managed industrial processes can trigger spills and contamination of water, soil, and air, and this is a risk for both companies and the environment. However, a proactive approach towards site and property environmental risks helps preserve continuity of operations, reduce reputational and legal risk, and avoid expensive remediation steps.

Operations compliance and projects execution: with 135,000 people spread across more than 1,000 sites globally, operating under 100 different national environmental regulatory frameworks, risks of non-compliance exist. These risks deal with topics such as effluent management, handling of waste, or greenhouse gases related expectations, to name but a few. When Schneider Electric runs projects for customers, its superior execution ability on environmental matters may trigger preference from its customers and give the Group an edge over the competition.

Other environmental risks and opportunities exist. They may be related to environmental resource productivity (e.g. reduced energy and materials consumption) which could help both reduce operating costs and reduce risks related to price volatility and resource availability. This relates to resources such as copper, steel, polyamides, or cardboard. Other risks and opportunities exist that could either tarnish or enhance employer value proposition. However, a sound environmental strategy and execution enhances the Group's reputation with analysts, rating agencies, investors, governments, NGOs, and civil society, and overall, benefits its brand reputation.

3.1.2 Environment strategy 2030 and its pillars

Schneider Electric has defined a clear environmental strategy, defining priority initiatives and related goals across environmental domains and fully aligned with the Company's sustainable and profitable growth strategy. At Schneider Electric, environmental considerations go far beyond its efforts towards the reduction of its supply chain's footprint on the planet. They are embedded into the Group's strategy, R&D, manufacturing, procurement, finance, human resources, transportations, sales, marketing, and services, the way value propositions to customers are spelt out.

| Pillar | Commitment |
|---|---|
| Climate | A CO ₂ strategy has been defined, towards "+1.5°C climate compatibility", with a clear roadmap for 2030, 2040 and 2050. The Group is committed to emit net-zero CO ₂ emissions in its operations by 2030, and is a member of RE100, EP100 and EV100 initiatives. By 2040, the Group will be carbon neutral on its full value chain, meaning all products will be carbon neutral. With EcoStruxure, Schneider Electric delivers measurable CO ₂ gains to customers. Over the 2018-2020 period, considering only modernization projects, Schneider Electric helped its customers save 134 Mt CO ₂ . |
| Biodiversity | In 2020, Schneider Electric was the first company to publish the end-to-end biodiversity footprint of its activities, using the new "Global Biodiversity Score" (GBS) tool developed by CDC Biodiversité. The Group is committed to align targets with science to preserve biodiversity and achieve No net Biodiversity Loss in its direct operations by 2030. |
| Eco-efficient manufacturing | Energy and resource efficiency are a clear priority of the Group's Supply Chain strategy, supported by robust environment management systems (ISO 14001 and 50001 certifications). In addition, Schneider Electric extends its environmental ambitions to suppliers, with EHS risk assessment, audits and performance targets. Finally, the Group embeds environmental considerations across key functions' processes (procurement, capital expenditures, manufacturing, logistics, acquisition, human resources, etc.). |
| Circular economy | The circular economy services help extend products' lifespan, and help customers enjoy energy management and automation services using fewer resources, 'doing more with less', for a limited capital expenditure. Services towards the management of Schneider products' end-of-life are expanding. Circularity helps drive further innovation and value-addition for customers, as well as resource frugality for the benefit of the planet. |
| Green Premium™ and Product Environment Stewardship | More and more customers value the Group's sustainable performance offering and how they benefit from it. Green Premium™ program was created to provide customers with peace of mind and differentiating environmental performance: transparent environmental and regulatory information, superior energy, climate and circular performance, and protection of people and ecosystems from chemical substance risks. Today, 76,7% of Schneider Electric eligible sales are Green Premium. Digitized environmental information is available at a fingertip in MySchneiderApp and e-catalog, with REACH, RoHS, Product Environment Profile/PEP and Circular End-of-Life Instructions. |

3.1.3 Governance

At Group level, the Chief Strategy & Sustainability Officer helps determine and enforce the Group's environmental goals and underlying transformations.

Across organizational entities, environmental managers or correspondents can be found in functions such as procurement, finance, insurance, marketing, industrialization, security, mergers and acquisitions, and sustainable development.

Various governance bodies enable these communities of experts and leaders within the environmental function to meet every month or every quarter, depending on the topics and entities, to ensure consistent adoption of environment policies and standards throughout the Group.

To implement the environment policy, environment leaders coordinate a network of more than 600 managers responsible for the environmental management of sites, countries, product design, and marketing. This network has access to a wide range of resources including directives, standards, policies, best practices, benchmarks, and implementation guides, all of which are shared on the dedicated intranet site and databases.

In 2020, environmental performance has also been reported and discussed on a number of other instances:

- Quarterly reviews with global supply chain leadership;
- Quarterly steering committees with business units, discussing progress on Ecodesign, the Green Premium™ program, and product environment stewardship initiatives;
- Multiple ad hoc sessions and presentations to the board Audit and Risks Committee, Board of Directors, Executive Committee, Human Resources & CSR Committee and Group Sustainability Committee.

Leading experts in various environmental fields (Ecodesign, energy efficiency, circular economy, CO₂, etc.) are identified globally. Each year, a process recognizes those individuals who have a specific expertise that the Company is eager to maintain and grow. Such experts are named Edisons, and there are ten specific domains where they were identified, one of them being environment. Each year, an environment Edison is expected to dedicate 10% to 20% of his/her time to lead a global initiative related to his/her expertise, such as development of an e-learning course, a new standard, or an innovation.

The network of leaders driving environmental transformations consists of:

- For the design and development of new offers: Sustainable Offers Managers and leaders in each business are in charge of integrating key environmental considerations into the development of new products and producing expected environmental information for customers;
- For the management of industrial, logistics and large tertiary sites: Safety, Environment and Real Estate Vice-Presidents are nominated in each region, with dedicated teams. They are responsible for implementing the Group's policies across all sites in their geographical remit. In each region, directors coordinate teams across a group of sites (clusters), as well as on-site. These environmental and safety leaders are in charge of reporting on performance as well as executing progress plans on the ground;

- For logistics: the Logistics SVP and his/her teams within the Global Supply Chain Department are in charge of reducing and measuring CO₂ emissions from freight at Group level;
- For countries and commercial entities: environment managers and safety champions are appointed in each country and are responsible for: local reporting actions where necessary; monitoring regulations, taxes, and national opportunities as applicable (e.g. national transcriptions of the WEEE in relation to end-of-life product management, and monitoring of RoHS China); the proactive management of local environmental initiatives; and relations with local stakeholders.

3.1.4 Employee engagement

To educate all employees on environmental issues, and to give them the necessary skills, e-learning modules have been developed on topics such as the circular economy, climate and CO₂, biodiversity, and EcoDesign. Additionally, an environment intranet site is accessible to all employees, informing them about the ongoing programs, best practices, results, goals, and upcoming deadlines.

In 2019, Schneider Electric launched a Company-wide initiative, Act for Green, whereby each of its employees, each day of the year, can share their suggestion on how the Group can "Green" its operations. In 2020, thanks to the suggestion of many employees, an initiative to ban the single use of plastics has been launched and 100% of the Group's sites are committed to follow this #stoppinguseplastics program.

On June 5, 2020, on UN World Environment Day, as has been the case for each year over the last six years, Schneider Electric organized its annual "Global Environment Day" event involving tens of thousands of Group employees, inviting them to celebrate and to share innovations in the areas of CO₂ emissions reduction and the circular economy, both internally to the Group and externally in association with local communities. This year, a special focus was made on the importance of biodiversity.



3. Schneider Electric's commitments towards environmental excellence

3.2 Climate strategy towards net-zero CO₂ emissions

3.2.1 Description of risks and opportunities

Global climate science is clear: public and private spheres must work together to reduce global carbon emissions and halt the rise in temperature to below +1.5 °C.

In line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, Schneider Electric launched a prospective approach on climate change and energy transition two years ago, by setting up a dedicated organization in charge. The scenarios developed by Schneider Electric demonstrate that a net-zero carbon future, aligned with IPCC's 1.5 °C scenarios, is possible, and the Group is uniquely positioned to embark its ecosystem onto an inclusive, zero-carbon transition. The Group sees the energy and climate transition as an opportunity for companies who are "part of the solution" to grow their revenues. Schneider Electric's Energy Management and Industrial Automation help customers deliver energy and resource efficiency and reduce CO₂ emissions. Furthermore, smart grid technologies unlock the potential to electrify energy usage, powered by renewable electricity.

Climate risks identified in the short, medium and long term are related to climate mitigation and adaptation:

- Volatility of energy and commodity prices and regulation strengthening will generate increasing and volatile operating and investment costs along Schneider Electric's value chain, impacting both Schneider Electric's expenditures and that of its suppliers. This can translate into an increase of the cost of goods sold and reduced margins. This risk can be mitigated by securing low-carbon and resilient sources of supply, increasing resource-efficiency, and increasing resale prices along the value chain. In addition, physical assets are retrofitted for resource-efficiency, as competition with new built efficient infrastructure will increase. For instance, energy-efficient and digital buildings provide superior comfort to users while lowering operating costs, which translates into higher asset value;
- Schneider Electric also considers the possible financial impacts of future CO₂ costs on its activity, looking both at operational (scope 1 and 2) and supply chain (scope 3) footprints. Given the relatively low level of the Group's scope 1 and 2 carbon emissions, carbon pricing has indirect rather than direct impacts, resulting in increased costs from the supply chain, especially in the purchasing of raw materials and manufactured components containing metals and plastics. A carbon tax at EUR 30/ton of CO₂ is estimated to have an impact on the Group industrial supply chain up to EUR 280 million globally (including direct and indirect impacts);
- Climate change mitigation will lead to regulation strengthening, which can disrupt markets. For instance, SF₆-insulated switchgear can have a significant impact on climate change if SF₆ is mishandled at the end of life of the equipment and leaks into the atmosphere. Schneider Electric strives to anticipate regulation changes and launches innovate SF₆-free solutions;
- Extreme weather events, floods, droughts, and other climate impacts will increasingly put pressure onto supply chains. Shortage can translate directly into revenue loss (missed orders), increased costs (urgent shipping), and increased working capital requirements (stock management). Extreme events can also cause damage to property and assets. This risk can be mitigated by adopting a flexible and resilient supply chain, with the ability to rebalance supply and manufacturing.

3.2.2 Group policy

Schneider Electric has been a leading contributor to the fight against climate change for the past 15 years by implementing its own energy management and industrial automation services across operations, by supporting its clients in achieving their low-carbon and efficiency objectives, and by allowing more than 30 million people to gain access to electricity. Schneider Electric aims to reduce the end-to-end emissions of its offers, by engaging suppliers and ecodesigning offers for life cycle climate and circular performance. Schneider also takes an active role in a variety of multi-stakeholder organizations to promote solutions to climate change, call for a price to CO₂ and strengthen CO₂ governance globally. Finally, Schneider contributes, since 2011, to the Livelihoods funds, which proposes innovative investment models to simultaneously address environmental degradation, climate change, and rural poverty.

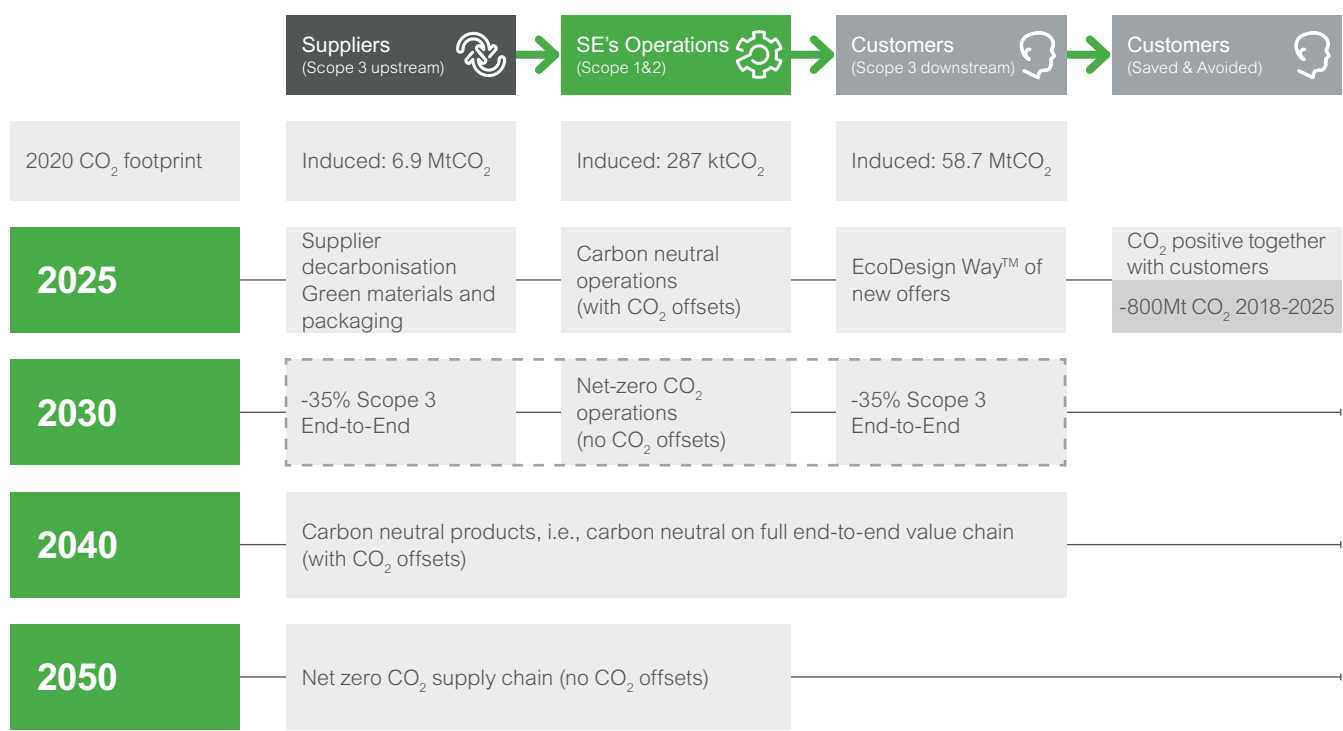
In its Principles of Responsibility, launched in 2019, Schneider Electric adopts an unequivocal position regarding impact on climate change and CO₂ emissions.

At the 25th UN Climate Conference (COP25), the Group reaffirmed its ambition to be a role model in the fight against climate change, by sharply decarbonizing its own operations and by delivering services and solutions that allow its customers to reduce more CO₂ emissions than those produced by its activity. Climate ambitions are defined for 2025, 2030, 2040 and 2050:

- Before 2025, demonstrate that Schneider Electric is carbon positive together with its customers and partners, thanks to CO₂ savings delivered by EcoStruxure™;
- On the Group's operations (scope 1 and 2): be carbon neutral by 2025 (allowing CO₂ offsets) and net-zero CO₂ emissions by 2030 (with no CO₂ offsets);
- On indirect emissions (scope 3) in its supply chain and with customers: reduce emissions by -35% by 2030 (versus 2017) by actively engaging suppliers to accelerate their climate strategy and sourcing greener materials, as well as reducing offers' emissions on customers' ends;
- Become carbon neutral on the Group's full end-to-end footprint by 2040 (scope 1, 2, and 3 with quality CO₂ offsets), 10 years ahead of 1.5 °C trajectory. This means that all Schneider Electric's products will be carbon neutral in 2040;
- Engage with suppliers to move towards a net-zero CO₂ supply chain by 2050 (with no CO₂ offsets).

The Group's 2030 targets (net-zero CO₂ emissions on scope 1 and 2, and -35% on scope 3) are a validated 1.5°C Science-Based Target.

Roadmap towards a 1.5°C climate trajectory



Concrete actions

Engage suppliers towards net-zero CO₂ supply chain

Reduce operational CO₂ emissions, towards zero

Deliver CO₂ savings to customers

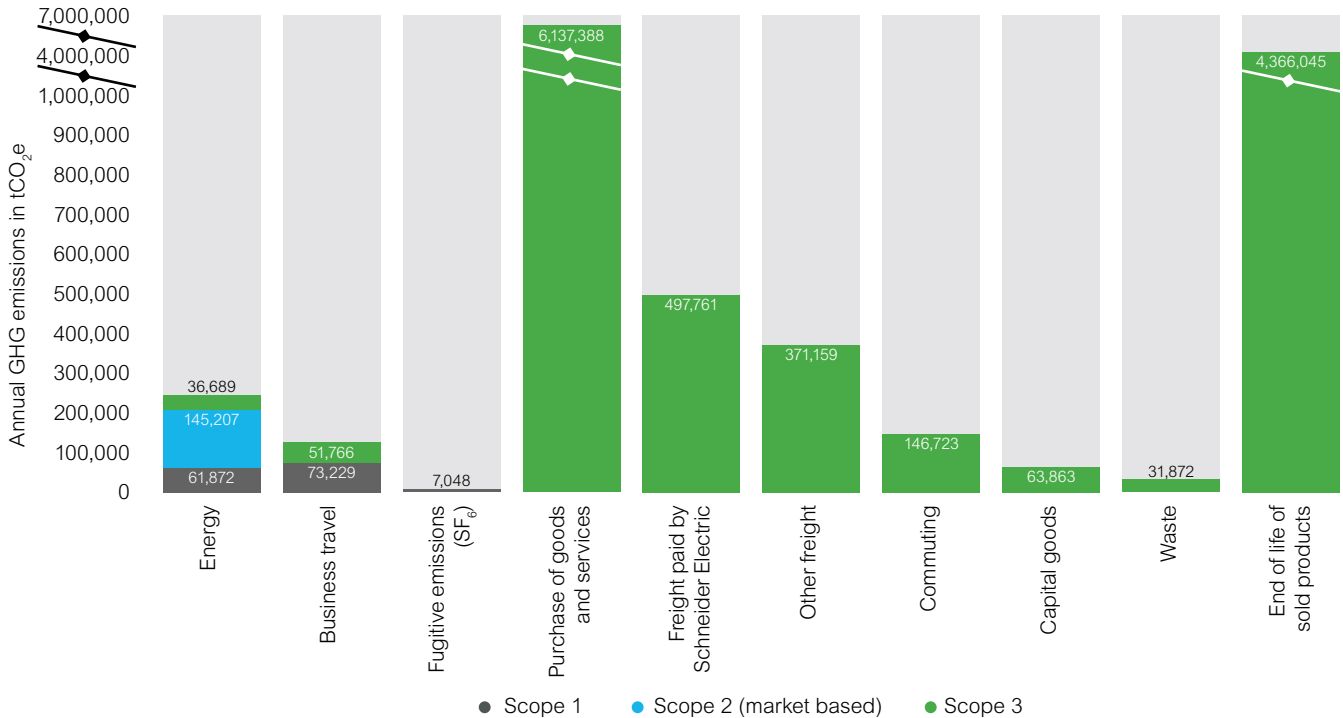
Strategy and governance: carbon committee, CO₂ scenario for strategy, CO₂ pricing in decisions, ActforGreen for employee empowerment

| | | |
|---|--------------------------------|---|
| Suppliers engagement towards zero CO ₂ | Energy efficiency (EP100) | CO ₂ savings with EcoStruxure™ |
| Green materials | Renewable energy (RE100) | Ecodesign Way™ |
| Responsible packaging | Electric Vehicles (EV100) | SF ₆ -free innovation |
| Low CO ₂ logistics | Zero CO ₂ buildings | Circular value propositions |

3. Schneider Electric's commitments towards environmental excellence

These commitments were taken as part of the "Business Ambition for 1.5 °C – Our Only Future". Since 2018, Schneider Electric is one of the 15 companies (out of 4,500+ signatories) to join the Global Compact LEAD initiative "Pathways to Low-Carbon and Resilient Development" to proactively share best practices in sustainable climate strategies.

Schneider Electric's 2020 industrial carbon footprint



3.2.3 Due diligence and results

3.2.3.1 CO₂ footprint

Schneider Electric updates its scope 1 and 2 carbon footprint annually, and scope 3 emissions annually or every three years (depending on the source of emission). Its industrial carbon footprint (i.e. scopes 1, 2 and 3 upstream, as per the Greenhouse Gas Protocol, excluding use and end-of-life of products sold) enables the Group to quantify and reduce CO₂ emissions from its supply chain, adopting a cradle to gate view. Scope 3 emissions represent around 90% of the Group's industrial carbon footprint, mainly from the purchase of raw materials, equipment, and services to its suppliers. Emissions produced, saved, and avoided by Schneider Electric's products and services during their use phase and end-of-life are also quantified.

The diagram above represents Schneider Electric's 2020 industrial carbon footprint on scopes 1, 2 and 3 (excluding use of the sold products), including all greenhouse gas emissions (GHG) from the upstream activity of all its suppliers to the downstream logistics activity to distribute its products to customers.

Coverage of reported emissions is 100% for energy, fugitive SF₆ emissions, waste, purchases, capital goods, commuting, travel, and freight (coverage is estimated using a relevant activity indicator for each source of emissions, such as spend for purchases and business travel, surface for energy and capital goods, headcount for commuting, and waste). Schneider Electric reports no GHG emissions from franchises, investments, or downstream leased assets, because these emissions are not considered relevant for its activities.

In the end-to-end carbon footprint of Schneider Electric, covering the entire life cycle of products, the use phase and end of life of the products are also taken into account. During the use phase, the emissions induced and saved by the Group's offers to its

customers are measured using the methodology described in subsection 3.2.3.6 "CO₂ savings delivered at every layer of EcoStruxure™". Use phase emissions from products sold were estimated in 2020 at 58.7 million tonnes of CO₂e. End-of-life emissions from products sold were estimated in 2020 at 4.4 million tonnes of CO₂e. The end-to-end CO₂ footprint of Schneider Electric is declared each year in the CDP Climate questionnaire, which is publicly available.

3.2.3.2 Net-zero CO₂ emissions in operations by 2030

To deliver its net-zero scope 1 and 2 by 2030, validated in 2019 by the Science-Based Targets initiative, the Group has launched several ambitious transformations, such as the phase-out of SF₆ in its products by 2025, the switch to 100% renewable electricity, the doubling of energy productivity, and the shift to 100% electric cars in the Company fleet by 2030. The Group leverages its Power and Building EcoStruxure™ IoT architectures to deliver these ambitions, monitor and optimize energy consumption, manage assets and grid infrastructure, manage distributed renewable energy resources and electricity load, monitor energy quality, and power electric vehicles. The initiatives to deliver these targets are described in section 3.4 Eco-efficient manufacturing, pages 130 to 135.

Thanks to Schneider Electric's energy efficiency and renewable strategies, the Group has achieved significant CO₂ emissions reduction in absolute terms in 2020 versus 2017 baseline: scope 1 and 2 operational emissions have reduced from 698,162 tCO₂e to 287,356 tCO₂e, which is an absolute reduction of 410,806 tCO₂e, and a -59% decrease.

3.2.3.3 End-to-end carbon neutrality by 2040 (scope 1, 2 and 3)

In addition to its previous commitments, Schneider Electric has added a bold 2040 milestone to its Carbon Pledge. The Group commits to become carbon neutral on the Company's full end-to-end footprint by 2040 (full scopes 1, 2 and 3 with quality CO₂ offsets), 10 years ahead of the 1.5 °C climate trajectory. This means that all Schneider Electric products will be carbon neutral in 2040.

By connecting technology, business, and collaboration, Schneider Electric joins the likes of global partners, such as Amazon, Infosys, and Daimler to help deliver carbon neutrality by 2040 as part of the Climate Pledge, a jointly created initiative between Global Optimism and Amazon. The Climate Pledge was founded on the conviction that global businesses are responsible and accountable for acting on the climate crisis, together.

This milestone is set 10 years earlier than the pledge made in 2015 by all UN country members at Paris COP21, showing the Group's eagerness to accelerate the world economy decarbonization to respect the 1.5 °C targets.

Schneider is already taking concrete action to:

- Reduce purchasing-related CO₂ emissions with EcoDesign™ to improve the end-to-end life cycle environmental footprint of its offers, notably by reducing and substituting materials and components embedded in products. The Group aims to source 50% green materials by 2025, favoring bio-sourced, recycled, and sustainable options;
- Reduce CO₂ emissions from freight and logistics activities, by shifting from air to sea freight and optimizing fill rates and travel routes. The reduction of CO₂ intensity of freight has been part of the Schneider Sustainability Impact since 2012;
- Reduce CO₂ emissions from waste management, with its "Waste as Worth" program. Since 2012, Schneider Electric has increased its waste recovery ratio by +12.7% to 96.3%, meaning that over 13,600 tons of additional waste was diverted from landfill in 2020 compared to 2012 – nearly the weight of two Eiffel Towers. In 2020, 206 sites achieved the "Towards Zero Waste to Landfill" designation;
- Reduce CO₂ emissions from travel and commuting with the development of digital solutions such as messaging, web audio, video conference, and remote collaborative brainstorming tools. (see section 3.5 "Circular economy", pages 136 to 139);
- Reduce CO₂ emissions from capital goods by optimizing real estate space occupancy. Indeed, by using existing building surfaces more efficiently, it is possible to deliver more value from existing assets and limit the need to build new infrastructure. Saved surfaces translate directly into lower CO₂ emissions, as well as spared natural habitats and agricultural land.

3.2.3.4 Towards net-zero CO₂ emissions in supply chain by 2050

Going further, Schneider Electric is committed to engaging suppliers towards a net-zero CO₂ in supply chain by 2050, in line with 1.5 °C climate scenarios.

Schneider Electric is already taking concrete action to engage suppliers to reduce CO₂ emissions. By 2025, the Group aims to engage 1,000 suppliers to reduce their CO₂ emissions by 50%.

By 2050, achieving net-zero CO₂ emissions in supply chain will require Schneider Electric to work transversally with all stakeholders, from product design, to sourcing, manufacturing, and shipping.

To deliver this transformation, strategic supply chain and R&D decisions will embed carbon pricing of EUR 30-130/ton depending on time horizons. The Group also focuses on co-innovating with suppliers. In 2018 and 2019, the Group co-developed a state-of-the-art digital CO₂ tracking solution for freight with a world-leading logistics company, enabling this supplier to commercialize a new offer on the market.

3.2.3.5 Climate-related scenarios embedded in the Group's strategy

Since 2018, Schneider Electric has built a scenario planning function and roadmap.

This exercise led to the creation of several scenarios leading to 2040, developed following an inductive methodology approach. These scenarios include critical reviews of the geopolitical landscape, commodity and resources availability, economic and financial evolutions, climate sensitivity and evolving policies, energy transition pathways, and technology developments, among others.

The consequences on the energy transition are quantified, looking at 10 regions and a number of sectors individually, framing the business landscape in which Schneider Electric operates. Key findings are regularly cross-checked with new publications, particularly the ones from the International Energy Agency, among others, on a regular basis.

Governance is in place, under the leadership of the Chief Strategy Officer, and this exercise is shared internally and used to inform strategic priorities across the business and operations.

Across all scenarios, a key takeaway is the dominant role of:

- Efficiency: a critical enabler for decarbonization, resiliency and security;
- Electrification: the world is becoming more electric, with 2x growth against other sources of energy;
- Digitization: with the increase in connectivity, complemented by real-time information and competitive computing capabilities, digital technologies play a major role in reaching decarbonization targets while augmenting economic productivity.

Based on these inputs and findings, and by estimating the financial impact such scenarios may have on the Group's business (as risks or as opportunities), key development areas have been identified that allow to actively contribute to the low-carbon transition. These scenarios therefore heavily drive the Schneider Electric business strategy in terms of investments (R&D, incubation, efficiency), and enable to develop its sustainability portfolio of offers.

3. Schneider Electric's commitments towards environmental excellence

3.2.3.6 CO₂ savings delivered at every layer of EcoStruxure™

With EcoStruxure™, the IoT-enabled architecture, Schneider Electric helps companies become more efficient and reduce their CO₂ emissions. To demonstrate this positive impact, a new indicator was launched in 2018 to quantify CO₂ savings delivered to customers through the use of Schneider offers. From 2018 to 2020, Schneider Electric's solutions helped customers save 134 million tons of CO₂e. In addition, new technologies were added to expand the methodology coverage in 2020: microgrids, Advanced Distribution Management Systems (ADMS), cooling, power quality and 3 phase UPS. Overall, from 2018 to 2020, Schneider Electric helped customers save and avoid 263 million tons of CO₂e. Only saved emissions are reported as part of the current Schneider Sustainability Impact scorecard. This indicator is audited every year as part of the extra-financial audit. 2020 audit covered five new technologies and both CO₂ saved and avoided.

For 2021 onwards, Schneider Electric is committed to extend the methodology to progressively include all relevant offers, as well as report both saved and avoided CO₂ emissions with customers and partners. From 2018 to 2025, Schneider Electric is committed to help customers saved and avoid 800 million tonnes of CO₂. This commitment is one of the three performance indicators of the first ever convertible Sustainability-Linked Bond launched by the Group end 2020.

Schneider has created an innovative CO₂ accounting methodology to quantify CO₂ savings delivered to customers. This methodology allows to quantify CO₂ induced and saved by the Group's solutions at its customers' premises. Detailed calculation rules are defined per offer, leveraging sales data, market expertise, and technical knowledge.

Emission savings are net emissions (savings are netted from use- phase caused emissions) and considered solely as savings delivered on brownfield (retrofit) projects. Avoided emissions are defined with respect to greenfield sales (new infrastructure); they are defined as a limitation of emissions increase versus a reference scenario. Avoided emissions are net emissions, they are the difference between emissions of a reference scenario and emissions with the implementation of Schneider Electric's offer.

The methodology is designed to become a shared industry standard, its principles are applicable across capital goods and consumer durables sectors. Attention was given to define rigorous calculations, with conservative assumptions. The methodology is public and was developed with an expert CO₂ accounting consulting company, Carbone 4.

3.2.3.7 Internal CO₂ price

To lead the global transition to a zero-carbon economy, Schneider Electric calls for policymakers to define robust and predictable carbon pricing for companies, enabling companies to integrate collaterals on climate in their strategy. A high and stable price on carbon will strengthen incentives to invest in sustainable technologies and to change behaviors.

As part of its Climate Pledge, Schneider Electric is committed to embed a carbon pricing of EUR 30-130/ton (depending on time horizons) in strategic supply chain and R&D decisions. In line with the vision, an internal price on carbon is already used in several cases to embed the cost of CO₂ externality in decision making and strategy.

First, an internal CO₂ price is used to assess the performance and resiliency of operations. The cost of CO₂ is evaluated for industrial activities, looking at CO₂ emissions from energy consumption, SF₆ leaks and road freight per region. CO₂ cost is also embedded in industrial network modelling to account for future CO₂ prices in industrial decisions. This enables measurement of the potential impact of CO₂ pricing on the Group's supply chain and review of progress against the CO₂ reduction targets. Second, an implicit price to carbon has been adopted for over 10 years, through the Group's three flagship programs to reduce scope 1 and 2 emissions: energy efficiency, renewable energy and SF₆ leaks reduction. These programs are evaluated against a conventional price of CO₂ of EUR 30/tCO₂, to assess whether the investment and reduction efforts are in line with the cost of CO₂ externality. Schneider Electric views internal CO₂ pricing as a useful tool to reinforce its governance and external commitments on CO₂.

30-130 €/tCO₂
Internal CO₂ price

Time for Climate Impact Disclosure white paper and CO₂ Impact Methodology guide



SSI#3: 120 million tons of CO₂ saved on our customers' end thanks to our EcoStruxure™ offers

CO₂ savings are delivered at every layer of EcoStruxure™. For instance, Building Management Systems (BMS) monitor, control, and optimize buildings' performance throughout its life cycle. This drives occupancy productivity as well as energy savings. From 2018 to 2020, Schneider Electric's BMS sales enabled customers to save 7.9 million tons of CO₂e.

Million tons CO₂ saved since 2018

134



CO₂ savings are delivered at every layer of EcoStruxure

Together with Customers and Partners:

134M tons

CO₂ saved from (2018 to 2020)

Annual savings are equivalent to:

 **5.5M** people in the EU

 **22M** hectares of US forest

EcoStruxure™
Innovation At Every Level

Apps, analytics and services

Leverage IOT data to identify additional energy efficiency opportunities, increase the lifetime of assets, optimize maintenance services and boost demand flexibility.

CO₂ savings in the ecosystem

Example: Power Purchase Agreements (PPA)



Edge control

Manage on-site operations, with day-to-day optimization of energy consumption through remote access and advanced automation.

CO₂ savings in the building or industrial process

Example: Building Management System (BMS)



Connected products

Connected products are Eco-Designed to improve their efficiency and deliver electricity savings.

CO₂ savings of the product

Example: Variable Speed Drive (VSD)



3. Schneider Electric's commitments towards environmental excellence

3.3 Biodiversity journey

3.3.1 Description of risks and opportunities

According to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) global assessment report, biodiversity loss is unsustainable, and transformative changes are required to safeguard economic and social models. Major biodiversity loss undermines nature's ability to support people and communities, a factor which strongly improves both quality of life and business prosperity.

Science clearly says that human activity takes an unsustainable toll on nature. In 2018, the world average terrestrial Mean Species Abundance (MSA)⁽¹⁾ was only 66%, meaning that a significant part of the species abundance of ecosystem integrity has already been lost. Under a business-as-usual scenario, this number would fall below 60% MSA by 2050, which is much beyond the safe operating zone that respects the planetary boundary, which is estimated at 70% MSA (CDC Biodiversité). Such a high biodiversity loss undermines nature's ability to provide its contribution to people, which is vital for human existence and a good quality of life.

The fight against nature loss should be a business priority: nature is essential to global economic prosperity and individual business success. A sustainable future for people and economies will be possible if nature, climate and people are addressed in an integrated way. Indeed, climate change is among the main drivers of biodiversity loss, and yet nature is part of the climate solutions.

For Schneider Electric, biodiversity loss generates business risks. First, biodiversity loss can accelerate climate deregulation and related risks. Biodiversity loss could also have a significant impact on the increase of the cost of raw materials and, eventually, its availability. Finally, natural habitats offer good protection from extremes events, meaning that nature degradation increases business continuity risks.

3.3.2 Group policy

To engage in a transformative change, clear and measurable international targets must be set, counterparts to both the 1.5-2°C increase climate limit and its associated carbon budget. Schneider Electric supports the creation of ambitious biodiversity targets during the COP15 for Biodiversity. Only together, businesses, finance and governments will be able to drive global systemic and transformative change, unlocking new opportunities and allowing everyone to live sustainably on a healthy planet.

To drive change, companies need quantitative metrics to estimate, monitor, and pilot the impacts of their activities on biodiversity loss or demonstrate their contribution to biodiversity restoration. Creating aggregated and standardized biodiversity metrics and protocols is a much-needed step to ensure nature is truly placed at the heart of business strategy.

In 2020, Schneider Electric was the first company to publish the end-to-end biodiversity footprint of its activities, using the new "Global Biodiversity Score" (GBS) tool developed by CDC Biodiversité.

With the backup of a quantified footprint, Schneider Electric commits to achieve No net Biodiversity Loss in its direct operations (scope 1) by 2030.

By sharing its experience with other companies and choosing to publish results transparently, the Group aims to demonstrate that biodiversity footprints are a key first step to help companies define relevant and impactful biodiversity strategies, across their entire value chain.

Schneider Electric calls for all companies to fast-track the adoption of ambitious biodiversity strategies, leveraging best practices from climate Science-Based Targets. In a joint effort with Marc Abadie, Chairman of CDC Biodiversité and Eva Zabey, CEO of Business for Nature, Schneider Electric invites all companies to "Raise corporate biodiversity ambition & aim at no net loss".



Raise corporate biodiversity ambition & aim at no net loss

3.3.3 Due Diligence and results

The GBS gives detailed and modular results which can be split by input line (for example, by raw materials such as metal, plastic, or timber); by pressures on biodiversity (such as land use, climate change, fragmentation, encroachment); or it can be presented by scopes (in MSA.km²) like a carbon footprint. The biodiversity footprint results are expressed in MSA.km², a metric that has all the ingredients it needs to become the international standard: synthetic, easy to understand, and widely applicable.



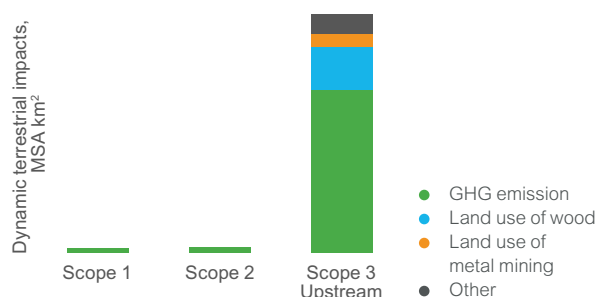
Assessing biodiversity footprint, the occasion to accelerate corporate biodiversity strategy

The end-to-end assessment allowed Schneider Electric to identify hotspots around which is most effective to develop biodiversity strategy and actions.

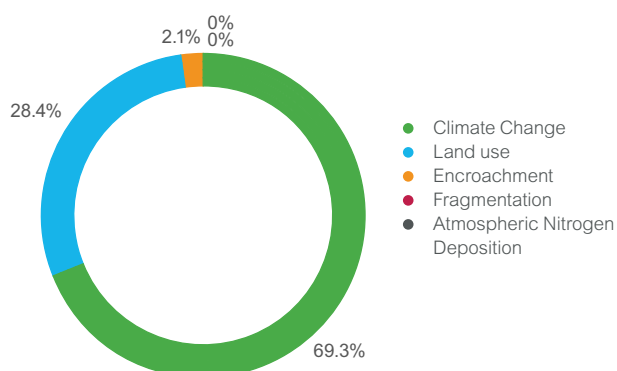
(1) The Mean Species Abundance (MSA) of original species relative to undisturbed situations is a metric that measures the level of "integrity" or "naturalness" of ecosystems. The relative abundance of a species is the percentage of individuals left in a given ecosystem compared to a past undisturbed situation. The MSA is the mean of the relative abundance of all species present. The MSA can thus range from 100% (for an undisturbed ecosystem) to 0% (for a lifeless ecosystem).

The bar chart below illustrates Schneider Electric's dynamic terrestrial impact, with detail by pressure. The pie chart highlights the weight of greenhouse gas emissions which represents almost 70% of Schneider Electric's pressure on biodiversity. Land use accounts for almost 30% of cradle to gate's impacts.

Schneider Electric's biodiversity industrial footprint (in MSA.km²)



Cradle to gate terrestrial dynamic pressures on biodiversity



Climate change is one of the major pressures on biodiversity globally and is the first of the Group's biodiversity impact. Therefore, the Group's Climate Pledge takes a renewed importance under the biodiversity light as it will have a significant impact on reducing Schneider Electric's pressure on biodiversity. The Group has identified 3 main levers of actions that will be addressed through specific actions:

1. The Group's most important pressure on biodiversity is climate change. Given the very significant impact of its products in their use phase, it is important to underline the relevance of Schneider's solutions and technologies to support biodiversity preservation. In fact, EcoStruxure technologies leverage digital to conserve energy, water and resources, reduce climate change pressure, optimize land usage and build transparency, traceability and circularity in value chains. Its solutions:

- Help customers reduce their own CO₂ emissions: 800 million tons CO₂ from 2018 to 2025;
- Enable traceability and circularity in value chains, with digital monitoring of resources;

- Foster new circular economy models, with predictive analytics and optimization of assets;
- Optimize space usage with Building Management Systems;
- Reduce water leaks and optimize water networks thanks to water management systems;
- Design intelligent building management solutions to reduce consumption and for example to allow the automatic extinction of nighttime light pollution;
- And also contribute to the access to electricity of 50 million people who are deprived of it and thus reduce their pressure on local biodiversity.

2. The second largest share of the Group's biodiversity footprint lies in the upstream supply chain, mainly due to GHG emissions and land use (this latter, due to wood and metal sourcing). The Group aspires to engage and transform the value chain and to source more biodiversity-friendly resources, which will require innovations both in terms of supply chain traceability and product design. By 2025, Schneider ambitions to join hands with suppliers to:

- Increase green material content in products with a first step at 50%;
- Phase out single-use plastics in packaging and use recycled cardboard;
- Reduce CO₂ emissions from top 1000 suppliers' operations by 50%;
- Avoid the consumption of 420,000 tons of primary resources, through 'end-of-use' offers.

Furthermore, the need for increased traceability is clearly one of the central issues to solve to engage in a more virtuous procurement practice. Schneider Electric calls for the creation of raw material traceability and certification schemes to provide information all along the value chain.

3. Schneider Electric is engaged to act locally to preserve and restore biodiversity, joining forces with other stakeholders through coalitions and partnerships. Schneider Electric and its Foundation also support NGOs that raises the awareness of the general public on nature protection (Global Footprint Network, WWF, etc.) and act for nature restoration with partnerships such as Livelihoods. By 2025, Schneider Electric will further accelerate its local engagements:

- 100% of sites will define local biodiversity conservation and restoration programs
- 100% of sites located in water-stressed areas will have a water conservation action plan
- 200 sites will achieve the 'Waste-to-Resource' label

Together, the fight against biodiversity loss can be accelerated. In its journey, Schneider Electric will continue to leverage its partnerships with external organizations such as CDC Biodiversité, Livelihoods funds, or many of the VolunteerIn initiatives.

3. Schneider Electric's commitments towards environmental excellence

3.4 Eco-efficient manufacturing

3.4.1 Description of risks and opportunities

Environmental risks related to manufacturing include soil, water, and air contamination. For instance, the release of hazardous substances can be harmful for fauna, flora, and human health, as well as disrupt continuity of operations and tarnish reputation.

"Resource and energy efficiency", Schneider Electric's mantra, delivers not only financial savings, but also limits the Group's exposure to commodity-price volatility and shortage risks. The risk extends to the reliability of the energy on which a facility relies to maintain production. CO₂ emissions pose a threat environmentally and are subject to additional costs as carbon taxes become implemented. Facilities and industrial assets themselves are also at risk of acute and chronic climate events which can disrupt the supply chain and endanger lives.

By using lean and clean eco-efficient operations, Schneider Electric can outperform competitors and avoid numerous risks. Schneider Electric believes environmental performance is a powerful tool to innovate towards a more efficient and resilient supply chain and generate bottom-line savings. By using its own EcoStruxure™ architecture to achieve this ambition, the Group also showcases carbon efficient architectures to its customers.

3.4.2 Group policy

Schneider Electric continuously works towards a greener supply chain to protect the environment, decouple its activity from the consumption of natural resources, and innovate to build a more circular supply chain. These ambitions are embedded in the Group's supply chain strategy, namely TSC4.0 (Tailored Sustainable Connected supply chain 4.0) from 2018 to 2020, and STRIVE (Sustainable, Trusted, Resilient, Intelligent, Velocity & Efficiency) starting 2021. Flagship programs include delivering energy efficiency with the EcoStruxure™ solutions, powering facilities with renewable energy, minimizing landfill waste through the Towards Zero Waste to Landfill program, sustainably sourcing packaging, and reducing CO₂ emissions generated by transportation. The Group also partners with its suppliers to extend its environmental ambitions to its upstream supply chain. These ambitions are embedded in the Group's Principles of Responsibility and the Group's supply chain strategy.

Schneider Electric 2020 sustainable supply chain ambitions



Clean and safe facilities

0 serious and fatal accidents

100% of applicable sites certified with ISO 14001, ISO 50001 and ISO 45001



Carbon light and digital

80% of electricity comes from renewable sources

100% of sites deliver energy savings, leveraging EcoStruxure™ Power and EcoStruxure™ Resource Advisor



Resource efficient and circular

95% waste recovery ratio

200 sites on the way towards zero waste to landfill

100% of regions with circular supply chain innovations

Schneider Electric has issued two global policies that drive eco-efficiency performance, the Environment Policy and the Energy Policy.

Regarding eco-efficient manufacturing, it is the Group's goal to:

- Protect the environment, prevent pollution, and limit emissions;
- Continuously improve the environmental management system and meet compliance obligations;
- Decouple the supply chain from natural resource consumption;
- Invent circular business models and supply chain loops;
- Embed environment in its strategy and governance;
- Extend environmental ambitions to suppliers and partners;
- Spread a culture of environmental excellence in the Company.

Regarding energy management, it is the Group's goal to:

- Reduce the energy intensity of its operations, sustainably decoupling energy consumption from activity growth;
- Reduce the CO₂ intensity of energy consumption, and CO₂ footprint in absolute terms, in line with the Group's commitments to achieve a 1.5 °C climate change trajectory

through a proactive electrification of its operations and renewables;

- Adopt Schneider Electric's own Energy Management and Automation EcoStruxure™ solutions wherever possible, to showcase its solutions for customers and business partners, and help embark them onto an energy excellence journey.

Climate and Energy

-400,000

tCO₂ reduced in 2020
(scope 1 and 2) since 2017

Target

Net-zero CO₂ on operational scope by 2030

80%

renewable electricity in 2020

**80% target in 2020
90% target by 2025**

40%

energy efficiency since 2010

Rolling target of -3.3% each year

30

zero CO₂ sites in 2020

150 sites in 2025

Waste and Water

96.3%

waste recovery in 2020

Target

95% target in 2020

206

Towards Zero Waste to Landfill sites in 2020

200 sites in 2020

-29.6%

water intensity since 2017

-5% target in 2020 vs 2017

3.4.3 Due diligence and results

3.4.3.1 Environmental risk management and prevention

The Group takes a proactive approach to managing environmental liabilities and risks. Environmental regulatory compliance, environmental management systems, and continuous improvement are the foundation of the Group's environmental risk management and prevention program for current, former, and prospective operations.

On this topic, a number of initiatives are in place, and major ones which were again executed in 2020 can be highlighted:

- The Integrated Management System (IMS) covers the Group's plants, distribution centers, and large offices and hosts ISO 14001, ISO 50001, ISO 9001, and OSHAS 18000/ISO 45001 compliance management systems. Each site is audited periodically, either externally by Bureau Veritas (every three years), or internally. Such a program is a key pillar towards robust environmental governance;
- The CLEARR program (Company-wide Look at Environmental Assessment and Risk Review) was continued, with additional and updated surveys of select manufacturing sites that focused on historical and current potential environmental risks;

- Environmental risks and provisions are reviewed with local and corporate finance and legal functions;
- As part of mergers, acquisitions, and disposals, thorough environmental due diligence of sites is conducted where chemicals are or have been used. Any environmental risks or liabilities identified are addressed through proper risk management activities;
- Risks and mitigation actions are presented to the board Audit and Risks Committee;
- Schneider Electric's global risk matrix embeds the biggest environmental risks (on suppliers, products, sites, and customer projects).

Historical environmental liabilities are managed on a regional level to ensure local expertise, regulatory knowledge, and cultural awareness is applied. Using external consultants, known environmental issues are thoroughly investigated, and if appropriate, remediated or otherwise managed through engineered or institutional controls to reduce potential risks to non-significant levels and in compliance with local regulations.

3. Schneider Electric's commitments towards environmental excellence

In addition, Schneider Electric uses third-party services to assess each of its key sites' risk profile, in relation to a certain number of external risks such as fires, earthquakes, flooding, and other natural disasters. Through this process and its business continuity planning efforts, Schneider Electric endeavors to gauge related risks and anticipate possible steps which would be required. With around 200 plants globally, the footprint is balanced geographically. Roughly 60 of the Group's plants are located in areas classified as 'high' or 'extremely high' baseline water stress, as defined by World Resources Institute (WRI) Aqueduct Water Risk Atlas. The nature of the Group's manufacturing processes (mainly assembly) allows rebalancing of manufacturing lines in a fairly prompt manner, if needed.

During 2020, no new material environmental impacts were identified. Furthermore, no Schneider Electric sites are Seveso-classified.

3.4.3.2 ISO 14001 and ISO 50001 certification

ISO 14001 certification allows Schneider Electric to define and sustain robust environment governance on its sites, fostering continuous improvement to deliver environmental performance. As soon as the ISO 14001 environmental management standard was published in 1996, Schneider Electric decided to certify its sites. The Group certifies all industrial and logistics sites comprised of more than 50 employees within two years of their acquisition or creation, and all large tertiary sites of more than 500 employees. 232 sites are certified ISO 14001 as of the end of 2020, representing approximately 72% of the Group scope based on the share of site surfaces, 76.5% of the Group scope in terms of energy consumption, and over 90% of the Group scope in terms of water consumption, waste generation, and Volatile Organic Compounds (VOC) emissions.

The Group's environmental reporting scope and targets are based on all ISO 14001 sites. Environment reporting metrics are shown in the table on pages 200 to 203 and include energy consumption, scope 1 and 2 CO₂ emissions, waste generation, water consumption, and VOC emissions at ISO 14001 sites.

Schneider Electric also leverages ISO 50001 certification to drive energy excellence, focusing on the highest energy-consuming sites. ISO 50001 certification is complementary to ISO 14001 certification and enables us to define and sustain robust energy governance. With the support of this certification, the sites are equipped to understand and reduce their energy footprint. The Group aims to ISO 50001-certify all sites consuming over 5 GWh per year. By the end of 2020, 150 sites were certified ISO 50001.

3.4.3.3 Energy Action program: delivering efficiency from the inside out

Schneider Electric leverages the power of its EcoStruxure™ architecture to deliver energy savings and uses its own sites as showcases for customers and business partners.

In smart factories and distribution centres, the Group implements the three-layer power and building EcoStruxure™ architecture, with connected meters and sensors to monitor energy consumption and quality, edge control power monitoring software to optimize daily operations, and analytics and services to benchmark performance and optimize energy and maintenance. Asset Performance Management also enables us to optimize operations and maintenance, for maximum uptime and longevity. Five of Schneider's smart factories have been designated as "lighthouses of the fourth industrial revolution" by the World Economic Forum (WEF), in China, France, the US, Indonesia, and Mexico. With its

Smart Factory and Distribution Center (DC) program, the Group has deployed advanced manufacturing technologies to over 80 smart factories and DCs in the past three years.



In offices, Schneider Electric's EcoStruxure™ solutions Building and Workplace Advisor enables analytics of BMS data alongside space, utilization, and comfort metrics. These smart solutions enable the Group and site leaders to actively benchmark and develop occupancy and facility management strategies to ensure continuous right sizing of its footprint and site occupation to keep energy consumption and resultant emissions to a minimum, while reducing cost and improving employee experience and comfort.

Spotlight: Lexington manufacturing facility, Kentucky

In September 2020, Schneider Electric's Lexington, Kentucky facility earned the distinction of 4th Industrial Revolution (4IR) Advanced Lighthouse by the WEF. The Lexington site is the third Schneider Electric factory to receive this honor for successfully adopting 4IR technologies at scale with demonstrated benefits to date. Two additional sites, Showcase-Monterrey, Mexico and Wuhan, China, have also been designated as Developing Lighthouse facilities.

The more than 60-year old Lexington facility was the first of Schneider Electric's US plants to become a smart factory showcase site. Exemplifying "brownfield" innovation, it integrates Schneider Electric's IoT-based EcoStruxure™ solutions, providing the latest in digital tools, including augmented reality, remote monitoring, and predictive maintenance, to drive energy efficiency, sustainability, and overall cost savings, while offering increasing agility and resiliency within the operation.

The Lexington plant continues to drive efficiencies within the operation, setting new benchmarks for smart factories:

- Monitoring and analyzing energy usage has driven energy savings of 3.4% year-on-year, contributing to \$6.6 million in savings since 2012;
- Leveraging AVEVA's Discrete Lean Management software has reduced unplanned machine downtime by nearly 6% through increased visibility into operations; additionally, paperwork has also been eliminated by 90%;
- Optimizing with EcoStruxure™ Power and Buildings has driven a 26% energy reduction, a 78% CO₂ reduction in conjunction with Renewable Energy Credits (RECs), and a 20% water use reduction.

Global, regional, and site energy reporting is delivered with the Resource Advisor software suite. Resource Advisor provides a data visualization and analysis application that aggregates volumes of raw energy data into actionable information. As a cloud-based software as a service (SaaS) model, it provides reduced solution costs, increased data storage capacity, and a flexible and mobile energy solution enhanced by Schneider Electric expert services.

The Group demonstrates its energy efficiency commitment by being a member of EP100 (Energy Productivity 100), a Group climate initiative. The target is to double energy productivity by 2030 against the 2005 baseline, meaning double the economic output from every unit of energy consumed within 25 years. In 2020, the Group achieved 72% energy productivity (against a 2030 target of 100%) compared against the 2005 baseline.

In general, Schneider Electric sites are low consumers of energy compared with other industries because industrial processes are discrete and assembled. The Schneider Energy Action program uses site energy experts along with Schneider Electric's Energy and Sustainability Services (ESS) team to report and analyze energy consumption, to identify energy savings opportunities, and to deploy actions. Since 2005, Schneider Electric has fixed annual objectives for energy efficiency each year, as part of the Schneider Energy Action program. The Group met or exceeded its energy efficiency goals during the previous three Company programs (2009-2011, 2012-2014, and 2015-2017), by achieving 10%, 13%, and 10%, respectively, totaling over 30% reduction from 2009 to 2017.

The 2018-2020 Company program aimed to reduce energy consumption by a further 10% over three years compared to 2017. At the end of 2020, this program enabled the following achievements:

- 10.3% reduction in energy consumption compared to 2017 (climate and level of production standardized) for the 224 sites with the highest consumption, covering 80% of the total energy consumption published by the Group;
- About EUR 10 million and 130 million kWh were saved in 2020 compared to 2017 baseline, thanks to the 10.3% energy savings;
- About EUR 15 million was invested, of which EUR 14.4 million was capital costs and EUR 0.6 million was operating costs.

EP100

3.4.3.4 100% renewable electricity by 2030

In 2017, Schneider Electric joined RE100 and committed to source 100% of electricity from renewables by 2030, with an intermediary target of 80% by 2020. In 2020, the Group sourced 80% of its electricity from renewable sources, up from a starting point of 2% in 2017. To deliver its target, the Group leverages four complementary tools: green tariffs, renewable certificates, power purchase agreements, and on-site generation.

RE100

This commitment entails many benefits. First and foremost, going green is deeply aligned with the Group's strategy. Schneider Electric wants to be one of the corporate players who shape the future energy landscape, having its own sites producing and consuming renewable electricity. Second, renewable sourcing is an important pillar to drastically cut CO₂ emissions from the Group's operations, following a 1.5 °C trajectory in line with Science-Based Targets. Third, because it makes good business sense. In a lot of cases, renewable supply enables savings on electricity costs. It is also a way of diversifying energy supply risks and reduces exposure to the volatility of market prices. Also, in some developing countries, microgrid technologies coupled with renewables can enable the securing of power supply and reduce downtime risks. Fourth, because the Group wants to demonstrate the value add of its own technologies and solutions, by showcasing EcoStruxure™ Microgrid IoT architecture on its own sites. Sites leverage Schneider Electric's connected inverters, Molded Case Circuit Breakers (MCCB), and transformers to connect on-site solar panels to the grid and use the energy and microgrid software to manage energy production and consumption. Schneider Electric also leverages the expertise of ESS consulting teams to deliver this transformation.

In 2020, Schneider Electric was recognized as the 2020 Clean Energy Trailblazer by The Climate Group's RE100. This is the first year of the RE100 Leadership Awards, which recognizes companies going above-and-beyond to accelerate a clean energy future. Schneider Electric was awarded the honor based on its wide-ranging commitments, including the Company's own CO₂ reduction targets, CO₂ savings delivered by EcoStruxure™ technologies to customers, clean energy advisory services, and Access to Energy program, providing energy access in underserved communities globally.



Schneider Electric's factory for transformers and medium and low voltage switch gear in Vadodara India generates approximately 1 GWH per year of onsite solar electricity

3. Schneider Electric's commitments towards environmental excellence

3.4.3.5 Towards 100% electric vehicles in the corporate car fleet

As part of Schneider Electric's climate strategy, we investigate opportunities to improve accessibility of sites, with commuting shuttles, secure bicycle storage, personal lockers and changing areas, and pedestrian-friendly access paths connecting to local routes. Schneider Electric also promotes flexible working to avoid thousands of unnecessary or avoidable trips generating travel-led emissions by enabling employees to connect remotely, to work from home and at/from customer sites.

At the end of 2019, Schneider accelerated its efforts to cut CO₂ emissions from transport with the commitment to switch to 100% electric cars by 2030. By 2025, we aim to switch 1/3rd of the Company car fleet. The Group demonstrates this commitment by being a member of EV100, a global initiative bringing together forward-looking companies committed to accelerating the transition to Electric Vehicles (EVs) and making electric transport the new normal by 2030.

EV100

3.4.3.6 Reduction of SF₆ emissions

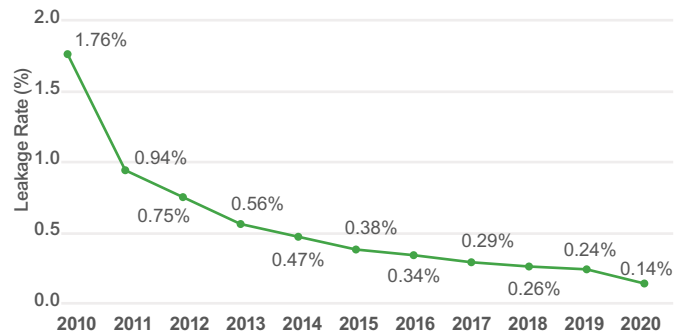
All Schneider Electric manufacturing plants and R&D laboratories handling SF₆ gas in their processes are managing the reduction of SF₆ emissions during the different phases of their activities. Notably, the seal testing processes of the products are mainly done with helium instead of SF₆. This method ensures that no emissions are coming from non-compliant enclosures during the production time.

The SF₆ leakage rate has been systematically decreasing. It globally fell from 4% in 2008 to 0.14% by the end of 2020. This SF₆ leakage reduction enabled savings of 7,754 tons of CO₂ equivalent in 2020 versus 2017. A worldwide community of SF₆ experts are sharing best practices for processes, including procedures, equipment, and training. In 2019 and 2020, Schneider Electric implemented advanced Emissions Monitoring Systems in five manufacturing sites in Spain, France, China, and Turkey. This technology allows for continuous measurement of SF₆ concentration in enclosures around devices and piping network. In case of deviations, alarm notification is automatically sent to maintenance teams.

Thanks to this global activity and to the commissioning of efficient equipment, Schneider Electric has exceeded the 0.25% target set for 2020.

By 2025, Schneider Electric intends to phase out SF₆ from its products, offering a comprehensive portfolio of SF₆-free offers. In 2019, the Group launched a breakthrough innovation, with new SF₆-free medium voltage switchgear technology. 2020 saw multiple projects running in customer installations around the world. In the coming years, Schneider Electric will continue to deploy new solutions to monitor and reduce SF₆ leaks in its processes, while innovating with breakthrough SF₆-free technologies.

SF₆ leaks reduction trend



3.4.3.7 CO₂ efficiency in transportation

Schneider Electric utilizes a robust transport network to connect its factories and distribution centers, and to deliver to its customers. The related CO₂ emissions are part of the scope 3 emissions of the Group's carbon footprint as this activity is performed by transport suppliers. From 2015 to 2017, CO₂ emissions intensity from transportation was reduced by 10%.

The 2018-2020 Company program aims to further reduce CO₂ intensity in transportation by 10% in 2020 compared to 2017. By the end of 2020, performance compared to 2017 is a decrease of 8.4% of transport-related CO₂ emission.

CO₂ emissions from air and sea transport decreased by 34% versus the 2017 baseline. Schneider Electric reaped the benefits of a better ocean container loading factor of 65% in 2020 versus 63.4% in 2017. More significantly, reductions in air freight and subsequent shift to ocean over the same period made a significant contribution to CO₂ reductions. Regarding domestic freight in 2020, CO₂ emissions from road and air domestic modes increased by 31%.

To continually improve CO₂ emissions performance and the quality of the reporting, Schneider Electric has been co-innovating with a third-party provider to standardize CO₂ emissions reporting, with worldwide coverage of all transport modes. This requires transport providers to supply accurate reporting each month on the freight carried for Schneider Electric. This new platform was implemented in Q4 2019 and was used for 2020 reporting onwards. The methodology is certified by Bureau Veritas.

SSI#1: 80% renewable electricity

In just three years, the renewable commitment greatly transformed our electricity sourcing strategy. The Group has accelerated the installation of onsite solar panels, coupled with EcoStruxure™ metering and power architectures. In 2020, over 40 sites are equipped with onsite solar capacities.

% renewable electricity in 2020

80%

The collaborative work to reduce CO₂ emissions with the Group's forwarders will continue, mainly by optimization of the transport footprint and piloting advanced low carbon transportation technologies such as electric and hybrid vehicles. By 2025, Schneider Electric aims to reduce CO₂ intensity of transportation by 3% every year, meaning 15% over 5 years.

Some evidence of Schneider initiatives to mitigate the impact of transport CO₂ emissions are:

- 25% less air and express freight, the highest CO₂ emissions modes of transportation, used in 2020 compared to 2019. Lower emissions modes of transportation were utilized – with this volume shifting to ocean and other multi-modal alternatives.
- Implementation of reusable packaging with a closed-loop freight flow between factories, enabling to sharply improve the loading factor of trucks
- Multi-modal (rail and truck) transportation utilized from France to China as well as China to France to replace air travel;

SSI#2: 10% CO₂ efficiency in transportation

As part of its efforts to reduce the CO₂ intensity of transportation, Schneider Electric is piloting low carbon transportation technologies such as electric and hybrid vehicles. For instance, in the East Coast of the USA, electric terminal trucks are used by a final mile transport partner to move containers between the Distribution Center and the Port's Terminal.

% CO₂ efficiency in 2020 vs 2017

8.4%

3.4.3.8 Water consumption

Due to the nature of most of its industrial processes (manual and automatic assembly), water consumption is not generally a critical resource for Schneider Electric, and the Group has a minimal impact on water quality. The topic was considered not very material by both internal and external stakeholders during the sustainability materiality analysis. In 2020, water management and performance information was disclosed in the CDP Water program, and Schneider Electric was awarded an A- rating.

Schneider Electric's ambition is to reduce water intensity (in m³ of water consumption per euro of turnover) by 35% in 2025 versus 2017, with a focus on sites with high water consumption and within severely water-stressed areas. In 2020, water consumption intensity was 76 m³ per million Euro of revenue, an evolution of -29.6% against the 2017 baseline.

The Group provides a breakdown of water consumption per source, with details on water consumed from the public network, groundwater, surface water (lakes, rivers, etc.), and other sources of water (rain, recycled water, etc.). At Group level, water is primarily used for cooling and sanitary purposes and, in a few select sites, for processes such as surface treatment. Water drawn for the sole purpose of cooling and immediately released without alteration is also monitored separately. For industrial water use, water discharge is subject to appropriate treatments to reduce pollutant potential and subject to a monitoring plan.

3.4.3.9 Conditions of use and release into the soil

Schneider Electric sites are mainly located in urban or industrial areas. None of the Group's businesses involve extraction or land farming. In 2020, Schneider Electric manufacturing sites conducted their annual review of pollution risks as part of ISO 14001 monitoring. At our sites, no significant spills or discharges were reported in 2020 with known harmful impacts on soil pollution.

Hazardous materials are stored, handled and used in compliance with regulations and with appropriate pollution protection mechanisms. As part of the Towards Zero Waste to Landfill program, additional focus was brought on hazardous waste, with efforts to eliminate, substitute or improve treatment (see section 3.5 "Circular economy", pages 136 to 139).

3.4.3.10 Discharge into the water and air

Because Schneider Electric is mainly an assembler, its discharge into the air and water is very limited. Schneider Electric manufacturing sites are carefully monitored, as part of ISO 14001 certification. Discharges are tracked locally as required by current legislation. At our sites, no significant spills or discharges were reported in 2020 with known harmful impacts on water or air pollution.

Emissions of NO_x and SO_x and particles into the air are monitored at the site level in accordance with applicable legal requirements; monitoring of these emissions is verified via ISO 14001 audits. These emissions are not consolidated at Group level.

Schneider Electric is committed to preventing adverse health and environmental impacts from Volatile Organic Compounds (VOC) emissions, and for this, works to reduce VOC emissions from industrial activities by 10% every three years. VOC emissions are primarily linked to production. VOC emissions decreased from 29kg/Million EUR in 2017 to 18kg/Million Eur in 2020 (-39%). The Group engages with each of its industrial sites that contribute the most to VOC emissions, and that together concentrate over 80% of the Group's VOC emissions, in a Pareto law approach. For these sites, environment, health and safety, and industrialization teams join hands and actively collaborate to ensure conditions of use are strictly adhered to and health and environmental risks are known and mitigated. These top VOC-emitting sites also investigate opportunities to reduce and phase-out concerned chemicals from industrial processes wherever possible.

Finally, CFC and HCFC emissions are monitored locally, in accordance with applicable regulations. These emissions are mainly due to the operation of air conditioning systems and are not directly linked to Schneider Electric industrial activities. These emissions are not consolidated at Group level.

3.4.3.11 Noise, odors and light

All Schneider Electric sites comply with local regulations on noise and odor. Given the nature of its activities and distribution model, Schneider Electric does not have any light pollution externality.

3. Schneider Electric's commitments towards environmental excellence

3.5 Circular economy

3.5.1 Description of risks and opportunities

The risks that Schneider Electric sees are around the perception of "one size fits all" for circularity, the temptation to see it through a waste or recycling lens and the focus on developing the related guidelines, governance and standards based on this perception.

- Product durability versus shorter-term waste loops: all resources are not equal in their thermal, mechanical, or electromagnetic profiles. For the industrial sector, the biggest impact of the circular economy will come from the promotion of reparability, upgradability, "retrofitability", extension of lifespan, and of related "product second- and third-life services". Schneider Electric's products are highly technical in nature with a long lifespan and are highly unlikely to end up as ocean plastic waste, yet a risk that the emerging regulations may be too "resource-/waste-centric" is seen. To meet quality and safety expectations, and adhere to stringent electric and electronic equipment standards, recycled materials are sometimes not available in either quantity and/or quality. The Group actively advocates sector-specific approaches.
- Ensuring the safety of people and assets through qualified and certified services: while promoting services to extend the products' life, Schneider Electric grows the ranks of certified experts on its products (through thousands of Field Services Representatives). Leveraging the circular economy, there is a fantastic opportunity to enable more repair, retrofit, and recycling services, provided concerned product categories are adequately maintained and serviced by qualified and certified experts.

There are opportunities to leverage the circular economies, both externally with customers and internally in operations. Schneider Electric's value propositions have long delivered resource efficiency, allowing customers to "do more with less".

Schneider Electric's deeply ingrained belief in the circular economy helps create a win-win-win-win ecosystem: good for the planet, good for customers (lower Total Cost of Ownership, lifespan of assets, etc.), good for the Company as a business (customer intimacy, stickiness, etc.), and good for its people (meaningful jobs, pride to take part in saving resources and energy, etc.).

3.5.2 Group policy

For Schneider Electric, circular economy is an all-encompassing strategic transformation, rather than an isolated initiative (such as incorporating recycled materials in some products). It is core to the lasting success and touches everything Schneider Electric does, detailed under three main channels:

- Circular business models and value propositions for customers: through circular capabilities such as local models of reuse, retrofit, repair, refurbish, and take-back, and by unleashing the potential of IoT, connecting and digitizing products (predictive maintenance, performance optimization, leasing, pay-per-use, performance contracting);
- Circular resources and product development: starting at the product design phase to minimize resource usage and maximize reuse, recycled resources, and recyclability;
- Circular supply chain: zero-waste and circular excellence in operations and sites with strict targets on waste reduction, reuse, and recovery.

Schneider Electric has been part of task forces on circular economy, playing leadership roles in multi-stakeholder dialogues. For example, the Group is active in France's Circular Economy Roadmap and engaged in China with MIIT (Ministry of Industry and Information Technology) on circular strategy, leading AFEP, Gimélec, FIEEC, IGNES, and ORGALIM discussions for its sector on circular economy, publishing articles and speaking at conferences (Greenbiz, Gartner, WEF, SCM World, peer-to-peer, EthicalCorp, and WindEurope, among others).

3.5.3 Due diligence and results

3.5.3.1 Circular business models and value propositions

Most of Schneider Electric's new products are digital, connectable, ensure full product life cycle management and predictive maintenance, and guarantee optimum performance, enabling the Group to move towards customer-intimate models like subscription, performance contracting, and leasing.

The first focus, before considering end-of-life, is to prolong the lifespan of products. These solutions, using up to 60% less materials than using entirely new equipment, enable pull-through and constant payback, increased customer stickiness, and long-term relationships.

SSI#8: 120,000 metric tons of avoided primary resource consumption through ECOFIT™, recycling and take-back programs

Example of a Circular Economy winning offer:

In a customer project highlighting the combination of business and sustainability benefits, Schneider Electric helped Arcelor Mittal prolong the lifespan of its equipment thanks to EcoStruxure and connectivity, give a second life by refurbishing MV Switchgears and Dry-type transformers and responsibly recycle oil transformers – thus keeping products and components in use at their highest possible utility, in a true circular economy approach. See our case study with [ArcelorMittal](#).

Metric tons avoided since 2018

157,588

The underlying bulwarks of such value propositions to customers are:

- Focus on traceability – Assets Under Management > 4.2 million at December 2020, growing at 45%/year;
- Worldwide network of specialized centers providing local circular solutions and services;
- Schneider Electric Circular Certified label.



Launched for the French market in September 2020, this [label](#) is dedicated to the sale and promotion of products from the circular economy and is in line with the group's circular economy strategy. Currently available for the French market, it is planned to be deployed more extensively in the near future.

3.5.3.2 Circular resources and product development

Mandatory criteria for circularity have been embedded in the EcoDesign Way™ principle and all new offers are designed with these criteria in mind. The Group also considers itself best-in-class in providing product circularity information digitally via the MySE App and on the website (end of life instructions are available for more than 100,000 products).

Schneider Electric is also one of the few companies in the industrial sector to be part of the European Plastics Pact as well as recycled plastics commitment in the French Circular Economy Roadmap. The Group has committed to doubling the quantity of recycled plastics in its products by 2025. In 2020, the Group was at 22% of the 2025 target. Various actions are underway such as updating an internal repository of circular materials examples and important proof-of-concepts with suppliers and partners.

3.5.3.3 Circular supply chain

The Group has an obsession for zero-waste in its operations. The supply chain supports the other channels as well as focusing on efficient production, distribution, and packaging in operations.

Schneider Electric also strives to purchase circular resources for its supply chain. As of end 2020, 99% of its transport packing (cardboards and pallets) is from recycled or certified sources.

SSI#7: 100% cardboard and pallets for transport packing from recycled or certified sources

Clear communication with regional suppliers and real-time adaptation of part numbers in internal Schneider Electric systems are some underlying critical actions to achieve this result. Studies are also being launched to increase the life cycle of pallets, hence reducing the need to purchase additional ones.

% from recycled or certified sources in 2020

99%

With these three complementary channels (3.5.3.1, 3.5.3.2, 3.5.3.3), the Group is able to have an ecosystem focus by aligning with its customers' expectations all the way to embarking its suppliers.

Employee engagement and a circularity mindset:

- Schneider Electric was among the first companies to co-develop a circular economy e-learning with the Ellen MacArthur Foundation. Since 2016, more than 4,000 employees have attended this training;
- Release of version 2.0 of Circular Materials Playbook – an internal repository of best practices, live examples, and inspirations for recycled materials used in products (focusing on plastics) and packaging;
- In its supply chain (84,000 employees), circular resource management is an integral part of the Schneider Performance System maturity assessment, from reuse maximization to zero landfilling.

External participation, co-development, and knowledge sharing:

The Group has taken important strides in partnering and co-developing circular economy pilots with customers and suppliers, as below:

- Winning the Philips Supplier Innovation event with a value proposal of greater efficiency through new generation technology and sustainable business models (ongoing collaboration);
- Partnering with BASF, the largest chemical producer in the world, to develop a new product prototype using recycled plastics.

Schneider Electric continues to be a member of the Ellen MacArthur Foundation and is involved in various co-projects to develop partnerships and solutions for the challenges faced in further implementing the circular economy in business operations.



Some white papers and partnerships for circular economy to which Schneider Electric contributed:

- Enabling a Circular Economy for chemicals with a mass balance approach;
- Remanufacturing: Designing new products for many lives;
- Making manufacturing sustainable by design;
- The need for sector-specific circularity;
- Partnership with Accenture for the Circularity Accelerators program.

Recognitions:

- Being the winner of The Circularity award in 2019, Schneider Electric was invited as a panelist at WEF, Davos 2020 for the launch of the Circular Economy Handbook. Schneider Electric also provided a case study and endorsement for this book, along with a video of Jean-Pascal Tricoire detailing its approach to the circular economy.

3. Schneider Electric's commitments towards environmental excellence

3.5.3.4 Waste as Worth program: Towards Zero Waste to Landfill sites

Because waste is a major source of pollution but also a potential source of raw materials, waste management is a priority of the circular economy strategy. At Schneider Electric, waste is considered as a resource. The Waste as Worth program includes:

- The goal of achieving 200 industrial sites sending Towards Zero Waste to Landfill⁽¹⁾ by 2020. Progress on this target is published quarterly in the Schneider Sustainability Impact and the Group is proud to mention that 206 sites received this label by the end of 2020;
- The implementation of specific actions to reduce and reuse materials, focusing notably on thermoplastic, metal, and packaging;
- The maximization of value recovery from metal waste.

In order to deliver Schneider Electric's commitments, a waste pyramid has been defined as part of the Waste as Worth program. Priority is put on reducing waste volume, through better product and industrial process design. Waste is then reused in the Group own industrial processes when possible or recycled through third parties. Finally, waste is recovered through energy conversion. The Waste as Worth program aims at drastically reducing waste left over from this virtuous circle and sent to landfill or burnt without energy recovery.

SSI#6: 200 sites labelled Towards Zero Waste to Landfill

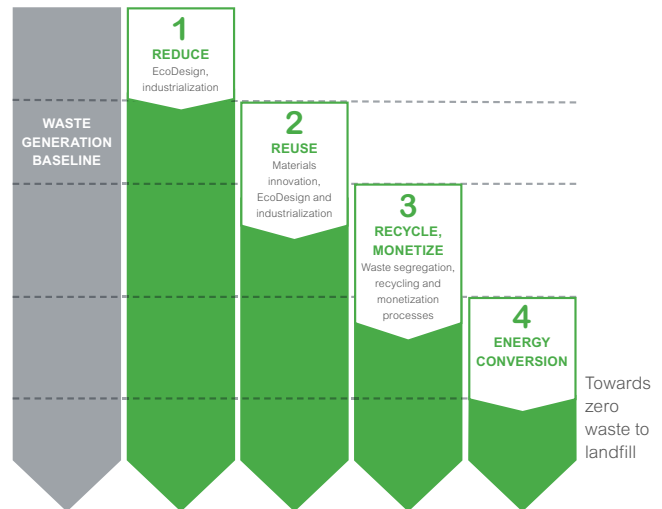
Schneider Electric is driven to maximize the value of its resources, considering waste as a resource and ensuring its waste stays within a circular system. Beyond avoiding landfill and looking at traditional recycling solutions, Schneider Electric strives to move up the waste hierarchy and find Reduce and Reuse solutions for its resources. This inspired the circular innovation initiative in 2019 and continuing into 2020. In addition to delivering tremendous environmental benefits and strengthening relationships within the supply chain, the program has delivered over 1M€ in savings across hundreds of projects, including reusing incoming pallets and cardboard for outgoing shipments and creating an internal website for the exchange of industrial and office equipment between sites to avoid scrapping.

Sites towards zero waste to landfill in 2020

206

Waste Pyramid

Towards zero waste to landfill



Schneider Electric generated around 125,000 tons of waste in 2020, most of it being solid waste. Continuous improvement plans have been deployed to manage this waste, in line with the ISO 14001 certification. In 2020, the Group recovered 96.3% of total waste reported (recovery ratio includes material and energy recovery). This recovery ratio has increased from 81% to 96.3% since 2009, thanks to site by site waste management action plans.

The Group also focuses on generating value from waste, with a focus on improving waste segregation. This enables the Group to ensure that waste recycling potential is maximized, both in terms of quantity and quality of recycled material. In 2020, the Group notably recovered 99.99% of reported metal waste.

Finally, Schneider Electric is committed to ensuring the potential adverse impacts of hazardous waste on environment and health are mitigated. Two main levers are investigated as part of the Waste as Worth program: first, all sites generating hazardous waste ensure visibility of handling and end-of-life treatment paths and seek to add value to waste as much as possible (through material or energy recovery) while neutralizing its hazardous nature. Second, top hazardous waste generating sites work to reduce the volumes of waste generated in the first place, notably by implementing "Best Available Techniques" (BAT) in their industrial processes. Such BAT processes come along with superior performances from a resource efficiency perspective, and/or chemical substances use, and/or emission reductions. By 2025, the ambition is to reduce hazardous waste intensity by 30% against the 2017 baseline.

In 2020, hazardous waste generation intensity was 0.3 tons/million EUR of revenue, an evolution of -27% versus 2017.

(1) "Towards Zero Waste to Landfill" means over 99% of metallic waste and over 97% of non-metallic waste recovered at site level as well as 100% proper handling/treatment of hazardous waste.

Starting in 2021, the ambitious Towards Zero Waste to Landfill (TZWL) program will evolve further into the Waste to Resource program. This new program will focus more heavily on better circular solutions (reduce, reuse) while relying less on traditional landfill diversion solutions (such as recycling and waste to energy). The new program will require diverting 99% of all non-hazardous waste from the landfill while placing a limit on the amount of allowable waste to energy usage, and encouraging reduction and reuse activities. 100% of Hazardous waste will still need to be handled according to Schneider Electric expectations, just as in the TZWL program. Schneider targets to have 200 sites meeting this new ambitious requirement by 2025.

3.5.3.5 Green IT (Information Technology)

Conscious of the growing environmental footprint of IT, as well as the social impact linked to minerals resources, Schneider Digital has launched a Green IT initiative in order to measure and optimize the environmental footprint of Schneider Electric's information systems.

This footprint was measured using the Club Green IT framework. In 2018, Schneider Electric participated in the "WeGreenIT" study conducted under the patronage of World Wide Fund for nature (WWF) by Club Green IT, following a generalized LCA screening methodology. WeGreenIT results show that the yearly resource footprint of IT per end user is 800 kg of CO₂, 5,740 kWh of primary energy, 14,000 liters of water, and 3 kg of electronic waste, placing Schneider Electric in the average of the 18 participating companies representing 880,000 end users.

An action plan has been engaged to optimize this environmental footprint on the different components of IT.

For end user equipment, the Group has updated its IT Asset Management (ITAM) Policy and standards with a strong focus on standardization, sustainability, and circular economy enablement. This notably focusses on sustainable hardware decommissioning through proper ITAM – Asset Recovery approach. Leasing services (mainly in Europe and North America) and Employees' PC Purchase programs (mainly in Asia Pacific and China) enable second life for retired PCs. Responsible Recycling (R2) compliant vendors are prioritized for Schneider Electric IT Asset Recovery Services. Refurbishing laptops to give them a second life has extended their life cycle by one to two years, and the amortization of manufacturing CO₂ emissions can be cut by up to 50%.

Carbon footprint reduction is also an integrated part of requirements for IT vendor selection processes. Consequently, new PCs are between 15% (desktops) and 30% (laptops) more energy efficient than the corresponding old replaced equipment at the end of its life cycle. By holding the Group's IT vendors to sustainability requirements, the annual CO₂ emissions have been reduced by 1,000 tCO₂ and annual energy consumption by 100 MWh.

In 2021, the Group aims to implement a framework to track sustainability KPIs when it comes to IT infrastructure, similarly to the existing program with IT assets. For instance, in North America, the release of the Canon Printing dashboard allows site leaders to review local usage and change printing habits. The dashboard tracks cost savings and environmental savings on CO₂, trees, and gallons of water.

Optimization of the Group data center footprint is done using two levers: the rationalization of on-premise servers and the move to cloud. In 2020, the journey to the cloud has been accelerated, partnering with providers who have made commitments to sustainability and carbon neutrality. With this effort, approximately 38% of the Group overall IT footprint has been migrated to the cloud in 2020 with the goal to increase this to 60% by the end of 2021.

The hosting of the Schneider Electric Infrastructure for Europe & Global applications is provided by IBM for both its Montpellier and Grabels data centers. Both locations are ISO 14001 and ISO 50001 certified for the environmental management of IT. Those two IBM datacenter sites hosting Schneider Electric workloads, were awarded by the European Commission Participant status in the EU Code of Conduct (CoC) for Energy Efficiency in Data Center program.

Thanks to the rationalization of the Group's application landscape, 480 applications have been decommissioned in 2020, bringing the total to over 3,500 since 2017. This allows Schneider Electric to reduce datacenter footprints as those applications are replaced by applications running on more efficient infrastructures.

Regarding the network footprint, as the move to cloud has an effect on network energy consumption itself, Schneider Electric has launched different initiatives to optimize application hosting between edge or cloud. A standard hybrid architecture, allowing to host locally on virtual machines some network intensive applications while having a cloud DRP with the best service level has been defined using the Schneider "smart bunker" solution. In addition, Local Area Network (LAN) LIFI capability have been tested functionally. LIFI is an emerging technology using LED as an access point with potential dramatic energy savings compared to WIFI, and an added health benefit as no radio waves are emitted.

Finally, different collaboration solutions are being implemented for messaging, web audio, and video conference. This roadmap has been expedited by COVID-19. Innovative digital solutions allowing virtual teams to work in an agile way were implemented in 2020 including remote collaborative brainstorming tools, electronic whiteboard, and telepresence robot. Last year, international travel were replaced with digital interaction including hosting large scale internal and external events virtually. New collaboration solutions aiming at reducing paper and email exchanges and further leveraging cloud data storage are deployed, and a new communication solution, cloud based, for messaging, web audio, and video conference has been implemented.

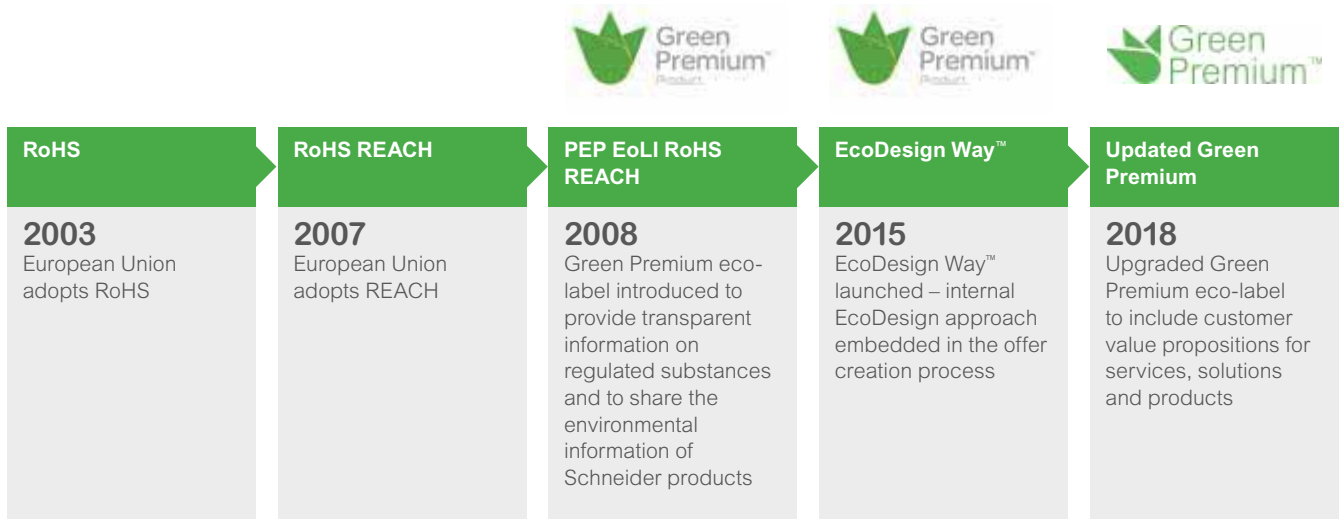
As part of the Group's IT Disaster Recovery program, a significant investment was made in 2020 in modernizing the IT infrastructure. Over 2,000 of Schneider Electric's own EcoStruxure™ solutions were deployed throughout its facilities to reduce the energy and CO₂ footprint of the IT equipment, with the rollout of EcoStruxure™ Power Monitoring Expert, Building Operation, and Building Advisor already underway.

3. Schneider Electric's commitments towards environmental excellence

3.6 Product stewardship

Over the last 17 years, the Product stewardship team has been dedicated to providing environmental premium to customers. Initially, efforts were focused on compliance, then on transparency. Over the last few years, additional efforts have been made to develop a more customer-centric program, helping Schneider Electric offers to differentiate themselves from the competition.

13 years of product stewardship with Green Premium™



3.6.1 Description of risks and opportunities

The main risks Schneider Electric identifies for product stewardship come from the increasing complexity of the environmental pressures worldwide from markets and regulations. This complexity is directly linked to a "regionalization" of these environmental pressures (California Prop 65 and China RoHS are some examples of regulations being more regionalized) while global resources are limited. Moreover, the multiplication of distribution channels, especially e-commerce, could amplify the risk of non-compliance due to the regionalization of environmental pressures.

With increasingly stringent environmental regulations year after year, there is a risk for Schneider Electric to have key materials and substances that could be utilized to deliver high performance to be regulated themselves. This would limit the innovation potential of products that would fall within the regulation radar with possible restrictions.

By its customers' side, Schneider Electric has observed a multiplication of external repositories to leverage product environmental performance, some being specific to a single customer. As such, there is a risk for Schneider Electric products not to be systematically referenced externally.

Products are at the very end of a customer journey. As such, they crystalize a lot of expectations for customers and all Schneider Electric stakeholders. Schneider Electric has identified a risk to face contradictory recommendations due to regulations overlap (e.g. substances restriction versus circularity performance).

To circumvent the risks stated earlier, Schneider Electric relies on the completeness of the Green Premium™ program, enabling it to cover all relevant product-oriented environmental topics. Relying on the ecoDesign Way™ process and tools is also key to embed environmental performance as soon as possible into the new product development process. This enables Schneider product development teams to innovate while delivering more Green Premium™ products that will differentiate themselves from those of competitors thanks to higher environmental performance.

The multiplication of environmental regulations requires a lot of information to be shared with the supply chain and updated regularly. Only the best in class suppliers will be able to answer this challenge and it is an opportunity for Schneider Electric to put in place a strong interaction with those suppliers and ensure that future restrictions will be anticipated. (also see section 2.9 "Relations with subcontractors and suppliers", pages 115 to 117).

Schneider Electric is reinforcing a worldwide approach of environmental product stewardship directives fed by a regional and local environmental steward network, and strengthening its influence position towards regulators through Schneider Electric professional associations.

From the customers' side, Schneider Electric is relying on the "Check a Product" platform, a [public website](#) providing all relevant product environmental information. Thanks to "Check a Product", Schneider Electric is in a good position to be well referenced in external databases such as the future SCIP (Substance of Concern in Products) database or customer's prescription tools.

In a commitment to go one step further, Schneider Electric is taking the steps necessary to digitize the environmental information of offers. Within a fully digitized environment, Schneider Electric can provide a streamlined and efficient process to be well referenced in external third party databases and in the customer's own prescription tools.

3.6.2 Group policy

Schneider Electric strives to distinguish itself through innovative green offers as mentioned in the Global Environment Policy. This ambition is articulated through:

- Designing energy-efficient, low CO₂, serviceable, and safe offers;
- Helping customers improve their environmental performance;
- Providing digital environmental information on offers.

To reach such ambitions, Schneider Electric has committed to:

- Invest in R&D to create energy-efficient and environment-friendly solutions;
- Create new EcoDesigned products and solutions and develop life-cycle thinking;
- Invent circular offers and business models, through products that can be reused, repaired, retrofitted, refurbished, and recycled, and through end-of-life services;
- Provide transparent and digitized information on the environmental information and benefits of offers;
- Deliver continuous improvement in product stewardship through the Green Premium™ portfolio.

3.6.3 Due diligence and results

3.6.3.1 Green Premium™

Launched in 2018, the updated Green Premium™ program is designed to deliver customer valued sustainable performance around five value propositions:

- A brand promise of compliance and digital transparency, with offers that comply with RoHS and REACH regulations, an environmental disclosure, and a circularity profile;
- A minimum of two environmental performance claims selected from any of the performance pillars;
 - Resource
 - Circular
 - Well-being
- Obtaining recognition from an external organization.

1. Compliance and transparency (substances, environmental disclosure, circular profile, footprint, etc.)



2. Resource performance

We help our customers reduce their energy and carbon footprints.



3. Circular performance

We help our customers optimize total cost of ownership of their assets.



4. Well-being performance

We help our customers to best protect their people from environmental risks.

5. Differentiation (external labels recognition, customer preference)

In 2020, the main objectives for the Green Premium™ program were to:

- Ensure compliance with the latest regulations within a difficult context;
- Develop new “circular” and “resource” performance differentiating claims;
- Prepare the digitization of environmental information, especially toward the SCIP Database for declaration;
- Expand the environmental value propositions for customers;
- Prepare the future of product stewardship for the years to come.

On circular performance, we have embedded into Green Premium™ new circular value propositions such as the “take-back” claim. For example, customers who have purchased one of the APC Uninterruptable Power Supplies (UPS) have access to complimentary recycling when the battery in the product reaches its end of usable life. In 2020, this service collected around 8,000 tons of batteries globally for recycling.

Green Premium™ information, including environmental claims and external labels, is digitally available 24/7 for customers in the technical data sheet of the online catalog, in the mySchneider mobile app, and on the “Check a Product” website.

3. Schneider Electric's commitments towards environmental excellence

SSI#5: 75% sales under our new Green Premium™ program

Supporting customers to achieve their sustainability goals is a key success factor for Schneider Electric.

% sales in 2020

76.7%

3.6.3.2 EcoDesign Way™

EcoDesign Way™ is Schneider Electric's proprietary process, deployed on product development projects of more than EUR 300,000. EcoDesign Way™ is fully embedded into Offer Creation Processes (OCP) mandatory deliverables and encompasses all involved functions: Marketing, Quality, Design, Supply Chain, and Project Manager.

The EcoDesign Way™ scorecard is fully aligned with all Green Premium™ value propositions. Moreover, several initiatives were launched to embed EcoDesign Way™ earlier in the OCP with strong inputs from the Future Offer Manager in order to foster innovation and increase EcoDesign's positive impact.

In 2020, focus was put on embedding EcoDesign criteria at an early stage of the OCP. For instance, a simplified Life Cycle Assessment tool was deployed to assess the environmental potential of incubated projects. A key objective for the upcoming years is to embed EcoDesign in systems and solutions and better integrate it into agile development methods.

3.6.3.3 REACH

The implementation of the European Court of Justice decision in case C-106/14 (O5A: once an article, always an article) is fully deployed in the compliance tools, and most of Schneider Electric REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) declarations towards its customers are in that format, which is perfectly in line with the entry in force of the ECHA (European Chemicals Agency) SCIP (Substances of Concern In Products) database. The high level of supplier declarations collected allowed Schneider Electric to stop using a worst case approach, instead being able to give more relevant information to the customers, and allowing the Group to better target substitution actions.

In the frame of the Waste Framework Directive, ECHA was mandated by the EU commission to put in place a SCIP database (database containing information on substances of concern in articles) for 2021.

2020 was dedicated to actively following the development and testing of the SCIP trial versions, giving feedback and constructive remarks to ECHA with the support of the Group's professional associations. The SCIP database has been available since the beginning of November 2020 and Schneider Electric has begun to manually upload relevant data with the objective of covering information on its main products by January 2021, which is the official opening deadline. Schneider Electric is proud to be one of the first companies undertaking this duty. 2021 will be dedicated to automating the upload process thanks to a new compliance tool under development.

Also, in 2020, several requests from the customers for pushing digitized compliance information in their compliance systems have been answered. This is currently a manual process that will be enhanced in 2021.

Schneider Electric is also very active in the development of data exchange formats on substances through FIEEC and IEC2474, formats that will be crucial for targeting substances of concern to be substituted with safer options.

Schneider Electric also participated in some EU consultations, providing technical and economic information to support regulatory evolutions on chemicals.

3.6.3.4 RoHS

In 2020, no major evolution of the RoHS (Restriction of Hazardous Substances) directive was planned. The four RoHS phthalates substitution process is almost finished and will be closed by the mid-2021 official deadline for the very few remaining special cases. The Green Premium™ objectives to apply RoHS on a worldwide basis (in all product categories) have been achieved. Main RoHS exemptions concerning lead in some metal alloys and electronic technologies are undergoing a renewal process. Nevertheless, Schneider Electric innovation teams permanently study the alternative solutions available on the market or under development, in order to propose technical solutions to avoid the use of exemptions whenever possible to the design teams.

3.6.3.5 WEEE

Schneider Electric has been engaged for a long time in a process that protects the environment and the health of people in the treatment and recycling of its products at the end of their life cycle.

In the context of the application of the Waste Electric and Electronic Equipment (WEEE) directive, Schneider Electric implements product identification and selection actions, establishing recycling streams and pricing the taxes to be applied in compliance with the regulations of each country where its products are sold.

For products falling within the scope of the WEEE directive, a circularity profile including detailed end-of-life instructions is systematically provided through the “Check A Product” public website.

3.6.3.6 Environmental Disclosure

An Environmental Disclosure is a product or solution-related content that provides quantitative, Life Cycle Assessment (LCA)-based information. As Environmental Disclosure is mandatory to enable Green Premium™ to work, Schneider Electric relies on Product Environmental Profile (PEP) to fulfill this requirement. A PEP is defined as a product-oriented “summarized” version of a full LCA. It relies on Product Category Rules (PCR) or Product Specific Rules (PSR). At Schneider, there are two types of PEP available:

- Certified – a type III Environmental Declaration in compliance with ISO 14025. The certified PEP is externally reviewed by an accredited verifier and published by a program operator according to the rules provided by this operator (e.g. PEP Ecopassport). In January 2020, 336 certified PEP were published on the [PEP Ecopassport](#) association website;
- Internal – the internal PEP follows the exact same rules as the certified one. However, an internal PEP is reviewed internally and therefore cannot be registered through an independent program operator. A process of accreditation for internal verifiers guarantees the good level of internal PEP verifications (training done by an external consultant). Verifiers check PEPs from other lines of business than their own, thus ensuring independence. Internal PEPs comply with the ISO 14021 self-completed-declaration;
- In 2019, 77.3% of Schneider’s product revenue was covered by a PEP, including 33.9% of ISO 14025 type III declarations and 43.4% of ISO 14021 type II self-completed declarations.



4. Committed to and on behalf of employees

4. Committed to and on behalf of employees

In this section:

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Context and goals

Great people make Schneider Electric a great company. The Group motivates its employees and promotes involvement by making the most of diversity, supporting professional development, and ensuring safe, healthy working conditions. Its ultimate ambition is to generate higher performance and employee engagement, through world-class people practice that are supported by a global/local and scalable model.

Human Resources thus play a key role in supporting the performance and talent development of Schneider Electric in the changing context of its activities. Its growth is characterized by a sustained internationalization, numerous acquisitions, an increase of headcount dedicated to selling solutions and services, while maintaining a share of blue collars close to 50%. All employees are treated equally based on their skills, notably regarding employment, recruitment, talent identification, training, remuneration, health and safety, thanks to common processes and policies.

Key targets and results

Schneider Sustainability Impact 2018-2020

| Megatrends and SDGs | 2018-2020 programs | 2020 progress | 2020 target |
|---|--|----------------|-------------|
| Health & equity  | 9. Score in our Employee Engagement Index | 69% ▲ | 70% |
| | 10. Medical incidents per million hours worked | 0.58 ▲ | 0.88 |
| | 11. Employees have access to a comprehensive well-being at work program | 90% ▲ | 90% |
| | 12. Employees are working in countries that have fully deployed our Family Leave Policy | 100% ▲ | 100% |
| | 13. Workers received at least 15 hours of learning, and 30% of workers' learning hours are done digitally | 90% ▲ | 100% |
| | 14. White-collar workers have individual development plans | 92% ▲ | 90% |
| | 15. Employees are working in a country with commitment and process in place to achieve gender pay equity | 99.6% ▲ | 95% |

▲ 2020 audited indicators.

The 2017 performance serves as a baseline for the 2018-2020 Schneider Sustainability Impact (SSI). Please refer to pages 185 to 189, for the methodological presentation of indicators. The performance of each indicator is presented in detail in corresponding chapters.

Other 2025 targets

Schneider Sustainability Impact 2021-2025:

- Increase gender diversity, from hiring to front-line managers and leadership teams (50/40/30)
- Create opportunities for the next generation – 2X number of opportunities for interns, apprentices, and fresh graduate hires

Schneider Sustainability Essentials 2021-2025:

- <1% pay gap for both females and males
- 60% subscription in our yearly Worldwide Employee Share Ownership Plan (WESOP)
- 100% of employees paid at least a living wage
- 3X the number of employee-driven development interactions on the Open Talent Market
- >90% of employees undergo digital upskilling through the Digital Citizenship program and digital transformation training
- Systematic career review and development plan for all employees ten years before retirement
- 75% employee engagement score

4.1 Step Up

The profile of the Company has changed tremendously in the past ten years and the same has happened with its external environment. The new Schneider Electric that has been created is much bigger and well-balanced across geographies and end-markets. It provides a unique portfolio of products, systems, services and software to customers through different go-to-market channels and consolidating many acquisitions. The Group has identified that this new Company requires a different type of leadership. Schneider has embarked on a People transformation, which is embedded in the Company program called 'Step Up'. Step Up is the People strategy and the common roadmap to transform leadership and culture.

Through Step Up, the ambition is to create:

- a new Schneider Electric that consistently achieves high growth by innovating for customers and beating the competition;
- a more engaging environment for employees;
- an attractive company for talent through an Employee Value Proposition (EVP).

All of this while delivering a best-in-class digital experience to employees, supported by simple and agile processes.

4.1.1 Schneider Electric's People Vision and Our Core Values

Great people make Schneider Electric a great company. This is our People Vision. To transform our culture and create a great place to work for, we launched our new People Vision in 2018, composed of our Employee Value Proposition, our Core Values and our Leadership Expectations.

Our Core Values define the way we work together.

Customer First. Above and beyond for Our Customers. We surprise and delight customers as we would be nowhere without them. So, not only do we put ourselves in their shoes, but we also anticipate their needs and go the extra mile. We champion our sales people, because they are the face of our Company. Whatever our role, we have an impact on the customer's experience.

Dare to Disrupt. Constantly in Beta. Innovation is our middle name. Good is never good enough, and that's why we are constantly experimenting, taking risks and disrupting the status quo. We think fast, and we act even faster. Setbacks don't hurt us. They motivate us. That's why we are not afraid to make our bets bigger, and our decisions bolder to power the digital economy through energy management and automation. We, at Schneider, ensure Life Is On.

Embrace Different. Different is Beautiful. We are 100% committed to inclusion. 'Exclusion' is not even in our vocabulary. We believe in equal opportunities for everyone, everywhere. This means welcoming people from all walks of life, ages and cultures, embracing different perspectives and calling out bias when we see it. So that every person feels uniquely valued and safe to be at their best. To us, a stranger is simply a friend we haven't met yet.

Learn Every Day. #Whatdidyoulearntoday. To stop learning is to stop growing. We are genuinely curious, never done with learning. To us, there is no such thing as knowing it all or having all the answers. We believe in life-long learning. Every minute of every day brings a new chance to listen, open up our minds, and widen our horizons. We are never too experienced to learn.

Act Like Owners. All in. Together. Entrepreneurs at heart, we take responsibility and ownership of everything we do. This is not somebody else's company. It's ours! We are individually empowered and collectively driven to collaborate and beat the competition together. In the end, we do what is right for Schneider first – always with integrity and honesty.

4.1.2 Organization

Since 2009, the Human Resources (HR) department has been structured around three principal roles to better respond to its missions:

HR Business Partners assist managers on a day-to-day basis in setting out their business strategies and in assessing the human resource requirements needed to meet business targets. They also play a pivotal role in anticipating skill requirements and employee development, and in the management of employee relations.

HR Solutions creates and develops comprehensive solutions for the organization's strategic challenges in key areas, such as compensation, benefits, human capital development, learning and performance management. Regional teams are leveraged to effectively support the Group's globalized operations.

HR Services handles the logistics and administrative responsibilities relating to payroll, sourcing, mobility and training programs, mainly through shared service centers designed to optimize efficiency and costs. Since 2015, the Group has put in place an HR Excellence initiative with the objective of creating HR teams ready to make the Leadership & Culture vision a reality while supporting the growth of the business.



4. Committed to and on behalf of employees

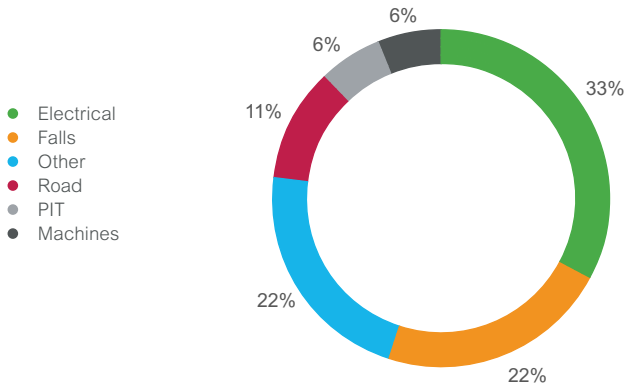
4.2 Employee health and safety

4.2.1 Description of risks and opportunities

At Schneider Electric, risk assessments and strategic action plans are performed, based on the primary risks associated with the workplaces. These plans include opportunities to reduce serious and fatal incidents, maintain legal compliance, provide safe working conditions, and encourage employee engagement in the safety processes throughout the organization.

The plans are built on the Top 5 Hazards found in every aspect of the Company, which include driving, electrical, falls, powered industrial trucks (PIT), and fixed powered machines (FPM).

Injuries based on the Top 5 Hazards since 2018



4.2.2 Group policy

4.2.2.1 Safety is a value

Safety is a value on which Schneider Electric will not compromise, and this extends to employees, customers, partners, and those working on their behalf. Included in the Principles of Responsibility is a chapter on Safety at Work which reinforces the Group's commitment to provide a healthy and secure workplace for all. In addition, Schneider Electric's ambition is to achieve the highest standards of safety excellence. Schneider Electric is committed to invest in its people and its workplace as stated in its Group Safety and Occupational Health Policy, stating "the ambition is to be the standard for safety excellence worldwide."

The Safety and Occupational Health Policy establishes the commitment that Schneider Electric has made to maintaining safe and healthy working conditions, to fulfil legal obligations, to engage employees in safety processes, and to continually improve the health and safety program, and is the cornerstone of its certified Safety Management System. The policy includes the Group's Health and Safety Vision and Mission as such:

Vision:

To be the standard of excellence and the benchmark for health and safety within the industry.

Mission:

To protect occupational health and safety of employees, customers, contractors, and visitors, in the Group's locations, at offsite locations, and while travelling...

...to preserve Company license to operate through robust EHS compliance and risk management...

...to provide employees safe, pleasant, and efficient workplaces for enhanced well-being and effectiveness...

...to enhance our brand image and contribute to world sustainability through employees' behavior and innovation.

In 2020, as part of its improvement efforts, Schneider Electric successfully achieved re-certification for ISO 45001 Safety Management System as part of a fully integrated management system certified through Bureau Veritas. This certification is in place for over 200 manufacturing, logistics, and R&D locations.

4.2.2.2 EHS strategy

The Schneider Electric global safety strategy includes "S.A.F.E. First" at the core. Developed as a personal reminder to pause and reflect on safety before beginning any task, the program empowers employees to perform S.A.F.E. First checks and if "Unsafe? Stop Work!"



In 2020, Schneider Electric had to deal with the global COVID-19 pandemic, in which the Group responded through local responders' teams, provided personal protective equipment to all its employees, and implemented audits to ensure that control measures were in place worldwide. The field services teams were recognized as critical workers as they supported hospital, laboratories, and data centers during this period.

The Group has also internally surveyed the employees on related topics to COVID-19, in which 78% expressed that they were satisfied with workplace health and safety measures implemented.

The global safety strategy also takes into consideration the five guiding principles that help to determine actions to be taken as part of a work task. They are:

- Ensuring employees are qualified for the work task before performing work;
- Empowering employees to stop work if unsafe;
- Reporting opportunities for improvement;
- Resolving and sharing solutions to problems;
- Encouraging employees to care about their own safety and the safety of their co-workers and customers.

4.2.3 Due diligence and results

4.2.3.1 Annual EHS Assessments

To ensure successful implementation of the strategy, annual Environmental, Health, and Safety (EHS) Assessments are performed in industrial sites worldwide. The EHS Assessment is a global process in which a site is evaluated to identify opportunities and to recognize excellence. At regional and global levels, EHS teams consolidate site results to identify and prioritize actions to support site performance, training needs, and cross-site mentoring opportunities. The EHS Assessment uses the same structure as the Schneider Performance System (SPS) (Company performance standardization tool) for simplified user-adoption and to enable further alignment to SPS.

Training on hazards and their associated risks is an important part of Schneider Electric employee expectations. There are more than 390 safety-related topics, housed in the My Learning Link database. Employee safety e-learning training increased by 124% compared to 2019. Employees averaged 5.6 hours in 2020, compared to 2.5 in 2019.

Communication is important to ensure coordinated and standardized program implementation. This is evident through quarterly safety campaigns, safety alerts, workplace standards, and employee engagement to identify safety opportunities. In 2020, over 300,000 employee safety opportunities were identified, a 20% increase from 2019. These communication programs are deeply embedded into the safety culture at Schneider Electric. The Group also monitors proactive leading indicators, including safety employee engagement, which tracks

the rate of employee participation in safety opportunities, and the effective application of the EHS Assessment tool.

4.2.3.2 Results summary

Schneider Electric has been very successful in meeting goals for the reduction of workplace injuries and illnesses, including those injuries resulting in lost time days. Since 2011, the Group has reduced the frequency of incidents (Medical Incident Rate, MIR) by 85% and the severity of incidents (Lost Time Incident Rate, LTIR) by 84%. This is based on 1 million hours worked.

The MIR includes injuries and occupational illnesses. The Occupational Illness Rate is also tracked independently for benchmarking purposes and to drive continuous improvement. The Occupational Illness Rate is 3% of our total medical incidents (MIR) in 2020.

Employee engagement = Safety opportunities reported including near-miss and safety ideas

Employee Engagement

2.12 ↑

33%

Improvement over 2019

(2019 = 1.59)

MIR = Medical Incident Rate. Work-related medical incidents.

MIR

0.58 ↑

27%

Improvement over 2019

(2019 = 0.79)

LTIR = Lost Time Incident Rate. Captures the number of work-related incidents requiring time off work (>24hrs)

LTIR

0.32 ↑

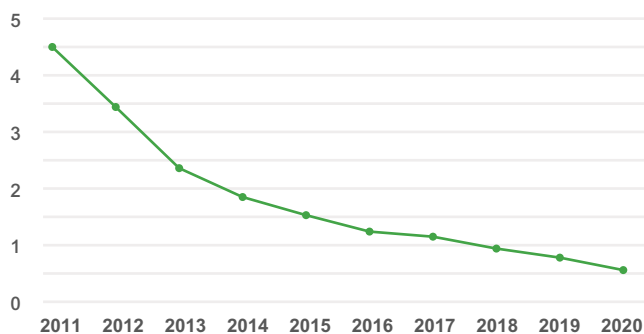
15%

Better than target

(Target = 0.37)

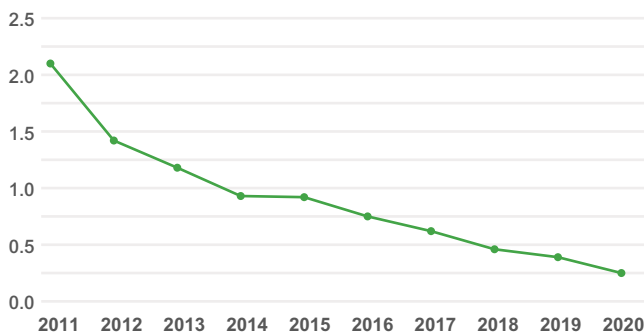
Historical trend

MIR 85% Improvement



Lost Time Incident Rate Historical trend

LTIR 84% Improvement



4. Committed to and on behalf of employees

Other key attributes

Each quarter, the Group focuses on a key safety topic to bring attention to both workplace and human factors that have caused serious injuries at Schneider Electric. The campaign includes a dedicated web-portal to access tools, videos, training materials, apps, games, posters, and leader-led topics to further promote the importance of safety worldwide. The four quarterly safety campaigns culminated with the annual “Global Health & Safety Day” celebration held on October 16, 2020. During “Global Health & Safety Day” we emphasized the importance of being healthy and safe, especially while performing essential work in the midst of the pandemic. A special emphasis was placed on the importance of performing “S.A.F.E. First Checks” to ensure that each employee is mentally focused and physically well before starting any new task. This was one of our most popular employee engagement activities with personal commitments and pledges to commit to personal health and safety.

4.2.3.3 Recognition and awards

Schneider Electric was the recipient of several awards for occupational health and safety programs in 2020. This includes Royal Society for the Prevention of Accidents (RoSPA) Gold Awards for both Safety and Fleet. The RoSPA Awards recognize achievement in health and safety management systems, including practices such as leadership and workforce involvement.

Schneider Electric was proudly represented during the Campbell Institute Executive Summit, organized by the National Safety Council Congress & Expo, where we achieved 274 awards in categories such as 1 million hours worked with no Occupational Safety & Health Administration (OSHA) reportable, Perfect Record (no OSHA recordable), Safety Leadership (5yrs with no lost time accident) and Superior Performance (10 years with no lost time accident).

Schneider Electric also received a Bronze 2020 Stevie award for Most Innovative Use of HR Technology During the Pandemic – Europe.

4.2.3.4 Future evolution of safety at Schneider Electric

Safety is a never-ending journey towards excellence. Schneider Electric goals and initiatives are to be the standard in safety excellence worldwide. This pursuit begins with Group employees, starting with leaders. Safety is leadership led, and the Group's ambition is to progress the entire community towards full empowerment as defined in the “S.A.F.E. First” Human Factors training, Safety Culture Assessment, and leadership action plans, which were developed in 2020 and ready for implementation in 2021.

This journey begins with the understanding that we, as humans, are prone to error. Schneider Electric is committed to enabling employees to identify (get involved), report (get engaged), and resolve to protect themselves and colleagues from injury (be empowered). The next evolution of safety is one that will transform the global community throughout the supply chain and at every level of the organization including partners, contractors, and suppliers. The intent is to use technology and innovation to enable Schneider Electric employees to be more empowered to detect and address unsafe conditions or behaviors. The future of safety at Schneider Electric starts with acknowledging that safety is a value on which we will not compromise, a belief shared by every employee, partner, contractor, and supplier.

SSI#10: 0.88 medical incidents per million hours worked

Success for this program in 2020 is attributed to a number of factors including the launch of the the Safety Culture Assessment and the continual focus on “S.A.F.E. First” program, a 33% increase in safety employee engagement compared to 2019. Together with leadership role-modelling, Schneider Electric continues to strive to have a deeply embedded “S.A.F.E. First” culture.

Medical Incident Rate in 2020

0.58

4.2.4 Well-being in our DNA

Well-being has been a strategic priority since 2015. 2020 tested our ambition and maturity, showing how the Company managed this unprecedented situation through global actions to help employees find the best strategies to cope with the COVID-19 pandemic and its implications.

Schneider Electric's well-being ambition is to create an environment where employees are empowered to manage their unique life and work by making the most of their energy.

The holistic view of well-being (physical, mental, emotional, and social) and the joint effort between the Company, leaders and employees, are key for the success of the program. The current strategy tackles two areas of impact:

- Empowering individuals – through training and awareness actions to encourage well-being practices for managing self and teams.
- Enabling environment – through policies and programs like the Global Flexibility@Work Policy, Global Family Leave Policy, Mindfulness at Work and Workplace of the Future.

Response to the 2020 pandemic:

- Four global webinars, including topics on how to manage emotions and mental health and how to strengthen teams during uncertain times: 900+ participants.
- Global mindfulness practice sessions in English and French: 2,900+ participants.
- “Here for each other” global Yammer page. A safe space to share how we are doing.
- “Managing your well-being during COVID-19” learning playlist, regularly updated with resources on how to take care of oneself: 1,000+ followers.
- “Manager's Guide to the New Normal”, supporting managers during the ongoing COVID-19 situation.

A structured network of more than 50 champions worldwide converted the global vision into customized local actions responding to the diversity of more than 100 countries. Some examples:

- North America: Workshop for the Top 500 leaders in the US, Canada, and Mexico to provide guidance on caring for themselves and their teams;
- UK and Ireland: "Leadership well-being videos", selfie videos from leaders on tips around well-being;
- China: Stress management workshops: 1,300+ participants including 500 customers/partners;
- NEAL Cluster (Africa): Online "Raising Happy" parenting program focused on the psychological well-being of children and parents during the lockdown.

4.2.4.1 Flexibility at work:

In October, the Global Flexibility@Work Policy was refreshed, making it a global standard to Work From Home (WFH) two days a week, starting 2021. The new global standard comes in response to employees' feedback in the Company's latest global employee survey in which a large proportion of employees stated that they prefer a hybrid work model (mix of WFH and "work from office"). Additionally, the policy addresses hybrid work holistically, providing employees with mental health resources and training on best practices.

4.2.4.2 Mental health:

Since 2019, mental health is part of the global well-being agenda, raising awareness within the organization about its importance and aligning with the World Mental Health Day. In our second year, the campaign was run over the full month of October, building synergies with other transformations like diversity and inclusion, and health and safety, which were received very positively by employees.

4.2.4.3 Commitment to the United Nations Sustainable Development Goal #3 "Good health and well-being"

The commitment to well-being is also reflected in the Schneider Sustainability Impact, with a pledge that a combined key indicator of 90% of employees have access to a standard level of healthcare coverage and training to leverage their well-being (awareness). Employees have been trained in different topics such as new and smarter ways of working, the upside of stress, mindfulness at work, "energizing our people to perform", and using strengths to prevent burnout.

SSI#11: 90% of employees have access to a comprehensive well-being at work program

The US has embedded well-being into the daily employee experience:

1. Emphasis on daily well-being through the Virgin Pulse website and mobile app:
 - >21,000 employees and spouses enrolled;
 - >20,000 completed the health risk assessment;
 - 83% of enrolled members earned rewards for healthy activities.
2. Elevated well-being topics through frequent, interactive, virtual sessions:
 - >3,000 employees attended "Caring for Yourself During COVID-19" sessions;
 - >3,000 employees attended "Mental Health for All" sessions;
3. 100% of employees have access to health care coverage;
4. Enhanced flexible work arrangements: temporary voluntary part-time schedules, home-office furniture package, and back-up child/pet/elder care.

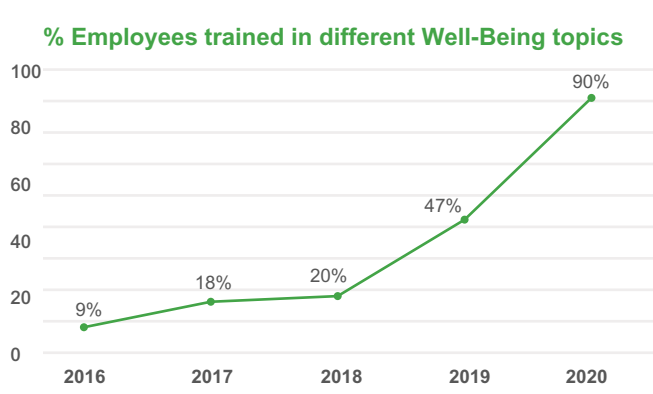
% employees with access to a comprehensive well-being at work program

90%

4.2.4.4 Recognition

Schneider Electric Middle East was awarded "Best Employee Benefits & Well-Being Strategy" Gulf Cooperation Council HR Awards and NEAL Africa was awarded "Best Corporate Well-Being Program" (Future Workplace Awards).

Well-Being Evolution 2016-2020



Holistic Approach – 4 Dimensions

- Physical**
Physical well-being is what we do with and to our bodies: sleep, fitness, nutrition, and regular rest and renewal.
- Emotional**
Emotional well-being is about cultivating and generating positive emotions: optimistic, engaged, happy, joyful, confident, enthusiastic, present, peaceful, relaxed, comfortable, serene.
- Mental**
Mental well-being is the ability to manage and train your mind: relax your mind, concentrate and focus, observe your mind, thoughts, beliefs, perceptions.
- Social**
Social well-being comes from connecting and supporting others, finding meaning in what you do, serving something larger than yourself and living in alignment with your values.

Approach: Training and researched practical applications based on Emotional Intelligence, Positive Psychology, Neuroscience and Mindfulness

4. Committed to and on behalf of employees

4.3 Talent and employee engagement

4.3.1 Description of risks and opportunities

Attracting and developing talent is crucial to the ongoing success of Schneider Electric. The Group is working to become the “best company” to work for, and constantly strives to provide the environment and motivation for its employees to take control of their own career progression, through access to learning and development and the latest job opportunities, and through readily available resources. Measures are in place to minimize the impact of employee turnover, performance, and disengagement on Company productivity and performance. See further information in chapter 1, section “Principal risks”, pages 64 to 65.

4.3.2 Group policy

Schneider Electric places a strong focus on the effective management of talent at all levels. There are two aspects to talent management for Schneider Electric – for all employees and for high potential talent.

The Group ensures all employees have the tools and processes in place to set clear goals and have a development plan to guide their performance, development, and learning in their current role as well as for future potential roles. The process is enabled by an integrated HR information system called TalentLink. This system allows data management and analytics in the areas of strategic workforce planning and talent management; it also improves the matching of resources to demand regarding learning in different parts of the Company. In 2020, a one-stop-shop career development platform called Open Talent Market was launched to our employees to create an internal talent market leveraging Artificial Intelligence (AI) to match the supply and demand of talent throughout Schneider Electric. This creates better transparency around job and project opportunities, ensuring employees can drive their career and develop to their fullest potential at Schneider Electric.

For high potential talent, an annual talent review process operates across the Company to help ensure that high potential individuals are identified and realize their full career potential. Structured succession planning for critical roles helps to accelerate individual career development while maintaining continuity for the organization. In selecting and developing talent, an important consideration is also to foster diversity such as gender and nationalities (new economies as well as mature economies). Towards the end of the talent review process across the entities, there is an aggregated review with the Executive Committee to discuss the overall health of the leadership pipeline and succession strength for top positions.

4.3.3 Due diligence and results

4.3.3.1 Employee engagement and OneVoice

Set up in 2009, the OneVoice internal survey was designed to measure employee satisfaction. In 2012, the survey evolved to include employee engagement to derive a more holistic view of employee expectations, commitment, and sentiment on the ground.

Employees are asked to fill out a questionnaire evaluating their engagement and measuring the drivers of engagement such as diversity, learning and well-being. This process helps the Group identify key avenues for improving major employee engagement factors.

SSI#14: 90% of white collar employees have Individual Development Plans (IDP)

Schneider Electric's collective future success depends on the ability of each employee to perform, develop, and grow their careers. Since 2017, the Group has set the ambition for all white collar employees to have at least one development discussion with their manager every year. To achieve the ambition, we have integrated the performance and development process to enable broader conversations on how development can drive higher performance. The launch of the Open Talent Market platform to all employees in 2020 has further strengthened the development culture by offering internal project and mentorship opportunities for everyone everywhere. The number of white collar employees with an IDP has increased from 32% in 2017 to 92% in 2020.

% white collar employees with an IDP in 2020

92%

In the context of COVID-19, it was decided to not run the “usual” OneVoice survey in 2020. The Company kept measuring the level of engagement of its employees asking the same 6 questions based on the traditional model and added a specific set of survey questions linked to the pandemic. The level of employee engagement recorded in 2020 was 69%, which is the highest since 2012 when it was at 55%, demonstrating a strong commitment of our employees toward the organization. This Employee Engagement Index is also registered in the SSI. It enables Schneider Electric to compare itself with the best employers in the industry and the best employers in key regions of the world.

Key highlights for 2020:

- 100% of employees surveyed in June 2020, including a specific set of questions linked to the Covid-19 situation;
- A high participation rate of 68% but with a decrease of 16% compared to 2019;
- One single platform for all Human Resources surveys for continuous listening of our employees;
- 3,729 managers receiving a dedicated report;
- More than 50,000 verbatim analyzed;
- One action taken from the survey is the implementation of a new Global Flexibility@Work Policy offering the option of working from home two days per week for all eligible Schneider Electric employees.

The pandemic has made us stronger and more united, say our employees. The role of the managers is key and 90% of the employees recognize the good support received during time of crisis. Managers are also actively involved in this process: following communication of the results, managers, with the support of their HR Business Partner, organized feedback sessions with their team to foster dialog and build relevant action plans, based on both qualitative and quantitative results.

Schneider Electric looks very closely at these action plans to ensure they are seriously followed and recorded in the survey platform and that good practices can be shared across the organization. In 2020, the Company increased focus on action plans being implemented at three different levels: global, local, and team. Each country's laws and regulations are different and what is decided globally must be adapted taking into consideration those external parameters.

SSI#9: 70% scored in our Employee Engagement Index

One of the most impressive increases observed in the Employee Engagement Index was in Mexico was 73% (+14 points). The main reason for such a significant increase is top management communication, always sharing open, honest, and transparent messages with their teams. The country leadership team held monthly all-employee virtual open lines which helped keep a high level of trust. The second reason is that managers focused on putting actions in place to increase collaboration among teams, having formal and informal sessions to solve common issues and empowering employees to make decisions as they adopted new ways of working. And the third reason is the global safety measures implemented by country and location which were very much appreciated by employees as it showed a proactive response to COVID-19. Site managers helped make employee safety the highest priority on their agendas and took action accordingly.

% scored in 2020

69%

4.3.3.2 Employer Branding

Our Employee Value Proposition (EVP)

The Group is looking to establish a strong name as an employer and communicate this around its EVP, which is our promise to current and future employees.

We are driven by our meaningful purpose and continuously create an inclusive environment where employees are empowered to be at their best and innovate.

- **Meaningful:** Schneider's purpose is to empower all to make the most of our energy and resources, bridging progress and sustainability for all. At Schneider, we call this Life Is On. Our mission is to be your digital partner for Sustainability and Efficiency. We adhere to the high standards of governance and ethics;
- **Inclusive:** we want to be the most diverse, inclusive, and equitable Company, globally. We value differences and welcome people from all walks of life. We believe in equal opportunities for everyone, everywhere;

- **Empowered:** freedom breeds innovation. We believe that empowerment generates high performance, personal fulfillment, and fun. We empower our people to use their judgment, do the best for our customers, and make the most of their energy.

Our EVP continues to evolve in line with the business. Making the emotional connection as to "Why Schneider Electric?" is fundamental in the ability to not only attract the best talent and be an "employer of choice", but also to have it resonate as authentic with employees as a form of encouragement, motivation, and inspiration.

Flagship program: Schneider Go Green

Launched in 2011, Schneider Go Green is an annual global competition for business and Science Technology Engineering Mathematics (STEM) students around the world to find innovative solutions for energy management and automation – exposing university students to our employer brand and Core Values. It is now established as a global initiative to attract female and male graduates for early career opportunities and/or ongoing talent fulfillment objectives. Over the years, the competition expanded its scope to become a great opportunity for students to not only share their bold ideas, but also to start their career at Schneider Electric.

Students are asked to present their bold ideas on efficient energy solutions for a better and more sustainable future. Working in pairs with at least one female participant, students are required to propose creative and viable solutions for critical energy management and automation in different categories such as: access to energy, buildings of the future, grids of the future, and plants of the future – all with measurable sustainable impact.

In 2020, the competition pivoted to digital format for the first time, firstly with a pre-show for aspiring participants and then the global final, where finalists pitched their ideas online to a panel of judges, made from senior leaders across Schneider Electric. On September 10, 2020, the winning team was announced: Team Groon, two students from Colombia, who proposed a sustainable hybrid cooling system impacting a small community of fisherman in Bojaya, Colombia.

Over the past 10 years, Schneider Go Green has had over 117,400 registrants and more than 21,700 students have submitted ideas from 172 countries. In 2020 alone, more than 24,400 students registered and nearly 3,000 students submitted their ideas, proving that Go Green continues to be consistent in developing strong and increasing interest from students for this contest, especially from emerging economies.

4. Committed to and on behalf of employees



University partnerships

Schneider Electric continues to focus on key relationships with a core selection of partner universities throughout the world. Relationships have primarily been developed with universities which offer specialization that aligns with the Group's business needs – most commonly in engineering, energy management, technology, and business. Relationships with universities are maintained at a local and global level. As the external market changes, the pathway to attract and engage young talents has also been adapting. This year, university relations has enhanced to be more digital. A selection of initiatives is set out below:

- Sharing of Schneider Electric's business acumen – for example Global Virtual Student Experience, guest lectures, and speaking engagements;
- Sponsorship initiatives;
- Collaboration on innovation projects – for example the Go Green competition and Hackathons;
- Virtual office site and Innovation Summit tours;
- On-campus and virtual recruitment events;
- Digital and face-to-face speaking engagements and networking opportunities;
- Mentoring relationships.

A major pilot in 2020 was the Global Virtual Student Experience to adapt to the ways we can engage students through the challenges of 2020. The student experience is designed to offer students who may not be ready to apply to job opportunities, a chance to learn more about Schneider Electric and learn key career building skills at the same time. The web pages attracted 69,000 views in 15 days and more than 6,900 students applied. This pilot, given the level of interest from students that Schneider Electric does not currently engage or attract, showcases Schneider Electric's employer brand recognition.

Schneider Electric has a wide range of career paths available to students pursuing the start of their career at Schneider Electric, including projects and services, industrial/manufacturing, general management, marketing, and sales. This is supported by development programs around the world that are structured to help support the acceleration of early career talent through a robust training and development path including graduate programs, internships, apprenticeships, and co-ops.

This approach has enabled strong talent pipelines to be established to attract future talent with key target skills and create greater awareness of Schneider Electric as an employer of choice.

Our employer brand, social media, and recognition

Social media plays a central role in Schneider Electric's employer branding – enabling it to engage extensively with talent to showcase the Company as an employer and the diversity of its business. Schneider Electric also greatly values the opportunity social media gives to have open dialog and receive feedback.

In particular, our achievements included:

- The Financial Times recognized Schneider Electric as a "Diversity Leader", ranking #28 out of 850 companies and 2nd in our industry for 2021;
- 2020 Universum "Top 50 World's Most Attractive Employers", ranked #48, as recognized by 235,000 IT and engineering students globally;
- Fortune recognized Schneider Electric as one of the "World's Most Admired Companies" in 2020;
- Forbes recognized Schneider Electric USA as one of "America's Best Large Employers" in 2020;
- Great Place to Work certified Schneider Electric in the US again for 2021;
- Schneider Electric's Glassdoor rating is on a steady growth, up to 4.1 at the end of 2020, recognizing both Schneider Electric France and Schneider Electric USA as a "Best Place to Work" for 2020.

4.4 Learning and development

4.4.1 Description of risks and opportunities

The ongoing growth of Schneider Electric's businesses in markets around the world requires the development of leaders and innovators across all disciplines. While that fact remains constant, the learning landscape is quickly changing in response to disruption and rapidly evolving development needs of employees. Many factors are contributing to this need for change:

- Digitization and the Fourth Industrial Revolution are creating new fields and markets requiring rapidly changing skills;
- Careers are becoming more open in a transparent marketplace: Employees are being hired for skills to perform project-based work;
- Shift towards a digital/human and gig economy workforce is creating a strong demand for a harmonized mix of hard and soft skills.

Skill needs are becoming increasingly complex and upskilling and reskilling are becoming the norm. This external landscape shift and internal growth demand led Schneider Electric to redefine its learning strategy for 2020. Learning and career development remain at the heart of Schneider Electric.

4.4.2 Group policy

At Schneider Electric, #LearnEveryDay is in our DNA. It is embedded in our belief in the power of life-long learning. Learning facilitates continuous innovation for customers, keeping the Company ahead of the game, individually and collectively. The Group's learning priorities are crisp and simple:

- Accelerate digital and personalized learning as part of learning culture, in the flow of work and life;
- Accelerate Schneider Essentials learning for all connected employees and deploy a digital program for leaders to enhance their business and finance acumen;
- Accelerate learning for critical roles and transform how to skill, upskill, and reskill for the future including digital, agility, innovation, sales, and EcoStruxure™.

4.4.3 Due diligence and results

4.4.3.1 Learning culture

Learning never stops

In response to the COVID-19 pandemic, the Group responded quickly to provide immediate learning resources and support for employees, managers, and top leaders. A learning page was created with content on virtual work, digital well-being, and function specific resources for all employees. For managers, additional content on managing virtual teams, business continuity, and a guide to the new normal were created using Schneider Electric-specific scenarios. For top leaders, there was a focus on crisis management and leading in times of ambiguity. In addition to learning resources, weekly LiveTalks were organized over a 10-week period, with external speakers and internal leader dialogues. These covered a variety of business and personal topics including mitigating risk, China leadership sharing, managing emotions in uncertainty, and leading in a crisis.

Unleashing internal knowledge

The Group actively promotes a learning and teaching culture by developing its internal trainer capability. This was critical during the pandemic, with internal trainers delivering over 80% of formal training. There has been a strong focus on equipping internal trainers to develop and facilitate virtual classroom training, including using tools such as Klaxoon for additional interaction and engagement. A Global Virtual Internal Trainer Conference was organized in September with the purpose to recognize, develop, and connect internal trainers. Activities included testimonials of appreciation, a video expo of trainer best practices; facilitation

techniques and capability building sessions on how to engage the modern learner, StoryCrafting, and creating "wow" learning experiences. There are currently over 6,000 identified internal trainers who collectively delivered over 16,000 sessions in 2020.

Learning environment

The Company aspires to create an inclusive environment for the development of its employees, focusing on completion of a specific number of hours of learning for a subset of employees to the inclusion of all employees, including workers in factories and distribution centers. The Group objective regarding that population is:

- 100% of workers to receive at least 15% of training hours per year; and
- in parallel, 30% of worker training hours to be completed digitally.

In order to achieve these objectives, Schneider has engaged a program to connect workers to the Schneider Electric network, either from a computer kiosk installed in our facilities called "Digital Learning Corner", or from their mobile phone via a secured authentication process. This required the deployment of training content tailored for the workers, both in terms of subject matter and language.

SSI#13: 100% of workers received at least 15 hours of learning, and 30% of workers' learning hours are done digitally

122 digital learning corners were set up across the world. They enable factory and logistics centers' workers to have access to individual computers to browse digital learning offers.

% achieved in 2020

90%

4. Committed to and on behalf of employees

4.4.3.2 Digital learning

Because Schneider Electric wants to achieve its business goals and stand out from the competition, it must invest in its people and prepare them for the future with the right set of skills, at the speed of change. The innovations conducted in the past three years in digital learning are solid steps in that direction.

To support the rapid changes in the Company, Schneider Electric implemented an open learning ecosystem comprised of interconnected platforms. The Learning Management System administers instructor-led training, compliance, and reporting. The learning experience platforms provide easy access to consume, share, and create formal and informal learning content on mobile and desktop devices. Together these systems and platforms provide a relevant, intuitive, and effective one-stop-shop experience, powered by digital.

The Group progressed on its journey to transition towards a more digital learning catalog. Over the last six years, the number of available digital training hours rose to 39%, mainly through business-driven action plans. The Group was successful in:

- Deploying a large catalog of e-learning in 13 languages to all Schneider Electric employees;
- Offering TED videos in line with transformation and business priorities;
- Integrating specialized learning providers for digital awareness;
- Procuring software and IT solutions in order to embrace constant changes in the world of learning;
- Creating dedicated digital libraries for procurement and finance functions.

This year, in response to the COVID-19 pandemic and the subsequent cancellation of classroom training, the Group saw a massive increase in the utilization of learning platforms. This shift resulted in a 34-point increase in the digital hours consumed, from 44.4% in 2019 to 78% in 2020.

My LearningLink

At the center of this ecosystem is My LearningLink (MLL), Schneider Electric's global learning platform which integrates e-learning, webinars, social learning, classroom learning, assessments, and full certification paths. All academies and country-level courses are registered in MLL and the Group continues to see a rise in numbers each year. In 2020 there were:

- 200,000 sessions opened per month;
- More than 20,000 modules of learning content available in up to 13 languages;
- More than 130,000 employees with access to the system;

Manager approval is not required for employees to register for online courses. Employees are actively encouraged to take responsibility for developing their skills and competencies.

More than 41,000 employees visit MLL every month. In November 2020, a learner survey answered by 1,200 employees revealed a satisfaction score of 4.4 out of 5 for the overall learning experience at Schneider Electric, up 0.2 points from 2019.

MLL is also used to deliver online training content to Schneider Electric's partners. The mySchneider Partner Portal is deployed in 140 countries and provides a customized learning experience with targeted training content that is most relevant to the partners' business. The training portal is accessible to over 750,000 Schneider Electric partners who have completed 150,000 courses since its inception in 2015.

Innovative content and modalities

Retention of learning is a key focus area for the Group who has adopted a framework for designing and developing training in a manner that ensures learning is reinforced beyond the initial learning experience. This framework is known as the "Sticky Learning Experience" and is based on neuroscience. The Sticky Learning Experience is deployed:

- Internally via a central design and development team called the digital learning factory;
- In the content bought from off-the-shelf libraries;
- In the tools used to train our learning development teams.

In 2020, the Group trained 262 people using the Sticky Learning Experience framework. The Group has also deployed tools to facilitate swift development by subject matter experts via user generated content. These tools enable the Group to be agile and meet the everchanging learning needs of the business. Among those learning tools are Klaxoon (gamified and mobile), BlendedX (mobile and blended programs), CoopAcademy (gamified, social, and mobile), and Uptale (Virtual Reality).

In addition to these platforms, the Group buys content off-the-shelf on skills and topics that are not Schneider Electric-specific. This content is a combination of micro-learning for all employees and more targeted libraries for specific audiences.

Schneider Electric uses Microsoft Yammer as its social media platform and has more than 49,000 active users. Yammer provides a digital environment for sharing knowledge and experiences on different topics. It is an incubator for communities and the Company currently has 200 communities of practice as part of the communities@work program. These communities promote a new way of working, with a strong culture of sharing where members can learn from each other.

Upskilling for the digital world

The Group recognizes job skills are rapidly becoming outdated. Roles requiring digital and human skills are growing due to the rise of AI, automation, and digitization. It is imperative that "Learn Every Day", as one of the Company's Core Values, is truly embedded across the organization with a sense of urgency to ensure sustainable careers and a resilient, future-ready business through purposeful renewal of skills. To support this ambition, the Group has identified key technical/functional skills, digital skills, and power skills for each business and function and common skill focus areas across the organization.

Agility is one of the priority skills. In 2020, the Group organized a “Customer & Agile Learning Week” to share best practices of agile implementation. The Learning Week showcased how agility is at the heart of creating value for customers and partners. A custom learning page was launched containing agility content and has provided learning opportunities to 3,000 employees since September 2020. There is also an active global agile Yammer community of 1,000+ employees who share knowledge and best practices across the organization.

Digital knowledge is also identified as a priority skill. This focus will continue in support of the 2025 Schneider Sustainability Essentials. The goal is for >90% employees to undergo digital upskilling through the Digital Citizenship program. The Group is committed to growing employee digital citizenship and launched “Boost Your Digital Knowledge,” a smart learning solution designed to help employees know how to become more digital. The learning solution covers nine pillars of digital knowledge aligned with the most needed digital future skills in Schneider Electric including data science, digital economy, digital technologies, and cybersecurity.

These initiatives complement learning solutions in businesses, functions, and entities to upskill employees for a digital world.

Mobile enabled learning on the go

The Group continues to find ways to bring learning into the flow of work and life by making content available via mobile devices. The mobile learning journey began three years ago with pilots of a platform called EdCast. EdCast enables learners to easily connect to several sources of content, bundle them in pathways, and curate them for a specific group on an open and mobile application. A leadership program called “License to Lead” was piloted with top executives and a “Digital DNA” program targeted to 3,000 people in the Schneider Digital department. These programs continued in 2020 and resulted in active monthly usage of 30% for “License to Lead” and 20% for “Digital DNA”, which were below expectations. These numbers demonstrate that providing a cutting-edge learning platform is not enough to create a sustainable learning habit and improving this is a focus in 2021.

A mobile version of the My LearningLink global learning platform was piloted in 2020, with plans for a Company-wide launch in 2021.

4.4.3.3 Learning paths and building great professionals

Learning paths for key roles

To promote a culture of learning based on the 3E model (10% education, 90% informal exposure and experience), learning paths are available for a large majority of existing roles. 90% of the roles are covered with recommendations of training, including actions for exposure and experience. The learning paths are widely used during the employee development process and enable each employee, during conversations with their manager, to receive profiled recommendations based on their current role and explore development opportunities for future roles.

Leadership development

2020 saw the growing impact of the leadership transformation within Schneider Electric with a resilient and effective leadership community able to support their customers and teams in the unprecedented disruption and challenges of COVID-19. The Company leadership expectation of “free up your energy” began to pay dividends as leaders quickly developed strategies to adapt to the circumstances and empowered and trusted their teams to work remotely. Despite the impact of COVID-19, there was still a critical focus on developing leaders at all levels throughout the Company. 2020 had three core focus areas for leadership development:

First: build a consistent, globally scalable, and business-focused frontline and middle management development system, called “Building Great Leaders”, which launched successfully and was adapted to be delivered digitally and virtually. This program has a “red thread” of the business challenges leaders face every day and the learning experience is built around that set of challenges. This makes it both practical and highly engaging. 650 managers completed the program in 2020 with the goal over the next two years to provide development for more than 1,200 leaders per annum;

Second: a new, 100% digital, immersive learning experience was deployed on Schneider Electric’s three core business models (transactional, software and services), called “Leadership for Profitable Growth”. The goal is to educate and enable the “top 1,000” leadership communities to be able to contribute to the growth ambition of Schneider Electric. By the end of 2020, 450 leaders completed the five-week program which featured a business simulation, testing the ability to make commercial, financial, and strategic decisions and applying that knowledge to the Schneider Electric business environment. By July 2021, all top 1,000 leaders will have completed the program and it will be progressively cascaded to other leadership levels to build financial acumen throughout the Company;

Third: continue to build a robust pipeline of future ready talent by providing leadership learning for our high potential talent. In 2020, 450 early career leaders completed their “Transforming Schneider Leadership” program including actionable projects for innovation and digital transformation. Additionally, 116 early career women in leadership roles completed our inaugural “Schneider Women Leader’s Program,” and while the program could not be completed with the envisioned face-to-face summit event due to COVID-19 restrictions, the Company was able to create a highly engaging virtual summit which brought these women together digitally, along with mentors, coaches, business school faculty, and some of our most senior women within the Company.

4. Committed to and on behalf of employees

Academies to support business priorities

Functional academies are in place to partner with the business in identifying learning needs and spotting gaps in core and future competencies for relevant employee populations. The academies work closely with a network of learning solutions and internal consultants, territory talent and learning leads, and HR business partners to build learning and development content for each job code. They also promote education, exposure and experience paths to meet the needs of all employees.

The Global Supply Chain (GSC) Academy provides every employee, from senior executives to factory workers within the GSC function, with the opportunity to learn and develop their functional knowledge, capability, and competencies in multiple areas: safety, manufacturing, supply chain planning, logistics and environment, customer satisfaction and quality, purchasing, and industrialization. In 2020, the GSC Academy focused on delivering digital learning to approximately 50,000 employees located in plants and distribution centers, allowing all employees to learn every day in local languages.

The Human Resources Academy equips HR employees with skills of the future with a focus on digital competencies, from basic application skills through advanced expert level topics, including dedicated programs on digital awareness and digital citizenship for all employees.

The Marketing Academy focuses on customer centricity and digitization to innovate, targeting 4,500 marketers and all employees involved in Schneider Electric transformations.

The Offer Creation Academy addresses the needs of the Offer Creation Process (OCP) to ensure the right competency levels of R&D employees globally. The range of learning options covers the entire OCP life cycle, addressing skills such as project management, design and testing, R&D processes, and software tools.

The Sales Excellence Academy is set to prepare the global salesforce for the challenges of digital business and commercial transformation in line with business strategies. It develops learning paths for sales leaders, account managers, channel managers, and sales specialists (about 16,000 employees) to impart knowledge, skills, and behavioral changes to sell directly to customers and through partners. By the end of 2020, 25% of the targeted population will embark upon the consultative selling approach journey, introducing a customer centric approach to engage with and solve customer challenges. The global health crisis sparked innovation in addressing engagement with customers during the crisis. The Sales Excellence Academy launched an internally developed digital certification training in less than two months' time. Ultimately, the offer helps salespeople to change the way they engage with customers from only in-person to a blended approach, leveraging the optimal of digital virtual and in-person. Only five months in from the launch, 1,700 salespeople had reached their certification.

Solutions University offers a comprehensive learning portfolio including certifications for sales and account management and EcoStruxure™ for segment, tailored to the organization's needs and performance environments. The Solutions University's aim is to support the solutions, services, and digital business growth with a special focus on strategic accounts. At the end of 2020, Solutions University delivered 1,400 segment certificates to end-user sales and solutions architects.

Schneider Essentials

In 2019, for the first time, three courses were assigned to all connected employees of the Company. The aim was to create a strong culture of common "must-knows" on compliance and cultural topics.

In 2020, four courses were assigned to all employees as part of the Schneider Essentials second campaign. The courses were assigned via My LearningLink. Automated monthly e-mails were sent to employees and their managers to remind them of the courses left to complete. The 2020 completion rate for all employees was 94%. The decrease compared to 2019 can be explained by the difficult environment linked with the pandemic, especially for factory workers. The Schneider Essentials campaign will be carried out again in 2021.



4.5 Diversity and inclusion

4.5.1 Description of risks and opportunities

In a world where change is the new norm and innovation is critical to ongoing business success, Schneider Electric recognizes that it is crucial to attract and retain a diverse workforce to build a high performing leadership pipeline. The Group's diversity and inclusion ambition is to offer equal opportunities to everyone everywhere. Schneider Electric wants its employees — no matter who they are, or where in the world they live — to feel uniquely valued and safe to contribute their best. The Group believes that diversity and inclusion is a business imperative as greater engagement, performance, and innovation is generated through diversity of people and an environment of inclusion.

4.5.2 Group policy

Schneider Electric's overall aspiration to improve the lives of people everywhere in the world by developing sustainable energy solutions for its customers extends to its diversity and inclusion ambition. The Group's Diversity Policy was first written in 2006 and broadened at the end of 2013. With the new People Vision launched in 2018, Schneider Electric's Global Diversity & Inclusion Policy follows two major commitments which incorporates the Group's ambition:

- Embrace different; and
- Build a culture of inclusion.

At the Group level, diversity and inclusion focuses on five areas of diversity:

- Gender;
- Nationality, ethnicity, race;
- Generation;
- LGBT+; and
- Disability.

While diversity and inclusion is increasingly driven by local and regional regulations, with which the Group complies, other countries where Schneider Electric operates are encouraged to tackle additional diversity and inclusion challenges specifically relevant to their markets and tailored to their local needs.

4.5.3 Governance

The Global Diversity & Inclusion Board is a group of top leaders from all markets and is sponsored by the Executive Committee. The board acts as a sounding board for the global diversity and inclusion strategy as well as internal and external diversity and inclusion champions. Board members are nominated by the Executive Committee to serve a two to three-year term.

The Group's leaders are accountable for diversity and inclusion through the Schneider Sustainability Impact (SSI), the Group's transformation plan and steering tool for sustainability. The SSI is also factored into every manager's short-term incentive plans.

The Group has operations in over 100 countries, with employees representing over 150 nationalities. All Schneider Electric entities develop diversity and inclusion action plans while meeting local regulations and addressing country-specific situations. Diversity and inclusion leaders have been appointed in more than 30 countries/zones and entities of the Group to lead these actions plans. This global Diversity and Inclusion Network convenes bi-monthly to share best practices.

4.5.4 Due diligence and results

4.5.4.1 A strong focus on gender diversity

Schneider Electric's diversity and inclusion strategy places strong emphasis on gender diversity, based on the strong conviction that building a gender balanced Company that is equally inclusive of men and women is both the right thing to do and critical to diversity of thought, to unleash innovation and deliver the best sustainable energy solutions to customers.

United Nations partnerships

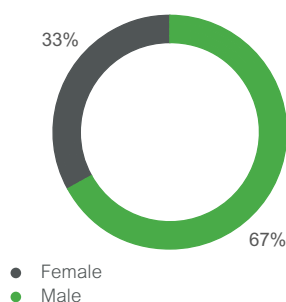
"HeForShe" is a United Nations Women solidarity movement for gender equality. It invites men and boys to build on the work of the women's movement as equal partners, crafting and implementing a shared vision of gender equality that will benefit all.

Since June 2015, Schneider Electric has been engaged as a HeForShe IMPACT 10x10x10 Champion and made three commitments to be achieved by end of 2020:

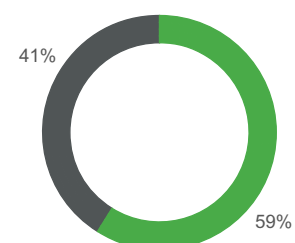
- Increase the representation of women across the pipeline – 40% at entry, and 30% in top positions by 2020;

Diversity and Inclusion

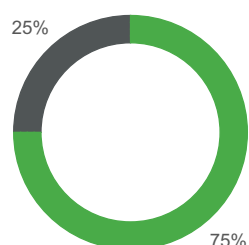
Overall Workforce



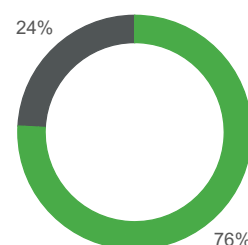
Total New Hires



Frontline management



Leadership



- Female
- Male

* Total New Hires for 2020 is All New Hires.

Leadership – Vice Presidents and above

Frontline Management – junior and mid-level management whose direct reports are individual contributors only.

4. Committed to and on behalf of employees

- Implement a worldwide pay equity process reaching 95% of our global workforce by 2020; and
- Involve Group leaders and establish a dedicated executive-level governance body to drive gender equality across Schneider.

Schneider Electric has also renewed its commitment to gender balance with the new 2021-2025 SSI gender balance KPI – 50/40/30 – women representing 50% of all new hires, 40% of frontline managers, and 30% of senior leadership.

In addition to being involved in HeForShe, Schneider Electric has also committed to the Women's Empowerment Principles, which are seven principles guiding businesses on how to empower women in the workplace, marketplace, and community. In 2019, Schneider Electric became the first multinational company to achieve 100% commitment to the UN Women's Empowerment Principles (WEPs) across its global leadership team, and all new country leaders make this commitment as part of their onboarding process.

Building a gender-balanced leadership pipeline

As of end of 2020, women make up 24% of the senior leadership and 25% of managerial positions. To build a robust gender balanced leadership pipeline, the Group has engaged in several actions.

Because they are a key internal leadership talent pool, Schneider Electric has been focusing on hiring and including more women in sales and technical roles. As of end of 2020, women made up 21% of STEM roles with a hiring rate of 34%. Similarly, as of end of 2020, women made up 19% of the sales population with a hiring rate of 24%.

In 2019-2020, the Company revitalized its commitment to gender equity in leadership roles and launched the Schneider Women Leaders' Program (SWLP) – a global program with a common cause – enabling more women at their mid-career point, to build the skills and confidence to step up their leadership capability and impact.

The SWLP program is an award-winning nine-month coaching and virtual workshop experience, culminating in a three-day virtual global summit, bringing the graduating women together with senior Schneider leaders and well-class business school faculty. The initial cohort included 116 women across all regions. 236 women have benefited from this targeted leadership development, accelerating the preparation for even more women as the Company steps up its targets for women in mid-level leadership roles by 2025.

Employee Resource Groups (ERGs) also play a large role in empowering women locally and helping drive efforts to advance women in leadership. As of the end of 2020, local ERGs have contributed to the Group's efforts towards gender equality and inclusion in more than 40 countries.

4.5.4.2 Nationality, ethnicity and race inclusion

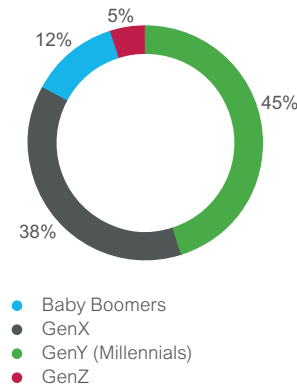
To continue to reinforce the "equity and equal opportunities" strategy and to reinforce its reputation as the most global of local companies, Schneider Electric ensures that its leadership footprint is in line with its business footprint. 41% of Schneider Electric's revenues comes from the new economies and 34% of the leadership team is from the new economies. 85% of country presidents are either local or regional. Schneider also has a global commitment on ethnicity and racial equity, with countries in the lead to drive ambition and actions. The goal set for racial equity and inclusion means:

- Employee population is reflective of the communities operated by Schneider Electric, including at the leadership level;
- Employees have equal opportunity for growth and training;
- Everyone feels safe, valued, and respected for who they are, to be their authentic self.

4.5.4.3 Generational inclusion

Schneider Electric is also committed to the development and inclusion of the Company's multi-generational talent pool. In order to achieve this goal, employees have career development discussions and training opportunities at all stages of their career, as well as mentoring and reverse mentoring programs and networking opportunities. Leveraging the richness of its multi-generational employees' experiences results in greater innovation, equity, and preparedness to build the solutions for tomorrow.

Generation breakdown



4.5.4.4 LGBT+ inclusion

In March 2018, Schneider Electric committed to the UN Free and Equal Standards of Conduct for Business on Tackling Discrimination against Lesbian, Gay, Bi, Trans and Intersex People, standing up for equal rights and fair treatment for LGBT+ people everywhere.

By adopting these standards, the Group pledges to respect and stand up for the human rights of LGBT+ workers, customers, and members of the public; to support our LGBT+ employees and to prevent discrimination, including workplace discrimination, against LGBT+ people.

In October 2020, Schneider Electric held its global LGBT+ Awareness Month. Each week video testimonials, podcasts, and educational materials were provided to all employees interested in learning and hearing from their LGBT+ colleagues.

In addition to signing the UN Free and Equal Standards, across the globe, Schneider Electric has also made public statements of support to advance LGBT+ inclusion: Schneider Brazil, Chile, Argentina, Colombia and France have all signed LGBT+ equality charters. In June 2019, the Company announced the launch of a global LGBT+ Employee Resource Group (ERG): Schneider LGBT+ and Allies. The Group is open to all – LGBT+ people and allies alike – with an interest to further inclusion in the workplace.

4.5.4.5 People with disabilities inclusion

Schneider Electric is committed to the inclusion of people with disabilities. In January 2021, Schneider Electric joined the International Labour Organization (ILO) Global Business and Disability Network and signed their charter, committing to promote and include persons with disabilities throughout their operations worldwide. During 2020, the Company also held a weeklong global awareness campaign for people with disabilities, educating employees about the diversity of disabilities and actions that can be taken to be allies for building an inclusive environment for people with disabilities.

4.5.4.6 Inclusive policies

Schneider Electric recognizes that diversity without inclusion does not work. Policies and practices have been developed and applied with an inclusive mindset so that everyone can feel that they are uniquely valued and belong.

Multi-hub business model

Schneider Electric wants everyone, everywhere in the Company to have the same chance of success irrespective of their race, ethnicity, nationality, or location. To deliver on this ambition, the Group created a multi-hub model and systematically relocated global jobs to four hubs: Paris, Boston, Hong Kong, and Bangalore. Not only has this model helped to attract and develop local talent, it has been instrumental in the expansion of the business with localized decision-making.

Gender pay equity

Equal pay for equal work is a core component of the Group's compensation philosophy. Since 2015, as part of its HeForShe commitments, Schneider Electric has developed and implemented a Pay Equity Framework. This is a common global methodology to identify gender pay gaps within comparable groups of employees and lead a country-driven approach to address gaps with appropriate corrective actions.

The Group exceeded its ambition, which was to extend the Pay Equity Framework to 95% of its global workforce by the end of 2020: as of the end of this year, the framework has been implemented in all countries, covering 99.6% of Schneider Electric's total workforce.

Global Family Leave Policy

With its industry-leading Global Family Leave Policy, Schneider Electric supports employees with personal time at critical life stages and empowers everyone to manage their "unique life and work" so that they can be at their best.

While the Group's countries have flexibility to define eligibility and policy details per statutory/market requirements, the policy sets global minimum standards:

- Fully paid parental leave (primary parent – 12 weeks, secondary parent – 2 weeks);
- Care leave (for sick/elderly relatives – 1 week); and
- Bereavement leave (1 week).

As of the end of 2020, the Company achieved the goal of 100% of all benefit eligible employees having access to this global policy.

SSI#12: 100% of employees are working in countries that have fully deployed our Global Family Leave Policy

With the introduction of the Global Family Leave Policy (GFLP) in 2017, Schneider Electric Turkey employees now feel more comfortable and secure knowing that Schneider Electric is supporting them during their most important family moments. With GFLP, employees have a solution to care for their families' special needs, without having to use their annual leave or take unpaid leave.

As of 2020, all employees of Schneider Electric Turkey have access to GFLP, covering over 1,550 employees. This inclusive policy implementation was a real game changer, especially for blue collar employees. It was well received by unions and has been recognized as very progressive and ahead of many employers in Turkey.

% employees covered in 2020

100%

4.5.4.7 Tackling biases and discrimination

Schneider Electric has developed a comprehensive education approach on hidden bias to build inclusive teams and leaders at every level:

- Inclusion and hidden bias coaching session for senior management teams (N-1 & N-2 of Group Executive Committee);
- Leadership skills series on inclusive leadership (coaching and e-learnings) for all people managers; and
- Overcoming hidden bias e-workout for all employees.

The Company has also built in reminders to check hidden bias and mitigate them through inclusive tips into its major human resource programs, including performance and salary review processes.

In addition to raising awareness on hidden biases, in 2018, through the launch of a Global Anti-Harassment Policy, Schneider Electric reinforced the Group's position on zero-tolerance on harassment, setting clear and consistent expectations of workplace conduct.

4. Committed to and on behalf of employees

The policy defines harassment, including sexual harassment, and outlines the roles of employees, managers, and witnesses in creating a workplace free of harassment, and highlights the different reporting channels available to all, while maintaining confidentiality and protection against retaliation. The policy defines a global minimum standard; where local legislations define additional standards beyond the global policy, Schneider Electric entities comply with them.

In 2019, Schneider Electric's Principles of Responsibility were launched, in alignment with the Company's Global Anti-Harassment Policy. Mandatory annual e-learning on the Principles of Responsibility was rolled out to all employees.

In 2021, the Group will introduce a mandatory e-learning for all employees on "Building a Culture of Respect". This e-learning will focus on how each employee has a role and a responsibility to speak up if they experience or witness an act of harassment to ensure a culture of respect and inclusion for all.

4.5.4.8 External recognition

The Group's longstanding commitment to gender equality and inclusion was globally recognized multiple times in the past couple of years (see pages 94-95):



- In 2021, Schneider Electric was included in the Bloomberg Gender Equality Index, for the fourth year in a row.
- Schneider Electric was recognized by the Financial Times as one of the Top 30 Diversity Leaders 2021 in Europe, ranking 2nd in its industry and 27th globally.
- Schneider Electric was ranked in the Top 50 for the Universum's Diversity & Inclusion Index, which recognizes the most diverse and inclusive employers of the world.
- Schneider Electric was ranked 1st in the industrial sector and 31st globally in the Equileap Gender Equality Global Report and ranking.
- Schneider Electric was selected as winner of the 2019 Catalyst award for Attracting and Retaining Women in Schneider Electric India, an initiative that is an integral part of the global Company's diversity and inclusion transformation.

4.5.4.9 Focus on France

Gender diversity

In 2018, Schneider Electric Industries and Schneider Electric France (SEI-SEF) signed a new collective agreement setting concrete ambitions and action plans to advance gender balance, combat gender stereotypes, and close pay gaps within the organization. During 2020, the company continued its commitment to making gender equality a reality at work. A strong focus has been put on work-life balance, parenting support measures, and women development. In 2020, almost 100% of men who were eligible for the three weeks secondary parental leave took it at the birth of their child. In addition, to compensate for any potential pay gaps generated during the primary parental leave, every employee returning from this leave had a salary review based on the average salary increase during the period for the same job and qualification.

SEF continued to partner with *Elles Bougent* (an association of women engineers), *C Génial* Foundation (a foundation promoting STEM jobs), and MEDEF (union of employers) to promote technical roles in schools, with a focus on gender diversity. As of the end of 2020, through this network, 120 women in the Group in technical roles had exchanged with over 2,200 pupils at schools, on Schneider Electric sites or virtually.

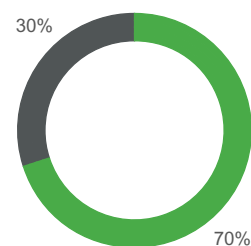
Lastly, in 2019, a one-year mentoring program was launched with an initial group of 17 high potential women paired with senior leaders. The focus of this program is to increase both the promotion of female talents and their access to leadership positions. To further broaden the development of women, a new program called "How Women Rise" was launched at the end of 2020. This program aims to enroll 500 women over two years.

LGBT+ inclusion

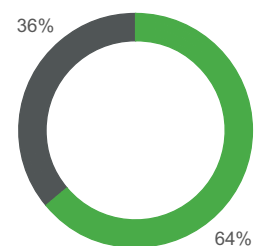
In June 2018, SEF signed the LGBT+ Charter designed by *L'Autre Cercle* ("The Other Circle"), a non-profit advocating for LGBT+ inclusion in the workplace. Schneider Electric France's (SEF) LGBT+ and Allies network was launched in 2018. The company has committed to participate in 2021 World Pride in Copenhagen and contribute in a conference with *L'Autre Cercle* on "LGBT+ in the workplace in 2031".

Gender diversity – France

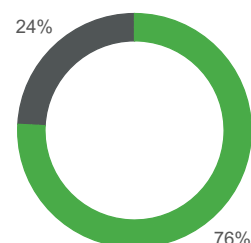
Overall workforce



Total New Hires



Frontline management



- Female
- Male

* Total New Hires for 2020 is All New Hires.

People with disabilities inclusion

Overall, employees with disabilities account for 6.4% of the workforce, with 3.4% in direct employment and 3% in indirect employment (mainly with subcontractors) SEF has also established several partnerships with targeted schools or universities (for example, Sciences Po Paris) in order to develop the visibility of professional opportunities to young talents with disabilities. In 2020, the company remained committed to the recruitment of people with disabilities, with the addition of 17 new apprentices and eight new permanent workers.

In 2020, SEF also put a strong focus on raising awareness of invisible disabilities, including cognitive disabilities, mental illness, and diseases, like diabetes or cancer. The company's campaign included webinars and educational materials, as well as a specific web series on how to reconcile cancer and work. In addition, in order to facilitate better communication and build inclusion in the context of pandemic, all employees with hearing disabilities as well as their co-workers were fitted with "inclusive masks" that allow visibility of the lower face.

Generational and socio-economic inclusion

SEF supports employment of students and young professionals from diverse social backgrounds. Through the company's association "100 chances – 100 jobs", personalized career opportunities are offered to 18-30-year-olds without higher education qualifications or degrees. The ambition is to provide at least 60% of candidates with jobs and/or skills training opportunities. As of end 2020, 7,100 young people have been supported. (For more details see subsection "Social interrogation of disadvantaged young adults in France", page 183).

In addition, partnering with *Tous en Stages* association ("Internships for all"), SEF encourages its suppliers and vendors to empower high school students with internships. Virtual internships were tested in 2020, allowing young college students from lower socio-economic districts to learn about different roles and jobs at the company. In 2021, the company is targeting to increase internships from 540 in 2019 to 800.

Inclusive policies

SEF Family Leave Policy exceeds the Group's minimums by providing up to 21-days secondary parental leave. In addition, the company offers a six-month 80% part-time option (with 90% pay) upon return and 160 childcare spaces. SEF also supports employees' work-life balance through flexibility at work policies:

- More than 5,500 employees subscribed to teleworking;
- Flexibility for employees as caregivers (specific leave, donation of days between employees, support of internal social workers);
- Voluntary time off per year for assignments within associations sponsored by the Schneider Electric Foundation.

SEF has raised awareness about the Global Anti-Harassment Policy and has committed to the government-led #StOpE initiative against sexual harassment, along with more than 100 other companies. Starting in 2019, SEF established a network of 50 referents to address sexism, sexual harassment, and LGBT+ phobia cases. These individuals have been equipped and trained to be one of the first points of contact for employees who are victims of such behaviors. In 2020, more than 60 unions members were also trained on sexism, harassment, and LGBT+ phobia prevention.

Through its internal campaigns on inclusion and mental health, the company increased the awareness of the role of these referents and emphasized the importance of each employee's role to build an inclusive and safe environment.



4. Committed to and on behalf of employees

4.5.4.10 Focus on the United States

Leadership investment and Employee Resource Groups

Schneider Electric US established a US Diversity & Inclusion Council in 2020, in an effort to have more focus on diversity topics at the leadership level and better leverage the executives sponsors of Employee Resource Groups (ERG). The council took the decision to make "Overcoming Hidden Bias" e-learning mandatory for all US employees and going forward, a part of the global Company's Schneider Essentials training package.

Schneider Electric US's ERGs played an important role in 2020 to support, listen, and learn from its employees. With psychological safety at the center of their focus after the onset of the COVID-19 pandemic, the national and local chapters from seven different affinity groups stayed closely connected to the US employees' needs. From Black History month, to International Women's Day, Hispanic Heritage Month, LGBTQ+ awareness, Veterans Day, and People with Disabilities, the ERG teams created meaningful learning and interpersonal connection despite the remote work environment of 2020.

Gender diversity

Schneider Electric US continues its relationship with the Society of Women Engineers (SWE) as a member of the Corporate Partnership Council. In addition to its participation in the virtual career fairs to engage with early career and experienced female talent, the organization created an internal community of SWE members. This new employee community is focused on advancing engagement and participation with SWE to support our female talent's development and exposure while also investing in university talent. The company is committed to SWE's mentoring program for university students and hosting local and national speaking opportunities.

In 2020, Schneider Electric US explored new channels to connect with women in business and expose them to the opportunities at the organization. These new channels included featured content, thought leadership sharing, and job posting on platforms like Power to Fly, Professional Diversity Network, and The Muse.

In January 2020, the Women in Schneider Electric (WISE) ERG began deployment of a workshop, which was transitioned to a virtual format in March, to support women in reflection, career development planning, best practice sharing, and accountability. This program has expanded to "Women in Energy", a new external LinkedIn network powered by Schneider Electric.

Generational and socio-economic inclusion

Schneider Electric US supports employment of students and young professionals from diverse social backgrounds and invests in organizations and programs that support their education, development, and exposure:

- SWE Corporate partner;
- National Association of Black Engineers (NSBE) Affiliate partner;
- Investment in Historically Black Colleges & Universities;
- Virtual student experience to engage and provide meaningful and valuable learning experience in place of traditional internship program during the COVID-19 pandemic.

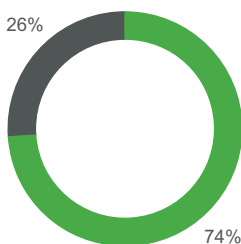
In addition, Schneider Electric US is committed to the development and inclusion of its multi-generational talent pool through career development discussions and training opportunities at all stages of their career, as well as mentoring and reverse mentoring programs and networking opportunities.

To support its employees nearing retirement, Schneider Electric US offered a Voluntary Separation Program (VSP) to 1,200 eligible employees. 40% of eligible employees chose to enroll and receive the following early retirement benefits:

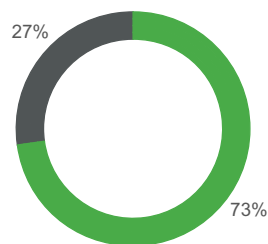
- Separation Award: Six months lump sum payment based on current base pay as of the separation date;
- Benefits: Up to 18 months of medical and dental COBRA premium payments, the first 12 months fully paid by the company and then six months paid at 50%;
- Incentive: Prorated incentive pay out based on separation date;
- Full year PTO entitlement paid to each employee enrolling.

Gender diversity – the United States

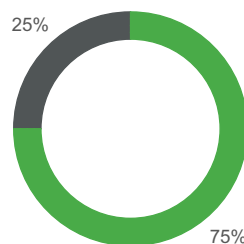
Overall Workforce



Total New Hires



Frontline management



- Female
- Male

* Total New Hires for 2020 is All New Hires.

Ethnicity and race inclusion

In response to recent very visible racial injustices in the US, Schneider Electric US launched a rapid response team to look critically at what the organization was doing to be a part of the solution. Schneider Electric US immediately took symbolic actions including a \$75,000 donation to the National Association for the Advancement of Colored People (NAACP) via the Schneider Electric Foundation and added Martin Luther King Jr Day as an additional US Holiday starting in 2021.

Recognizing the critical need for supporting all employees, especially its black and brown colleagues, Schneider Electric US held a townhall on Racism & Allyship with external speaker Michelle Silverthorn, Founder & CEO of Inclusion Nation, where over 5,000 employees attended the live session virtually.

This townhall included vulnerable stories shared by some of Schneider Electric US's employees. Senior leaders and the rapid response team members have also executed countless employee and team discussion sessions, as well as launched educational toolkits, learning playlists, and manager workshops.

Schneider Electric US recognizes more work needs to be done. Their ambition for racial inclusion:

- Employee populations are reflective of the communities they operate, including at the leadership level;
- Everyone has equitable opportunities for growth and training – they are aware of learning and development programs and have the opportunity to be selected;
- Everyone feels safe, valued, and respected for who they are – they can be their authentic self.

LGBT+ inclusion

As part of the global LGBT+ Awareness Month, senior leaders from the US hosted an all-employee event with its LGBT+ & Allies ERG to provide insight to the challenges faced by members of the LGBT+ community in the workplace. A panel of employees shared their stories and insights on how everyone can act as allies every day through small acts.

Schneider Electric US's inclusive policies, such as the Global Family Leave Policy, ensure that LGBT+ employees and their partners are fully covered. Some of the benefits offered to support the US transgender community include fertility/infertility care, surrogacy, gender reassignment surgeries, and accessible counselling and psychological care through our Employee Assistance Program.

Inclusive benefits

The COVID-19 pandemic has impacted everyone, everywhere. Recognizing this, and with the health and safety of all its people in mind, who are managing an evolving work and life balance, Schneider Electric US introduced several new inclusive benefits in 2020.

In April, the company launched a Voluntary Part-Time program. Employees were given the opportunity to voluntarily reduce their hours for a short-term period of their choice in one month increments from June through September 2020. This program maintained an employee's full-time benefits and paid time off benefits. 1,000 employees participated in this voluntary part-time program followed by an additional 4,000 employees through a targeted part-time program from April through to the end of the year.

To continue supporting employee flexibility, Schneider Electric US now offers a full suite of New Ways of Working benefits and perks for 2021 and beyond. These new benefits include: complimentary Care.com membership including five days company-subsidized back-up care for dependents, elderly, or pets; the opportunity to enroll in temporary voluntary part-time hours for three, six, or 12 months at a time; and the chance to purchase additional paid time off to suit each employee's needs.

Diversity for business: supplier diversity program

Schneider Electric US's supplier diversity program strives to identify, include, and engage qualified diverse suppliers to support the company's goals and provide a level of excellence to all stakeholders. The program is in pursuit of qualified Small Business Enterprise (SBE), Veteran (VET), Minority-Owned Enterprise (MBE), Women-Owned Enterprise (WBE), and Historically Underutilized Business Zones (HUBZone) suppliers that provide quality products and services at competitive prices.

As of end of December 2020, 10.9% of Schneider Electric US's suppliers were diverse.



4. Committed to and on behalf of employees

4.5.4.11 Focus on Greater India (India, Bangladesh, Sri Lanka)

Gender inclusion

Since 2015, Schneider Electric Greater India has been implementing a successful holistic approach to build a gender-balanced leadership pipeline. This longstanding focus and multi-dimensional approach to gender diversity has been recognized globally by the 2019 Catalyst Award.

To accelerate gender diverse hiring at entry level, Schneider Electric Greater India focuses on campus engagement by leading actions such as Schneider Electric's leaders being guest lecturers, student on-site visits, and college visits and partnerships. For middle level roles, the Mid-Level Infusion project encourages hiring mid-level women from different industries in business roles. For senior level roles, systematic industry mapping ensures that the company attracts potential women leaders.

In addition, through a program named "Her Second Innings", Schneider Electric Greater India strives to leverage an untapped talent pool, by hiring women who are looking to re-enter the workforce after a career break. To further build a sustainable female leadership talent pool for the future, along with continuing its robust mentoring program, a sponsorship program was started in 2020.

Lastly, the leadership development program "URJA" (which translates to "Energy" in English) is designed to harness the leadership skills of mid-career women employees identified as solid potentials. As of end 2020, more than 500 women have participated in the program.

LGBT+ and disability inclusion

As inclusion starts with awareness, in 2020, Schneider Electric Greater India celebrated Pride month in June and the International Day of Persons with Disabilities in December. Over 600 employees from all parts of the Company took part in these events. Employees increased their awareness through engaging in virtual discussions, with community members and their allies, and in Yammer conversations on LGBT+ and disability inclusion.

Social impact

As part of the Schneider Electric Greater India President's personal commitment to the Women Empowerment Principles (WEPs), the organization introduced the Prerna Awards to promote gender equality beyond the workplace. As of end 2020, seven women entrepreneurs with small or medium-sized enterprises have been recognized for empowering women through creating new jobs or making their mark in a male dominated sector.

Schneider Electric Greater India has also developed the Jagriti initiative, which aims to educate school children on gender stereotyping, with employees facilitating these sessions. From 2016 to 2020, 10,000+ children have participated.

Inclusive policies

As of end 2020, Schneider Electric Greater India was fully aligned with the Group's Global Family Leave Policy, and in some cases exceeding Group minimums. Employees are also provided with discounted day care centers near office locations.

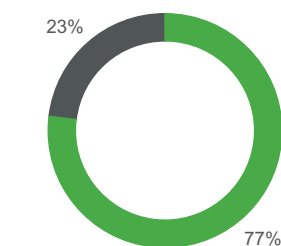
Schneider Electric Greater India also supports employees through additional leave and flexibility at work policies:

- Advanced sick leave, in case of prolonged sickness;
- Sabbaticals, for family care at critical times;
- Voluntary time off, for community volunteering activities;
- Flexible work policy, with flexible timing for arrival and departure from the office, Work From Home (WFH) in times of exigency, and part-time options.

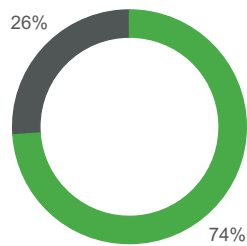
As part of Schneider Electric's New Ways of Working, Schneider Electric Greater India announced its work from home infrastructure support policy for all white collar employees. Starting in October 2020, employees working from home can be reimbursed for home broadband internet and for purchases of home office set-up (UPS for WiFi router, desk, and chair).

Gender diversity – Greater India (India, Bangladesh, Sri Lanka)

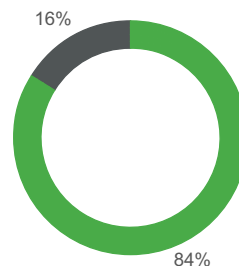
Overall Workforce



Total New Hires



Frontline management



- Female
- Male

* Total New Hires for 2020 is All New Hires

4.6 Compensation and benefits

4.6.1 Description of risks and opportunities

Immense changes are taking place – industry re-configuration, digital everywhere, a global and local world, and a new diverse, multi-generational workforce. To support Schneider Electric's mission to create a great place to work and to cater for the diverse needs of its global existing and future workforce, the Company is committed to providing a competitive, inclusive compensation and benefits offering, which attracts, motivates, and retains talent.

4.6.2 Group policy

Schneider Electric takes its responsibility as a leading employer seriously, and ensure its diverse global workforce is treated in a fair and ethical way. Its inclusive reward portfolio is designed to support employees to be at their best, and it goes beyond pay and benefits. It's a meaningful mix of programs to engage employees, including recognition to celebrate great work, incentives to reward high performance, an award-winning employee share ownership plan, and benefits to suit employees and their dependents.

Schneider Electric ensures that all compensation and benefits decisions and policies are based on these above principles and follow local statutory and collective agreements.

Schneider Electric believes in rewarding, recognizing, and differentiating fairly employees who contribute to the success and live the values of the Company. By putting recognition at the center of a high-performance ambition, employees feel engaged and motivated to do more. Delivering high performance is rewarded by competitive market pay, incentive programs, employee shareholding, and opportunities to grow careers within Schneider Electric.

The Group offers a portfolio of benefits to care for employees' needs at each life stage. Its diverse and multi-generational workforce is provided with meaningful choices covering a holistic range of well-being, flexibility, and financial protections to provide peace of mind to employees and their dependents.

4.6.3 Due diligence and results

4.6.3.1 Compensation

Our job architecture and compensation process

The company has implemented a global job architecture to support HR processes and programs and to enable Schneider Electric to engage, develop, and move talents across different businesses and geographies. The job architecture provides alignment to market practice and organizational structure to ensure the reward package offered for a role is fair and competitive. This helps working towards creating greater transparency for career development and progression.

Pay competitively and pay-for-performance

Schneider Electric employees are empowered to receive ongoing feedback, recognition, and coaching from their managers, and their individual performance is assessed in a fair manner based on their goals and behaviors. In line with the Group's pay-for-performance philosophy, the compensation structure typically includes fixed and variable (incentive) elements. Compensation programs and decisions are based on individual performance and behaviors, Company performance, and competitive market positioning.

Equal pay for equal work

At Schneider Electric, the basic foundational principles of fairness, equity, ethics, and transparency are fully embedded in our values. Through reward policies and processes, employees are compensated fairly and equitably for the skill set they possess and value contributions as a business imperative. Over the past five years, proactive actions have been taken to not only close existing gender pay gaps, but to prevent gaps from being created in the first place. At the end of 2020, a Pay Equity Framework has been implemented in all countries, covering 99.6% of Schneider's total workforce and exceeding its SSI ambition.

To ensure accountability and transparency, Schneider Electric conducts quarterly reviews of compensation gaps and actions, both at country and global levels, leveraging analysis from HR data, which covers all key drivers of the employee life cycle from hiring, performance assessment, and salary adjustment to career moves.

SSI#15: 95% of employees are working in a country with commitment and processes in place to achieve gender pay equity

Schneider Electric has made significant progress in systematically identifying and addressing pay gaps. Today 99.6% of the Company's employees across the 110+ countries where Schneider Electric operates are covered by the global pay equity review framework. Furthermore, the pay equity adjustment is fully integrated into the annual global salary review process, thereby helping managers to make fair and equitable compensation decisions. The pay equity principles are also leveraged during the promotion and hiring processes.

% employees covered in 2020

99.6%

4. Committed to and on behalf of employees

Living wage

In line with its Human Rights Policy and Principles of Responsibility, Schneider Electric believes earning a decent wage is a basic human right. Schneider Electric is committed to paying employees in the lower salary ranges at or above the living wage to meet their families' basic needs. By basic needs, the Group considers food, housing, sanitation, education, healthcare, plus discretionary income for a given local standard of living.

In 2018, Schneider Electric started working with an independent advisor – Business for Social Responsibility (BSR) – to implement its living wage commitment. Schneider Electric has initiated a global process to analyze wage levels and employment practices against local living wage standards set by BSR. At the end of 2019, the analysis had covered 63 countries, reaching 99% of the Schneider Electric footprint. Moving forward into 2020, the COVID-19 crisis highlighted even more strongly the need for a safety net to guarantee a minimum income level for employees. Given the complexity to evaluate and mitigate the macroeconomic impact of the crisis, the Group did not run a gap analysis this year. However, Schneider Electric reiterated its commitment to pay 100% of employees at least a living wage as part of its fair and equitable policies.

From 2021 onwards, the commitment will be audited annually with the support of an independent third party. Schneider Electric also continues to be part of leading companies' coalitions such as G7 Business for Inclusive Growth (B4IG), OECD, and the UN Global Compact (Decent Work in Global Supply Chains Action Platform). These global coalitions work together to implement living wage standards within their workforce and their entire ecosystem.

Short-term incentive

For employees, the annual short-term incentive is linked with the overall Company performance and individual objectives. It is designed to encourage and motivate employees to deliver on collective ambitions through accountability and collaboration, driving better performance collectively and individually. To promote a superior sales culture, Schneider Electric offers levels of differentiated reward for sales people, focusing on results.

With a strong sustainability component, annual short-term incentives for the Group's executives and c. 58,000 eligible employees focus on what matters to Schneider Electric. Since 2011, sustainability performance criteria have been embedded in the incentive goals for Group executives. They are directly linked to the Schneider Sustainability Impact (SSI) targets.

From 2019, the weight of the SSI criteria has increased from 6% to 20% in the collective part of the annual incentive highlighting further the importance of sustainability on Schneider Electric's business agenda. In France, since 2012, the SSI has also been included in the profit-sharing incentive plan for the French entities, Schneider Electric Industries and Schneider Electric France. The reduction in the occupational accidents severity rate is also considered in the profit-sharing incentive plans of 27 other French entities.

Long-term incentive

Schneider Electric's long-term incentive plan offers share ownership opportunities to the Group's key talents and critical roles to align their rewards with the interests and experience of Schneider Electric shareholders. Similar to the short-term incentive, a portion of the award under the long-term incentive plan is subject to the achievement of sustainability objectives. From 2020, the long-term sustainability performance is measured through the Schneider Sustainability External & Relative Index (SSERI), a combination of external indices which cover a range of environmental, social, and governance indicators wider than and different from the SSI criteria included in the annual incentive plan. See more details on SSERI in chapter 3.2 (Compensation Report) pages 264 to 299.

Recognition is in our DNA

Every day, Schneider Electric employees are making important contributions to help the organization achieve its mission and key business results. The global recognition portal "Step Up" gives employees a way to formally recognize and celebrate people who consistently demonstrate the Company's Core Values and go above and beyond. Schneider Electric creates a culture where employees receive regular feedback and coaching from their managers and colleagues and encourages the recognition of small and big achievements by simply saying "thank you".

During 2020, Schneider Electric employees continued to deliver and contribute every day. Throughout the year, the recognition culture remained strong, with many employees continuing to utilize the dedicated platform to appreciate and recognize colleagues. In 2020, over 240,000+ recognition moments were recorded, acknowledging Schneider Electric employees living the Core Values around the world.

4.6.3.2 Benefits

Company provided benefits represent a considerable business commitment by Schneider Electric everywhere in the world. Schneider ensures that all employee benefits are locally and globally compliant, as well as market relevant. Because employee benefit plans vary significantly between countries due to different levels of social, tax, and legal regulations, Schneider Electric's benefits portfolio is primarily country-driven and aims at providing similar benefits within a country territory.

Global benefit standards

Schneider Electric regularly reviews compliance with its global benefit policies and principles to ensure that its inclusive global benefit standards are delivered for everyone, everywhere. These standards cover healthcare, family leave, and life cover and are audited in the SSI.

One of Schneider Electric's underlying benefit objectives is to ensure all its employees are equipped to manage their basic health and well-being and to provide adequate security to employees and their dependents. Health and well-being are embedded in the Schneider Electric strategic people priorities and contribute to its sustainability mission. The Company has a commitment to strive, at a minimum, that 90% of Schneider Electric's employees have access to a comprehensive well-being at work program – translated into a dual standard of access to healthcare and well-being training programs (detailed further in subsection "Well-being in our DNA", pages 148-149). Access to an inclusive and comprehensive standard of healthcare coverage (outpatient, hospitalization, key health risks/chronic conditions, maternity, children) is defined by local regulations and employment agreements. Schneider Electric also supports its employees with personal time off at critical life stages and this is fully deployed in 100% of countries (detailed further in subsection "Global Family Leave Policy", page 159). In addition, the Group commits to provide financial security to employee dependents, in the event of an employee's death, in the form of a minimum standard of life assurance coverage of at least a multiple equivalent to one year's salary.

Schneider Electric has reaffirmed and enhanced its existing global benefit standards outlined above for all our employees worldwide, for the duration of the crisis. This included a global extension of care leave from one to two weeks for our employees to care for their dependents diagnosed with COVID-19.

Employee Share Ownership

The World Employee Share Ownership Plan (WESOP) is one of the Group's recurring key annual reward programs, offering employees across the world an opportunity to become owners of the Company, at preferred conditions.

In March 2020, the subscription was cancelled, and focus turned towards short-term priorities, starting with employee health and safety. WESOP will return in 2021 for 40 countries.

As of December 31, 2020, the employee shareholding represented 3.6% of Schneider Electric SE's capital and 6.1% of the voting rights. 70% of the Group employee shareholders were located outside of France, of which 13% are in China, 11% in India and 9% in US. This also includes employee shareholding resulting from the long-term incentives grants.

4.7 Social dialog and relations

4.7.1 Description of risks and opportunities

Social dialog and freedom of association must be seen within the wider context of Ethics & Responsibility. As a global Company, Schneider Electric is convinced that its responsibility goes beyond compliance with local and international regulations and is committed to conducting its business ethically, sustainably and responsibly.

The Company is constantly interacting with all the stakeholders throughout the world: its borders are expanding, its environment is changing ever faster, its activities are becoming globalized and its social responsibilities are growing.

The challenge is to gain and maintain the highest confidence of its stakeholders. To support each employee in this approach, the Group emphasizes the importance of placing responsibility at the heart of its corporate governance.

The Group currently has around 135,000 employees worldwide. Following the Group's various acquisitions, it has been able to integrate this exceptional professional and cultural diversity.

4.7.2 Group policy

Schneider Electric considers freedom of association and collective bargaining as fundamental rights that must be respected everywhere and therefore in its Principles of Responsibility commits to complying with local laws in every country where it operates.

In its Human Rights Policy, Schneider confirms that it considers freedom of association as the basis of a regular dialog between a company and its employees. To that purpose, Schneider respects the individual right of its employees to freely join, participate in or quit labor organizations to assert and defend their interests. Subsequently, Schneider guarantees that any employee wishing to do so shall be protected against any internal measure limiting his or her freedom of association such as discrimination of any kind, pay loss or dismissal. Schneider also recognizes the importance of dialog with freely appointed employee representatives, employee representative bodies (such as Works Councils or employee forums) or organizations (like trade unions) and supports collective bargaining.

In addition, Schneider joined the Global Deal initiative in 2017. The Group is promoting social dialogue as a means to foster decent work, quality jobs, increased productivity and, by extension, greater equality and inclusive growth.

4. Committed to and on behalf of employees

4.7.3 Due diligence and results

Social dialog is managed at country level by the HR leaders with the employee representative bodies and unions, and at transnational level with the European Works Council (EWC) which covers most of geographical Europe. Social dialog is also taken into consideration by the Group's social reporting system, where local HR teams report on the presence of trade unions, works councils and Health and Safety Committee every year.

In 2014, while changing the corporate form of its parent company, Schneider Electric SA, into a European company (*Société européenne*), Schneider Electric negotiated an agreement with employee representatives of European countries about the involvement of these countries' employees in the Company's decision-making processes, thus reaffirming its commitment to promoting social dialog at international level.

4.7.3.1 European Works Council (EWC)

The changes that were made in 2014 to the European Works Council in the framework of Schneider Electric SA's transformation into a European Company significantly enhanced the intensity and the impact of social dialog at European level. This European channel for dialog aims at enabling management to make more efficient decisions by giving employee representatives the opportunity to be informed of such decisions and to understand their reasons, as well as to put forward proposals to supplement or improve them.

It has also fostered the emergence of a strong identity, combining different cultures and having the common aim of working towards social and economic progress within the companies in the Group at European level. The EWC covers all European Economic Area countries (hence all EU member states) and Switzerland, for a total of 43,000 employees.

Moreover, in respect of the spirit of European participation, signed in 2014, and agreed by a large majority of negotiators, a new EWC has been set out with extended powers and resources, and the participation of European employee representatives at board of directors' level has been introduced. It replaced the previous EWC.

In 2017, Schneider Electric and IndustriAll Europe signed an innovative Europe-wide agreement, the European agreement on the anticipation and development of competencies and employment with respect to the Schneider business strategy. This agreement is a great opportunity to create a governance for jobs and skills at the Company by anticipating impact and evolution in business in line with current market trends and the Company's ambition. It sets clear objectives for boosting employees' employability, and for enriching the workforce by diversity and digital generation recruitment and reinforces constructive social dialog at European and local level within the Company.

In 2020, the unprecedented situation disrupted our social dialog at each level of the organisation. This allowed active social dialog at a European level throughout the year, as well as in-depth discussion on key topics. Close-knit social dialogue was maintained with the appropriate employee representative bodies and reinforced our willingness to associate with them more closely in overcoming the crisis. Thus, the company met the European Works Council 23 times, including two digital plenary sessions. The June plenary session was devoted to the appointment of a second employee representative at the Board of Directors of Schneider Electric SE by the EWC.

The digital November plenary session hosted presentations and discussions on the Company's strategy with Executive Committee members including Schneider Electric's CEO.

4.7.3.2 Group Works Council, France

Schneider Electric is organized in France through more than 25 legal entities. However, with 80% employee coverage, Schneider Electric Industries and Schneider Electric France SAS set the tone for social dialog in France mainly through the Central Works Council and the Group Committee. In 2020, the COVID-19 epidemic generated a series of problems that we were able to resolve through our proven practice of social dialog. Many subjects have been discussed in various forums across the country, from the implementation of health measures to the temporary unemployment scheme through a massive extension of home working following the two lockdowns decided by the French government in March and November 2020.

In parallel with the health crisis, social dialog has been deployed on other fronts, particularly the management of psychosocial risks for which a Group collective agreement was signed during the first half of the year. The continuous adaptation of manufacturing capacities and the upgrading of skills (so-called GPEC programs) within the Front Office and the Global Supply Chain (support functions) have enabled the company to constantly adapt its skills to the organizational and market challenges to come. During this unprecedented 2020 financial year, social dialog has been a key factor in the resilience of the company in France.

4.7.3.3 Social dialog in the United States

In the US and more generally in North America, regular communication takes place with both union and non-union employees on key business topics and trends affecting their jobs. Company officials meet with key international union leaders on an ongoing basis, and formally on an annual basis, to advise and discuss competitive issues impacting the Company's business, and to ensure alignment with the Company's business strategies/challenges. In 2020, a common decision with unions was made to extend the contract by one year due to COVID-19 and all of the uncertainty. Local Company officials also meet with location union representatives regarding information targeted to local issues as related to safety and operational strategies.

4.7.3.4 Social dialog in Mexico

In Mexico, Schneider Electric leaders conduct regular communication with employees on topics related to their jobs: this communication takes place in different ways, including large communication meetings and small group conversations. There is also continuous communication with the union leaders and delegates of four national unions which represent unionized employees. Schneider Electric informs them of internal and external issues impacting the Company's results, listens to their concerns and looks for alignment with the Company strategy and challenges. Schneider and the unions review the collective contract every year.

In 2018, Schneider Electric Mexico was certified by CEMEFI as a Socially Responsible Company. The mission of CEMEFI is to foster and enhance the culture of philanthropy and social responsibility in Mexico and strengthen the organized and active participation of society in solving community problems. Different topics are evaluated during the certification process, including active labor relations points. In addition to this, each unit/plant proactively leads its own social actions, for example in 2018 the Plant in Tlaxcala state got the Gilberto Rincon Gallardo Inclusive Company Distinction from Federal Labor Authority, for applying a labor inclusion policy for people in vulnerable situations.

4.7.3.5 Social dialog in China

Schneider Electric China has over 30 legal entities and more than 100 sites. During 2020, the company fostered active social dialog with joint group efforts. During and post pandemic, Schneider Electric has taken the initiative to provide masks, disinfectant and other prevention materials both for all sites to ensure workplace safety and production resumption. With Labor Unions collaboration, it set up a check if COVID-19 Consolation Fund for impacted employees and their families. Well-being initiatives were also deployed in different offices too. The company has leveraged mobile channels to host nationwide activities such as online walking marathons, photography competitions, E-gift cards as well as wellness virtual trainings. The HR department and Unions have revised the 2020 Employee Handbook, Collective Agreement and passed a new Female Employees Right Protection Agreement to further upskill and reskill employees' job competencies. Schneider Electric China has established its Digital Learning platform, providing mobile access to all employees and external business partners. Moreover, Schneider fulfils its social commitment through Corporate Social Responsibility programs. For instance, the funds raised by the "Tomorrow Rising Fund" has supported 10 Schneider Electric China Bibo partner schools in poor counties.

4.7.3.6 Social dialog in India

Schneider Electric India has a strong culture of social dialog with all employees, unionized and non-unionized. In 2020, Schneider Electric India maintained engaging in equitable industrial relations across its plants and associated establishments.

Industrial harmony has been achieved through a time-tested collective bargaining process involving unions or through worker representative committees. In some of the plants where there are no recognized unions, this bargaining process is conducted with elected employees on committees such as Welfare (Works Committee), Health & Safety, Canteen, Sports and Transport, etc., including a special committee for women employees and a prevention of sexual harassment committee (fully compliant with the prevention of sexual harassment governance as per local laws), duly represented by employees and external women with specialist knowledge of the subject and with legal backgrounds. These committees provide a platform for employees to represent their concerns, collective grievances and workplace-related issues to the management. All employee engagement programmes are run through these committees with the active participation of every employee.

The process of social dialog also includes monthly employee communication at plants level, as well as through Quarterly Town Hall communication on Company performance, strategy and challenges. During the pandemic, special provisions were made within factories, including planned employee transportation, medical check-up camps, accommodation facilities near the factory, daily attendance incentives, insurance, adherence to strict sanitization and social distancing protocols and health monitoring on ground. Most of the ideas came through mass communication meetings and employee committee discussions. Special sessions were organized for employees' family members on the world standard safety procedures at the workplace which boosted confidence and encouraged employees to return to work. For driving positive mental well-being, the company leveraged the existing Employee Assistant Program (Saathi) for employees and family members, which became a huge support system. Employees regularly connected with counsellors, read articles on relevant health topics and attended webinars to augment their health preparedness. Campaigns on virtual engagement and collaboration, and leaders connecting in formal and informal settings further ensured that a physical and psychologically safe environment for employees was created.

Digital learning, which has been a priority for many years, was further encouraged during this time. Employees utilized internal virtual global academies with learning interventions on a wide range of topics from leadership to sales to technology, and more.

4.7.3.7 Social dialog in Turkey

In 2020 the company saw great benefits of the policies that were deployed in 2019. The Employee Assistance Program (AVITA) which has the full coverage of the country and all employees, has been a great support to them and their families. 24/7 consultancy has been provided by experts in every field that the employee and/or their family might feel the need to research or seek help. Schneider also organized online sessions on "How to maintain our wellbeing going through the pandemic" and also parental support sessions on "How to support our kids", which were received with great appreciation.

2020 also unfortunately saw a serious earthquake in the Aegean part of Turkey where the company has a large plant and a sales office. No employees were hurt during the earthquake, but some did have to leave their house due to the damage while some needed support for the structural strengthening of their building. All Schneider employees came together and provided financial support to those employees in need, supported by a series of psychology sessions too. Thanks to the Schneider Electric Foundation, a campaign was also launched to support children living in tents as a result of the earthquake.

5. Schneider Electric, an eco-citizen company

5. Schneider Electric, an eco-citizen company

In this section:

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Context and goals


Schneider Electric has always played an active role in the economic development of the communities in which it has a presence, in particular on two topics: access to energy and energy poverty.

Recent data show the majority of EU countries have 'moderately high' to 'extreme' levels of energy poverty among low-income households.

Notable progress has been made on energy access in recent years, with the number of people living without electricity dropping to 789 million in 2018 from one billion in 2016⁽¹⁾. Decentralized renewable energy sector has emerged as a significant employer in emerging markets with, for example, the creation of more than 450,000 jobs⁽²⁾ by 2023 in three key countries: India, Kenya and Nigeria.

Key targets and results

Schneider Sustainability Impact 2018-2020

| Megatrends and SDGs | 2018-2020 programs | 2020 progress | 2020 target |
|---|--|------------------|----------------|
| Development  | 19. Turnover of our Access to Energy program | x1.64 ▲ | x4 |
| | 20. Underprivileged people trained in energy management | 281,737 ▲ | 400,000 |
| | 21. Volunteering days thanks to our VolunteerIn global platform | 18,469 ▲ | 15,000 |

▲ 2020 audited indicators.

The 2017 performance serves as a baseline for the 2018-2020 Schneider Sustainability Impact (SSI).

Please refer to pages 185 to 189 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 172 to 175 for indicator 19, 107 to 108 for indicator 20, and page 182 for indicator 21).

2025

Schneider Electric has defined objectives for 2025:

- Train 1 million underprivileged people in energy management
- Support 10,000 entrepreneurs
- Train 10,000 trainers
- Give access to green electricity to 50 million people

2030

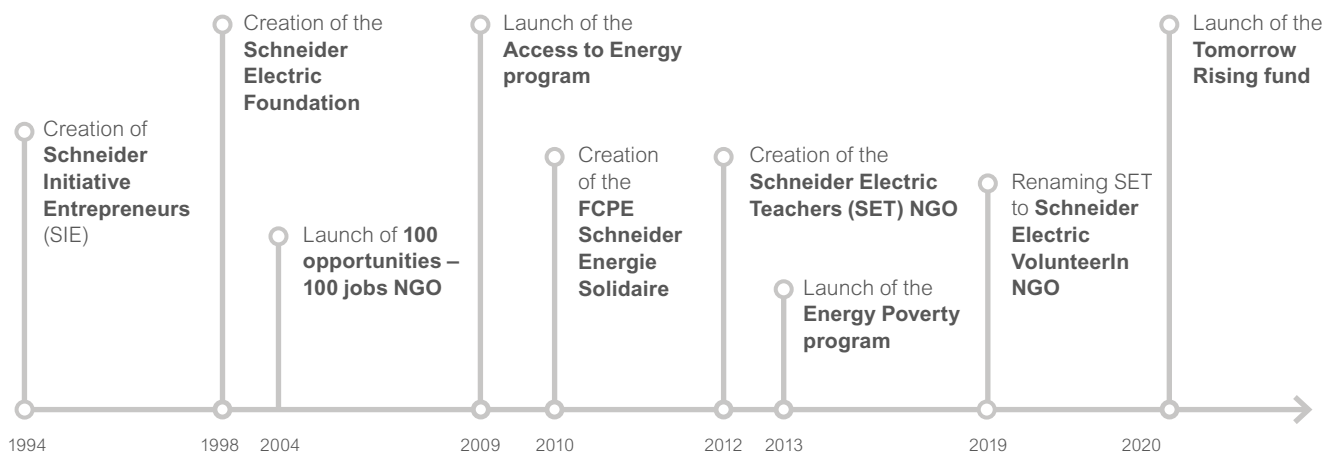
Give access to green electricity to 80 million people

(1) Source: Tracking SDG7: The Energy Progress Report, produced by the International Energy Agency (IEA), the International Renewable Energy Agency (IRENA), the United Nations Statistics Division (UNSD), the World Bank and the World Health Organization (WHO).

(2) Source: Powering Jobs Census 2019: The Energy Access Workforce – Power for All, in partnership with the Schneider Electric Foundation.

5.1 25 years of commitment to youth, skills development, and reducing the energy gap

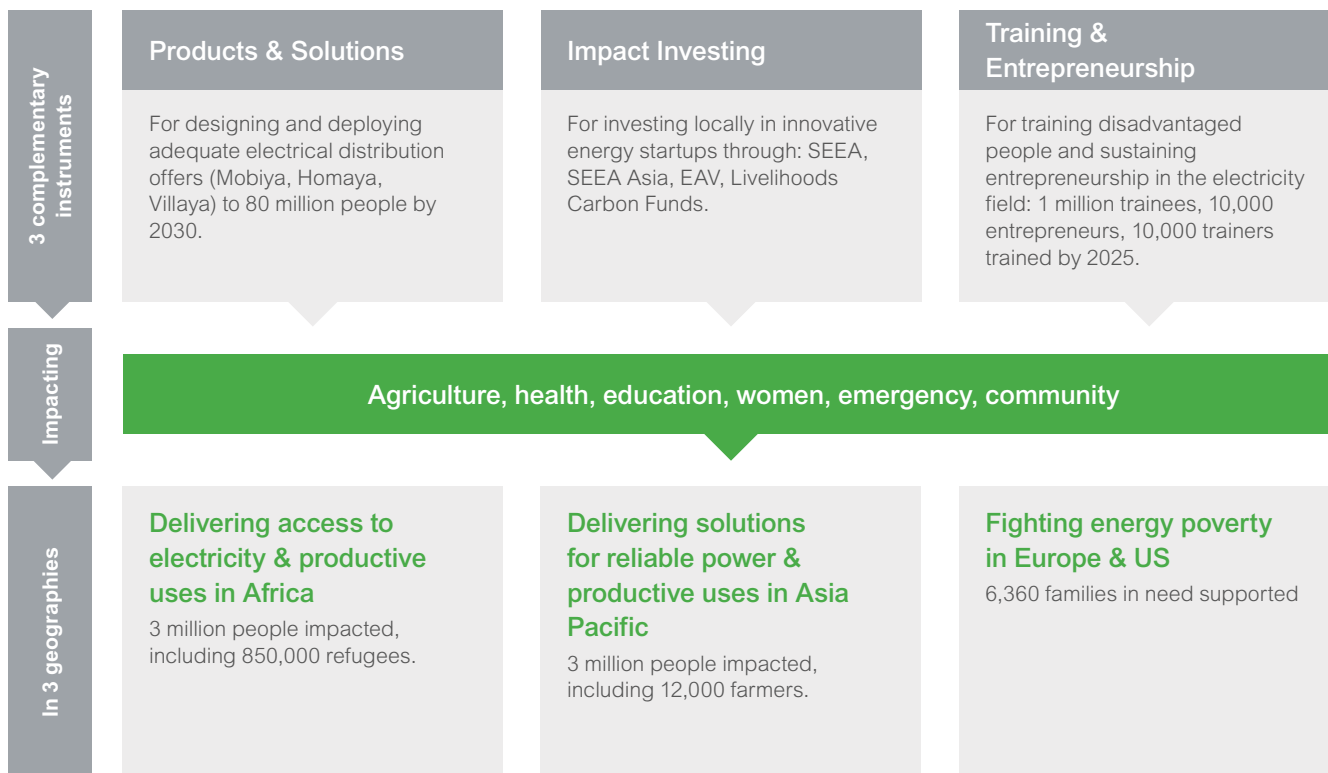
For 25 years, Schneider Electric has led many initiatives to reinforce its impact as a responsible and committed company.



Overview of the Access to Energy program

Schneider Electric considers access to energy and digital as a fundamental human right. The Group wants all people on the planet to have access to modern energy – reliable, safe, efficient and sustainable – to access a better life.

Overview of the Access to Energy program



5. Schneider Electric, an eco-citizen company

5.2 Access to Energy program

Schneider Electric launched its Access to Energy program in 2009, with a unique approach combining three dimensions that enrich each other:

- **A training & entrepreneurship program** aimed at developing skills in the electricity trades and supporting entrepreneurs in this area, in particular women, in order to promote sustainable and inclusive local development.
- **A social and inclusive business**, with products and solutions for rural electrification (collective and individual, such as solar lanterns, solar home systems including Pay As You Go feature, solar water pumping systems, microgrids including plug and play containerized solutions, etc.), creating local jobs in distribution, energy services, agriculture, etc., and promoting in particular women's empowerment.
- **Impact investment funds** to support local economies in gaining access to energy and reducing energy poverty.

To date, Schneider Electric has provided energy access solutions to 30 million people, invested in 25 companies, trained more than 281,000 underprivileged people and supported more than 2,800 entrepreneurs. It targets enabling 80 million people access to electricity by 2030, and 1 million people trained, 10,000 trainers trained, 10,000 entrepreneurs supported by 2025.

5.2.1 Organization

5.2.1.1 Management

The program is managed by the Sustainability Department; the program's management team is divided into equivalent numbers in France and India:

- An Access to Energy program strategy and performance manager;
- Two business development directors in charge of marketing of Access to Energy solutions, one for the Asia Pacific zone and one for the Africa, Middle East and South America zone;
- An offer creation director;
- An impact investment director who manages or supervises Schneider Electric Energy Access (SEEA) and Schneider Electric Energy Access Asia (SEEA-Asia) and who participates in the governance of the Energy Access Ventures (EAV) funds and Livelihoods Carbon Fund;
- A training & entrepreneurship director;
- Access to Energy correspondents in key countries (India, Myanmar, Indonesia, Senegal, Ivory Coast, DRC, Cameroon, Madagascar, Nigeria, Kenya, South Africa, Brazil, China, Pakistan, etc.). Their involvement may be part-time or full-time. They contribute their knowledge of the local context (organization of civil society, local authorities, the private sector, etc.) and guarantee that the project is aligned with local needs. Their presence is of crucial importance for the long-term oversight of projects in which Schneider Electric is involved.

5.2.1.2 Rollout

To achieve its goals, the Access to Energy program operates through its local presence in the countries concerned by energy access issues. With rare exceptions, all projects initiated benefit from monitoring by employees of Schneider Electric entities operating in the countries concerned. These employees constitute a network of key contact people for the design, management and monitoring of electrification projects.

5.2.2 Impact investments

In July 2009, Schneider Electric created an impact investment structure in the form of a variable-capital SAS (simplified joint-stock company), Schneider Electric Energy Access (SEEA), certified as a social and solidarity-based company (ESUS) with a minimum capital of EUR 3 million.

As at December 31, 2020, the following amounts were managed by SEEA:

- EUR 3,000,000 in capital invested by Schneider Electric;
- EUR 3,200,000 invested by Schneider Energie Sicav Solidaire (including EUR 500,000 in capital), a mutual fund managing the employee savings scheme for Schneider Electric employees in France;
- EUR 200,000 of capital invested by Phitrust Impact Investors;
- EUR 500,000 of capital invested by *Mutuelle d'Entreprises Schneider Electric* (MESE).

Created with the support of *Crédit Coopératif*, the fund's mission is to support the development of entrepreneurial initiatives worldwide that will help the poorest populations obtain access to energy. It invests in specific projects:

- Helping jobless individuals create businesses in the electricity sector;
- Developing businesses that fight against energy poverty in Europe by promoting energy efficiency and offering efficient housing;
- Developing businesses that provide access to energy in rural or suburban areas in emerging countries;
- Supporting the deployment of innovative energy access solutions that use renewable energies for underprivileged people.

The SEEA fund brings together different stakeholders by encouraging Schneider Electric's employees and business partners around the world to play an active role in this commitment. At the end of August 2020, 6,280 (past or present) Group employees in France showed their interest in the Access to Energy program by investing EUR 42.3 million.

The aim of the SEEA fund is to promote development while protecting the assets under management. Accordingly, it has adopted strict management rules, such as:

- Always invest in partnerships with recognized players;
- Never take a majority stake; and
- Always provide efficient company support (help develop a business plan, technical advice, etc.) to deliver the optimum social impact while minimizing risk.

5.2.2.1 Investments in France

DORéMI is a social enterprise that aims to tackle energy poverty in France. DORéMI performs single step complete energy renovation of houses – less expensive and more efficient. As part of their solution, DORéMI trains craftsmen in complete renovation and encourages them to work in groups. To date, DORéMI has carried out more than 35 energy efficient renovations.

Envie Rhône-Alpes is a social integration company, which is a member of the ENVIE network. Its main activity is the collection and treatment of Waste Electrical and Electronic Equipment (WEEE).

IncubEthic SAS is an approved social enterprise, which mainly provides energy efficiency advice services.

La Foncière Chênelet is a Chênelet Group employment opportunity company formed to fight against energy poverty by creating energy-efficient social housing. Moreover, construction sites bring together employment opportunity companies and conventional firms to promote rehiring of the unemployed.

La Foncière du Possible is a real estate company initiated by “Les toits de l'Espoir,” member of Emmaüs le Relais. It aims at renovating unhealthy houses to create energy-efficient social housing. The renovated houses are rented to people facing energy poverty to favor social inclusion.

LVD Énergie is a company of the “La Varappe” employment opportunity group based in Aubagne, France. This company has developed a range of efficient and environmentally friendly buildings on the basis of recycled shipping containers. An initial project of housing units for people entering the workforce was exhibited in Versailles (France) at the Solar Decathlon event. Following this exhibition, the housing units for people leaving the streets were installed in Lyon by *Habitat et Humanisme*, other projects were implemented for the Salvation Army or ADOMA.

SIDI (*Solidarité Internationale pour le Développement et l'Investissement*) is an investment fund that assigns priority to the impact on development rather than return. The fund is an important partner of SEEA and is particularly active in the microfinance sector.

SOLIHA BLI is a real estate company created in partnership with the SOLIHA associations in Pays de la Loire, aiming at developing efficient housing offers for people in precarious situations, in order to favor social inclusion and the revitalization of smaller cities and rural towns.

Réseau Eco Habitat (REH) is a social enterprise formed to fight against energy poverty. Supported by the network of *Secours Catholique* volunteers, the enterprise aims to offer comprehensive and sustainable support to low-income and very-low income households for their refurbishment projects, and thus to position itself as a key energy renovation players.

5.2.2.2 International investments

Amped Innovation, a company that designs optimized solar home systems and DC energy efficient appliances to meet the needs of distributors and users. Particular attention is paid to the optimization of costs and the flexibility of the equipment.

OKRA, a company developing microgrids by interconnecting individual solar systems. This solution optimizes the use of solar systems and spreads in time required investments for the grid development. This company has deployed its first pilots in Cambodia and Philippines.

SunFunder is an innovative financing company specializing in companies seeking to increase energy access in sub-Saharan Africa and emerging countries. It has a range of unique and diverse funding offers. It has recognized expertise in monitoring and selecting projects based on a rigorous selection process and measurement of the social impact through an online platform.

5.2.2.3 Energy Access Ventures impact fund

Schneider Electric initiated and supported Energy Access Ventures (EAV), a fund which manages EUR 75 million to be invested in companies transforming communities across Africa and stimulating economic development through energy access solutions. The fund is jointly backed by Schneider Electric, CDC group (on behalf of the UK Department for International Development, DFID), the European Investment Bank, FMO (Dutch development Bank), FISEA-PROPARGO, OFID and AFD-FFEM. To date, EAV has invested in 15 companies.

5.2.2.4 Schneider Electric Energy Access Asia

In December 2019, Schneider Electric, in partnership with Norfund, EDFI Electrifi and Amundi, launched, a third impact investment structure named Schneider Electric Energy Access Asia, a variable-capital SAS (simplified joint-stock company). This investment vehicle is targeting the 350 million people in South and South East Asia with limited access to energy. The dedicated team is based in Singapore close to communities who are in need of access to safe and sustainable electricity. A total of EUR 20.9 million will be dedicated to investing in start-ups that work toward increasing quality of life and boosting economic development in Asia, thanks to access to clean and sustainable energy. The first investment is scheduled for the first quarter of 2021.

5.2.3 Products and solutions

Schneider Electric develops products and solutions to meet a range of both individual and community needs across the energy chain, from portable lamps and solar home systems to decentralized small power plants, water pumping systems and street lighting. These offerings also make it possible to maintain a sustainable economic and social activity as well as include and involve local communities in projects.

5.2.3.1 Electricity for community

In 2013, Schneider Electric launched Mobyia TS120S, a portable solar light-emitting diode (LED) lamp that is both robust and affordable and offers up to 48 hours of lighting without recharging, as well as offering a charging solution for cell phones. In 2019, Schneider Electric extended the Mobyia range with Mobyia Lite and Mobyia Front, to offer new possibilities for individual lighting.

5. Schneider Electric, an eco-citizen company

A full range of products & solutions to provide green electricity

Mobiya

Portable, robust & affordable solution for individual lighting and charging cell phone.



3 products

Mobiya Original: solar powered LED lamp with mobile charge, offering 48hours of lighting without recharging

Mobiya Lite: lighter solar powered portable LED lamp with mobile charger

Mobiya Front: head lamp

Case Study: Schneider Electric and ADEME, the French Agency for Ecological Transition, partner to provide 45,000 solar lanterns to vulnerable women in Africa.

Objective: Distribute solar lanterns to women entrepreneurs in order to extend hours of activities and livelihoods, as well as underprivileged women and families in order to enjoy lighting for nighttime home activities and limit the use of kerosene lamps.

Solution: Mobiya Original. An impact study will be conducted, measuring the benefits of the solution across the 5 African countries of the project: Kenya, Nigeria, Cameroon, Benin and Senegal.

Homaya

Domestic electrification for access to quality, affordable & interrupted power



3 products

Homaya Family: solar home system including a solar panel and lamps

Homaya Family PayG: solar home system including a solar panel and lamps including Pay-As-You-Go function fully compatible with all mobile payment platform

Homaya Hybrid: AC and DC, Solar and Grid Home System

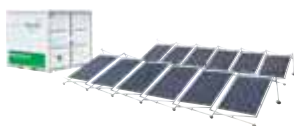
Case Study: Schneider Electric and Nyalore Impact, a last mile distributor based in Kenya, partner to provide solar home systems to rural households from the Homabay County, at about 400km from Nairobi.

Objective: Address the last mile challenge and distribute Pay-As-You-Go solar home systems in a rural western region of Kenya thanks to a pilot program offering training to the sales agents and market activation.

Solution: Homaya Family PayG. The installation of products in several villages has been part of the pilot project. Products have also been distributed during markets in Homabay Town and Ndihwa.

Villaya

Collective electrification solutions in remote sites, either 100% solar or hybrid



6 solutions

Villaya Community: solar or hybrid microgrid to power rural communities

Villaya Agri-Business: solar power plant to provide electricity and/or hot water to agriculture

Villaya Emergency: containerized solar or hybrid microgrid to provide electricity to emergencies

Villaya Water: solar water pumping system

Villaya Lighting: solar street lighting

Villaya Recharge: USB charging station Including EcoStruxure for Energy Access, an affordable, flexible and open platform using analytics to improve the profitability and efficiency of electricity microgrid

Case Study: Schneider Electric and "Entrepreneur du Monde" (NGO) launched a project to bring reliable power for onion storage in Senegal.

Objective: Develop a low cost, decentralized generation of refreshed storage buildings that can conserve onions for several months as 30 to 60% of Senegalese onions' production rot due to lack of storage.

Solution: Villaya Community 25kW with sodium-nickel batteries and Villaya Edge Control software in order to ensure reliable power supplying cooling system and some income.

Didactic

Educational tools for the vocational & higher education fields

Offer

Didactical benches for training electricians, installers, facility managers, entrepreneurs, trainers, covering the management of high and low voltage, electrical distribution, building management, global energy management and process and machine management

Case Study: Schneider Electric and *La Salle Solidarieta Internazionale ONLUS* (NGO) join forces to empower local communities with competencies in energy management in Chad.

Objective: train 250 students per year in electrical distribution, industrial control and renewable energies focused on practical experience.

Solution: didactic benches to equip electrical labs in training centers in N'djaména and Kélo in Chad.

In 2018, the Solar Home Systems (SHS) range grew with the launch of Homaya Hybrid, designed to enable access to quality, affordable and especially uninterrupted power.

In 2019, Schneider Electric launched a pay-as-you-go solar home system that is fully compatible with all mobile payment platforms and does not require a mobile network connection: Homaya PayG.

Villaya Microgrids are solar-powered microgrids configured to meet collective needs, both villages and businesses, in remote sites. They are either 100 % solar or hybrid, with no power limitation. In 2018, a new offering was launched with containerized solutions to facilitate the deployment and implementation of microgrids in the most remote areas.

In April 2018, Schneider unveiled EcoStruxure™ for Energy Access, an affordable, flexible and open platform that uses analytics to improve the profitability and efficiency of electricity microgrids. Based on Villaya, EcoStruxure™ for Energy Access combines the software tools EcoStruxure™ Energy Access Advisor and EcoStruxure™ Energy Access Expert. This solution is used for real-time monitoring and analytics of site performance and household consumption. It also improves operational efficiency and drives the deployment and upgrade of microgrids.

5.2.3.2 Electricity for emergency

Whether due to the geopolitical context, natural disasters or climate change, emergency situations continue to rise in an increasingly uncertain world. With nearly 80 million forcibly displaced people in 2019, the United Nations High Commissioner for Refugees (UNHCR) has seen an unprecedented number of people uprooted by war, violence or persecution worldwide. According to the NGO Oxfam, an estimated 23.5 million people were forced to leave their homes in 2016 due to extreme natural disasters. Since 2016, Schneider Electric has committed to offering energy access solutions in emergency situations and has been working closely with the UNHCR to find solutions that are suited to the specific needs of refugees or displaced persons. In 2018, Schneider and the UNHCR signed a memorandum of agreement to seal their commitment with the deployment of Mobiya lamps in refugee camps over a three-year period. Schneider has provided camps in Jordan, Uganda, Kenya, Chad, Bangladesh, and Zimbabwe with modern energy systems and services. Such systems and services range from Mobiya lamps to microgrids – including with connection to EcoStruxure™ for Energy Access – energy dispensers, solar street lights, and training in electricity trades.

Schneider Electric consolidated its emergency solutions with the launch of Villaya Emergency, a collective solar electrification solution that is easily deployed thanks to a system that combines the Group's most appropriate solutions with the expertise of innovative start-ups. The system devised produces a minimum electrical power of ten kilowatt-hours – enough to provide electricity to a village, a health center or individual or collective spaces in refugee camps – thanks to a system of solar panels that are easy to deploy and move. The solution is installed in a standard container to facilitate multiple trips to any part of the world within the shortest possible time.

5.2.3.3 Electricity for women

In developing countries, women are the primary beneficiaries of access to electricity in their homes, relieving them of long and painful domestic activities. Access to electricity, including with mini-grids, can significantly increase women's empowerment, particularly in female-dominated, labor-intensive agricultural and food-processing activities.

- In the village of Donvagne in the Ivory Coast, Schneider Electric has equipped the women cooperative with a 25 kW solar mini-grid powering a mill, kneaders and refrigerators. Cooperative members and entrepreneurs from the village have been trained by *Institut Européen de Coopération et de Développement* (IECD).
- In Nigeria, Schneider partners with Solar Sister NGO, whose network of women entrepreneurs distributes Mobiya solar lanterns. These women entrepreneurs sell the lamps to vulnerable and underprivileged women.

5.2.3.4 Electricity for education

For Schneider Electric, professionals must be supported by training in energy management from educational institutions through to vocational and continuing education worldwide. In partnership with the Access to Energy Training & Entrepreneurship teams (see next section), an affordable range of Access to Energy Education teaching models and teaching tools has been developed to meet the needs of training organizations, particularly in emerging countries. The training offering covers the management of high and low voltage electrical distribution, building management, global energy management and process and machine management.

5.2.3.5 Electricity for agriculture

Electricity can make a real difference to the lives of farmers and ensure food security through irrigation, food storage and processing, or linking to the market to ensure better prices, while allowing people to be the agents of their own transformation.

In India, the "Energy for livelihoods" initiative is transforming the lives of farmers, in particular women, through the innovative Villaya Agri-business solution. This project promotes sustainable livelihood activities in the farming, agri-enterprises, food processing, livestock, handicraft and other micro-enterprises.

5.2.3.6 Electricity for health

Sustainable and reliable electricity is a prerequisite for enabling effective health services, especially in the fight against pandemics such as COVID-19. Providing local infrastructures with modern energy also contributes to socio-economic recovery through a better health, a greater capacity to work and enhances rural appeal.

In Nigeria, the COVID-19 isolation facility of the Eleme General Hospital in Rivers State needed a reliable system to provide uninterrupted power supply to its medical equipment. Schneider Electric supplied a solar mini-grid and power storage.

SSI#19: x4 turnover of the Access to Energy program

In West Africa, a tripartite contract signed with the West African Economic and Monetary Union (UEMOA) and the African Biofuel and Renewable Energy Company (SABER-ABREC) provides for the delivery of "multi-energy" power plants for the agricultural sector, supplying electricity and heat for irrigation, fish farming or drying, processing or pasteurization activities. In the long term, these plants will benefit some 100,000 people in eight countries.

Turnover vs 2017

x1.64

5. Schneider Electric, an eco-citizen company

5.2.4 Training & Entrepreneurship

The key challenge of training in the energy sector is to provide underprivileged people with the knowledge and skills to be able to carry out a trade in a safe and responsible way, providing them and their families with the means for satisfactory subsistence. It will also give them the ability, should they wish, to sell and maintain energy access offerings and to create their own small business in time. Furthermore, they are a vital and indispensable element for all responsible and sustainable rural electrification policies.

Schneider Electric's strategy, backed by its Foundation, under the aegis of Fondation de France, for training to underprivileged populations in the energy sector, includes three key priorities:

- Basic training over a few months, which is free and accessible to many people and adapted as much as possible to the local situation. These training courses lead to the issuing of a certificate of competence by Schneider Electric;
- Single or multi-year trainings leading to qualifications, in partnership with local Ministries of Education, or even under bilateral agreements; and
- The training of trainers to support the effective and quality rollout of training down the line.

Capitalizing on the results of its trainings, the Access to Energy Training & entrepreneurship program decided to go further by supporting social and informal entrepreneurs in the energy sector. Job markets in emerging and developing economies are strongly influenced by the importance of the informal sector, sub-activity or multi-activity in order to accumulate sources of income. Training in the specific skills needed by the entrepreneur – start-up support, support, and financing – are key to creating sustainable activities. In particular, Schneider Electric tries to support women's entrepreneurship in the energy sector, integrate them at every step of the energy access value chain, and find the right partners to create a supportive ecosystem.

These actions are always implemented in partnership with local players and/or national or international non-profit organizations (NGOs, governments, etc.). They systematically work with Schneider Electric's local subsidiary. The actions may be accompanied by funding for investments in materials and missions of the volunteers of VolunteerIn, which, if the need arises, enables the transfer of expertise.

In 2020, training was severely affected by the coronavirus pandemic, which resulted in the closure or suspension of several training courses. With its commitment to education and young people, Schneider Electric and its Foundation launched the Tomorrow Rising fund in April 2020. Thanks to this fund, we were able to support embattled centers and launch new programs. This included launching three new training centers: one in Nepal with Don Bosco, another in Ecuador with the UESMA training center and ACTEC, and the third in Morocco with IECD. In total, more than 600 young people were trained in energy trades in the three centers.

5.2.4.1 Examples of actions supporting women

In Mali, Senegal and Niger, within the "Women's Entrepreneurship in Renewable Energy" EU project, Schneider Electric provides technical training in solar energy and support for entrepreneurship to 7,000 women entrepreneurs in partnership with *Plan International*.

In the Ivory Coast, Schneider assists in the training of 1,250 young people in solar and electrical trades, including 60% women, and supports entrepreneurs, in partnership with International Rescue Committee and MasterCard Foundation.

5.2.4.2 Examples of actions towards Entrepreneurs

Since 2017, 52 technical laboratories in electricity and energy management have been upgraded in Pakistan's Punjab province. 6,200 youths have been trained and 1,890 have become entrepreneurs. This project was financed by Schneider Electric and implemented in Pakistan by Muslim Hands Pakistan (as the lead agency) in partnership with the Technical Education and Vocational Training Authority (TEVTA) Punjab and Punjab Vocational Training Council (PVTC), to improve and expand vocational training in Pakistan's dynamic energy sector.

Since 2018, Schneider Electric and Initiative France have launched a program to support entrepreneurship in energy businesses in Burkina Faso. They have provided support to nearly 80 informal entrepreneurs in the energy sector. The program includes a training course to acquire the technical skills of the profession, financing solutions with the granting of interest-free honor loans, and the setting up of a business creation financing system. *Initiative France* draws on the four Initiative platforms in Burkina Faso to contribute to the financing and support of entrepreneurial creation or development projects in the country. Schneider and the partner training centers in Ouagadougou and Bobo Dioulasso, under the aegis of Fondation de France, provide technical training to entrepreneurs. The Schneider Foundation finances interest-free honor loans and support to entrepreneurs. As the honor loans are paid back, other entrepreneurs take their place. In addition, a mentorship program can also be set up to support entrepreneurs in their strategic thinking.

SSI#20: 400,000 underprivileged people trained in energy management

In Indonesia, the Center of Excellence for electricity, automation and renewable energies trains technicians and senior technicians in electrical energy, industrial automation, and renewable energies. The aim is to reinforce the links between education and industry, raise the level of the workforce with high-quality practical training, enhance the company's expertise, rapidly modernize vocational training systems, and promote the professional integration of the youth. The purpose of this partnership is also to renovate 184 vocational school laboratories across the country in partnership with the Indonesian Ministry of Education and Culture and the French Ministry of Education and Youth. More than 5,500 students have already benefited from this partnership since 2019.

People trained worldwide since 2009

281,737

5.2.4.3 Creation of the Franco-Argentinian Center of Excellence

In July 2019, the French Ministry of National Education, the Argentinian Ministry of Education, Culture, Science and Technology (MECCyT), the French Ministry of National Education and Youth, France Education International, Schneider Electric and the Schneider Electric Foundation signed an agreement to create the Franco-Argentinian Center of Excellence for training in renewable energy and energy efficiency skills and trades in Buenos Aires. The Center of Excellence will be equipped with the latest technical facilities for the professional training of trainers in the field of renewable energy and energy efficiency. A network of eight peripheral centers across Argentinian using the Center of Excellence for technical training in Buenos Aires as a model will be also created. The MECCyT plans to train 500 trainers in three years and 800 students per academic year at the Buenos Aires Center of Excellence.

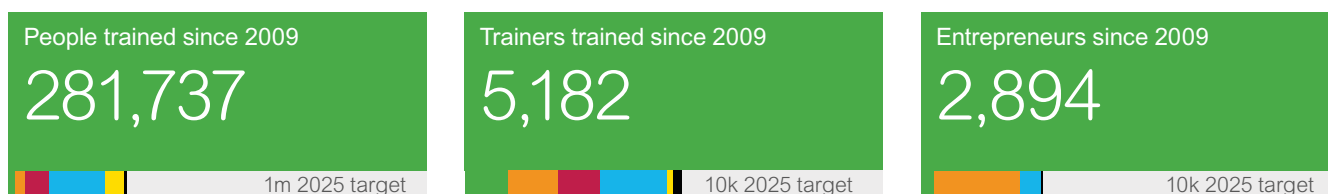
Since starting the program in 2009, 281,737 people have been trained in more than 46 countries.

5.2.4.4 Testimonies of people trained

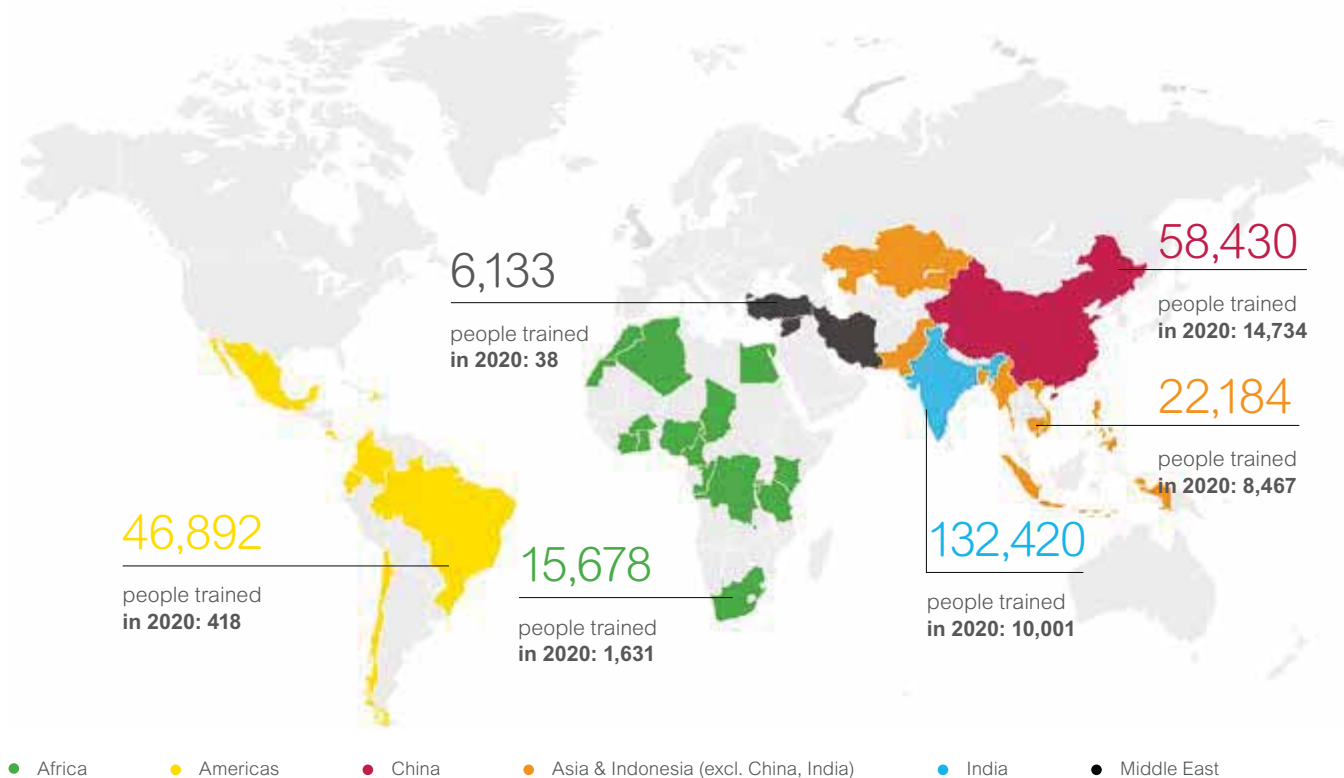
In 2020, Schneider Electric continued to promote Tomorrow Rising, a five-episode docuseries made up of concrete testimonies. It presented the stories of four students who are building tomorrow's energy world each in their own way:

- Yéyé is the narrator and her ambition is to become a respected engineer. The documentary follows her from the beginning of her training in Lagos, Nigeria, to her diploma;
- Pierre, in Senegal, has been trained to be a teacher and is now fighting to improve the future of youth in his country;
- For Vitor, in Brazil, Schneider's training has been a genuine lifeline helping him build a career in electricity;
- Lastly, in India, Gurdeep, an ambitious young entrepreneur installs solar panels and employs young people, like him, benefitting from Schneider Electric training.

Access to Energy Training & Entrepreneurship key figures and 2025 targets



Breakdown of people trained by geography since 2009



5. Schneider Electric, an eco-citizen company

5.2.4.5 Impact assessment of training actions

In 2019, the Schneider Electric Foundation launched a global initiative to assess the social impact of training actions in the energy sector. With its partner KiMSO, the Group built a guidebook intended to support its local partners in assessing, in a standardized way, the social impact of their training activities. The pilot phase was carried in several centers. The rollout program was shelved because of the health crisis, leading to the temporary closure of many centers. KiMSO is a social impact assessment consulting firm that helps charities, NGOs and Foundations to understand, measure and value their impact on key stakeholders.

The project covers both social impact assessment and results chain analysis.

Social impact consists of the direct or indirect, intended or unintended, effects of an organization's actions on its stakeholders (i.e., beneficiaries, users, volunteers, partners) and on society in general.

Social impact assessment refers to the process of monitoring, analyzing, and managing those social consequences, which can be both positive and negative. This is an evaluative process aiming at answering the following key question: what changes thanks to us?

Results chain analysis establishes causal relationships from the resources used to conduct a program to the long-term effects following the end of the program. It sets out a logical and plausible outline of how a sequence of inputs and outputs interacts with individuals' behavior and conditions to generate outcomes.

5.2.4.6 Outlook

The large-scale expansion of the training projects initiated in 2013 will continue with the objective of training one million people, providing support to 10,000 entrepreneurs, and training 10,000 trainers by 2025.

5.3 The Schneider Electric Foundation

At a time of growing inequality and climate emergency, ensuring fair access to energy is an imperative prerequisite for sustainability. All over the world, the Schneider Electric Foundation, under the aegis of Fondation de France, gives all young people the means to build solutions for a better life by supporting local initiatives that combine education, technology, social innovation and entrepreneurship.

Inequalities everywhere, at all levels

Whether it is income inequality, unequal access to education, quality of life, gender inequality, intergenerational inequality, or the gap between the rich and the poor, there are inequalities at all levels and everywhere worldwide. According to data from the World Inequality Database, collected by 150 researchers worldwide, the world's richest 1% owned 20% of the global wealth in 2020, while 50% of the world's poorest people shared 9% of global wealth. According to the International Energy Agency (IEA), in 2018, an American consumed 24 times more energy on average than a Senegalese. It is estimated that more than 50 million people in Europe are experiencing energy poverty (according to the EU Energy Poverty Observatory). They suffer the consequences of poorly insulated housing – difficulties in paying their energy bills, extreme temperatures, diseases linked to unhealthy living conditions, difficulty providing lighting for children to do their homework, etc.

The climate emergency and COVID-19 are going to exacerbate these inequalities

Increase in agricultural product prices, difficulties in access to water, and forced migration, are all consequences of climate change that will hit the most vulnerable the hardest. Although extreme poverty has declined over the past 40 or so years, the COVID-19 crisis has seriously set back this progress. In December 2020, a report by the United Nations Conference on Trade and Development (UNCTAD) warned that the pandemic was going to plunge 32 million more people into extreme poverty.

5.3.1 The Schneider Electric Foundation gives all young people the means to build solutions for a better life

5.3.1.1 The Foundation fully in line with the Sustainable Development Goals

For more than 20 years, the Schneider Electric Foundation has been deploying the Group's philanthropic activities in coherence with its sustainability commitments. It contributes directly to the achievement of the United Nations' sustainable development goals (SDGs), and more specifically SDGs 1, 4, 7, 8, 10, 11, 13 and 17.

In 2020, there were more than 130 projects, 35,000 young people receiving support, through 7,048 days of volunteering. With an annual budget of EUR 4 million, the Schneider Electric Foundation contributes to the partnerships that are completed by more than EUR 16 million in support from Schneider Electric's entities. Group employees are also involved in these partnerships. In total, more than EUR 20 million has been invested to help local communities worldwide.



Nabil Zorkot

5.3.1.2 A foundation under the aegis of Fondation de France

Fondation de France is a non-profit organization that, since its creation in 1969, has been the bridge between donors, founders, and field structures in order to support projects in a range of general-interest areas. It supports other foundations (779 in 2020), whose operations are governed separately, but who are legally part of Fondation de France. It is responsible for ensuring that their actions comply with its by-laws and the legal framework of the sponsorship. The Schneider Electric Foundation's Executive Committee determines the major focuses of its actions and the projects it supports. It then informs Fondation de France of its decisions, and Fondation de France verifies the projects' compliance and implements them.

5.3.1.3 An organization that combines internal (Group) and external expertise

The composition of the Schneider Electric Foundation's Executive Committee was renewed in 2019 as follows:

- Chairman: Jean-Pascal Tricoire;
- Members: Monique Barbut (external expert), Agnès Bouffard (employee representative, Schneider Electric), Bénédicte Faivre-Tavignot (external expert), Christel Heydemann (Schneider Electric), Yoann Kassi-Vivier (external expert), David Lechat (employee representative, Schneider Electric), Pierre-François Mourier (external expert), Philippe Pelletier (external expert) and Luc Rémont (Schneider Electric).

Its missions are the following:

- Define the strategic directions of the Foundation;
- Validate the activity report and financial report;
- Decide on the allocation of budgets by program;
- Validate commitments exceeding EUR 200,000.

One to two executive committee meetings are organized each year.

The Schneider Electric Foundation organization has been reinforced with the creation of the zone/cluster foundation committee in 2019. This committee is made up of zone/cluster Presidents and aims to:

- Share a quarterly activity report;
- Validate the commitments/Partners to join;
- Specify the respective contribution levels (financial or in-kind donations, skills); and
- Follow up on projects.

This committee meets three times a year.

The members of the operational team are:

- Gilles Vermot Desroches, General Delegate;
- Patricia Benchenna, Corporate Philanthropy Director;
- Brigitte Antoine, Employee Engagement Leader;
- Morgane Lasserre, Administrative Assistant.

Lastly, the Foundation's Selection Committee is composed of:

- Gilles Vermot Desroches, General Delegate;
- Patricia Benchenna, Corporate Philanthropy Director;
- François Milioni, Program Director, Training & Entrepreneurship.

5.3.2 Give all young people the means to build solutions for a better life

The Schneider Electric Foundation supports innovative initiatives all over the world that enable the most vulnerable, especially young people, to access the energy needed to succeed and build the world of tomorrow. To be relevant and effective, i.e., to have the greatest possible impact and respond specifically to the needs of the people concerned, it is essential that these initiatives combine education, technological innovation, social innovation and entrepreneurship. These initiatives cover three main areas.

5.3.2.1 Vocational training for the youth, underprivileged persons and entrepreneurship support

Training is the historical mission of the Schneider Electric Foundation. The energy sector, and more particularly electricity and renewable energies, offers a lot of potential, especially in areas where access to energy is difficult and growing. Passing on skills to young people, and giving them the means to support their families could, in the long term, boost the local electricity and electrotechnical sectors. This will improve their quality of life and create sustainable jobs. That is what the Training & Entrepreneurship program set up in 2009 is all about.

The Schneider Electric Foundation encourages and provides long-term support for vocational and entrepreneurial training organizations. These include associations and electrical profession educational institutions. The vocational training and entrepreneurship program captures 63% of the funding allocated by the Foundation. All of these actions are monitored and measured on a quarterly basis within the scope of the Schneider Sustainability Impact and of indicator 20, "400,000 underprivileged people trained in energy management by 2020."

Since 2009, 281,737 underprivileged people have been trained in more than 45 countries. The goal is to train 1 million people by 2025.

5.3.2.2 Tackling energy poverty

In Europe, the Schneider Electric Foundation supports the implementation of information and awareness-raising campaigns, and supporting actions that target households faced with energy poverty with:

- Multiparty programs that make it possible to better understand the phenomenon of energy poverty, to bring about solutions, and to connect players;
- Projects to support families affected by energy poverty; and
- Projects that seek to develop social innovations and social entrepreneurship.

Regarding the last point, the main idea is to give priority to long-term and therefore future economically viable solutions. This will demonstrate that tackling energy poverty can not only lift people out from difficult situations resulting from substandard housing, but that it can also create jobs and generate economic value while protecting the environment. For example, since 2015, the Schneider Electric Foundation has been supporting *Réseau Eco Habitat*, a network that helps those most in need. In the Hauts de France region, *Réseau Eco Habitat* has succeeded in implementing an economically viable model, enabling the renovation of housing units using bio-sourced materials. About a dozen jobs have been created as a result, not to mention jobs for the artisans and renovation companies involved. This model is going to be replicated in other regions in France, thus extending its impact. Like *Réseau Eco Habitat*, the Schneider Electric Foundation supported and/or financed more than 20 projects in 2020.

5. Schneider Electric, an eco-citizen company

One of the objectives of the program to tackle energy poverty also includes supporting initiatives in their change of scale, in particular by enabling them to obtain longer-term financing from Schneider Electric's solidarity investment fund, SEEA, like *Réseau Eco Habitat* in 2020.

5.3.2.3 Raising awareness of sustainability and the use of reliable, affordable and clean energy

Contributing to meeting the United Nations SDGs also involves, amongst other things, raising awareness among as many people as possible, especially young people, about the challenges of the fight against climate change and of sustainability.

The Schneider Electric Foundation therefore invests in emblematic and international programs by making available its knowledge of energy systems management, through donations in resources and/or knowledge. It has made a four-year commitment to the Solar Impulse Foundation, which selects 1,000 solutions that contribute to the achievement of at least five SDGs:

- Clean, accessible water for all (SDG 6);
- Affordable and clean energy (SDG 7);
- Industry, innovation and infrastructure (SDG 9);
- Sustainable cities and communities (SDG 11); and
- Responsible consumption and production (SDG 12).

The selected solutions must meet the following criteria: technical feasibility, environmental benefits and economic viability. Schneider Electric employees are mobilizing their skills to analyze the various solutions within their field of expertise.

The Solar Sound System project by Atelier 21, a Foundation partner, obtained the Solar Impulse Efficient label. It offers sound systems for events powered by renewable energies (solar or bike-powered). With seven systems in place in France and Switzerland, Solar Sound System has set up solidarity projects in Haiti, Brazil, India, Taiwan and Cameroon and has projects in Reunion, the United States and South Africa.

Bertrand Piccard, Chairman of the Solar Impulse Foundation, will then promote this portfolio of solutions to corporate and political leaders worldwide. At the end of 2020, more than 850 solutions had already received the Solar Impulse Efficient Solution label. These included insulating blocks made from hempcrete, wind turbine floats or a web-based pallet exchange platform.

5.3.3 Responding to the COVID and post-COVID emergency

In April 2020, the Schneider Electric Foundation set up the Tomorrow Rising fund in response to the COVID-19 health crisis. The purpose of this global initiative is to provide local responses to meet the challenges of the emergency, to promote the recovery of education and training of the most vulnerable young people and to boost resilience.

- 1 Response:** an initial response to the emergency. Food bank, first aid, COVID health kits, maintenance of access to education, etc. For example, a project in China to help low-income students in technical schools to cope better with the crisis (SDG 1 and SDG 4);
- 2 Recovery:** support to the Foundation's partners in resuming their activity and helping them to roll out new activities, in particular, the establishment of new partnerships to provide training in energy trades to young people. For example, a project in Brazil to provide young people with tablets and Internet access (SDG 4 and SDG 10);
- 3 Resilience:** the ability to continue to train and awareness-raising actions using digital technologies.

In October 2020, more than 74 initiatives, contributing to 1,500,000 beneficiaries in 67 countries, were identified by the Schneider Electric Foundation delegates and validated by the Schneider Electric chairman of each country concerned.

The first recovery projects have already been launched in Morocco, Ecuador, Lebanon, and Brazil and more than 5,000 days of volunteering have been deployed.

Tomorrow Rising fund key figures

Respond:

Meeting the first needs of low-income people



74 projects in 67 countries

1,500,000 beneficiaries

10,000 donors

4,100,015 euros

Recovery:

Contributing to the urgent restart of the education system to prepare the future



Opening of training centres from last quarter 2020 to 2nd quarter 2021:

Morocco,
Nepal,
Malawi,
Kenya,
Lebanon,
Brazil,
Sri Lanka

Resilience:

Volunteering on a regular basis, with time and skills



4,773 volunteering days since April 2020

+1,000 digital missions available on VolunteerIn in Argentina, Brazil, Cameroon, Chile, Colombia, France, India, Kazakhstan Kenya, Mexico, Peru, Russia, Senegal, South Africa, Vietnam, US, etc.

5.3.4 Foundation actions worldwide

The Schneider Electric Foundation has actions in 160 countries on all continents, in particular Asia, the Americas, Africa and Europe.

5.3.4.1 Initiatives in North America

The Schneider Electric North America Foundation develops programs that support employees' strong commitment to their community:

- Matching Gift provides a dollar match on employee donations to the non-profit of their choice;
- Dollars for Doers provides financial grants to organizations where employees volunteer their time;
- Sponsorship Grants offer financial and product donations to sponsor events, capital projects and employee missions;
- New Hire Program welcomes new employees with a gift to donate to a non-profit of their choice;
- Service Days and Volunteer events enables employees to work for their community during their working hours.

And to reinforce the commitment of Group employees, the North America Foundation has entered into strategic partnerships:

- Disaster Relief – partnership with the American Red Cross and the Rubicon team to provide support to people affected by disasters;
- Habitat For Humanity – supply of electrical equipment, grants and more than 7,000 hours of work done by volunteer employees;
- FIRST Robotics – employee provide mentoring to First teams;
- National Merit Society – scholarships for children of employees;
- NAACP – an initiative to combat racial injustice.

In 2019, the North America Foundation contributed over 6 million dollars in financing and donations to 1,600 charitable organizations.

5.3.4.2 Initiatives in India

Schneider Electric India Foundation (SEIF) was created in 2008 to carry out all corporate social responsibility activities in India.

In 2020, SEIF supported the vocational training in the field of electricity to 7,804 unemployed youth from underprivileged backgrounds. Women represented 665 of the candidates trained as electricians in 2019. 28 new electricity and renewable energy training centers were opened. 144 trainers were recruited in the program to improve the training given. "Start-up tool kits" were distributed to 500 students.

6,000 families living in remote rural villages or slums received aid from SEIF. For example, as part of the "Slum Lighting" program, 368 households in the slums of Bangalore and 632 isolated families in the state of Andhra Pradesh received solar lighting and mobile phone charging equipment.

Schneider Electric employees carried out 207 training assignments as part of the Schneider Electric VolunteerIn initiative. They shared their knowledge and skills with young people training as electricians. Most of these assignments were carried out remotely via a digital platform.

Lastly, during the COVID-19 crisis:

- SEIF gave financial support to 10,000 electricians during the lockdown;
- SEIF provided reliable power supply for the medical equipment of ten "COVID" hospitals;
- SEIF has contributed 50 million rupees (EUR 555,000) to the Indian Government's Care Fund.

5.3.5 Support grassroots initiatives: a network structure that acts locally

The Schneider Electric Foundation's network structure is an original and very powerful means for engaging local, human and lasting sponsorship. This network includes Schneider Electric employees, non-profit associations, public institutions such as the Education ministries of the countries concerned and government agencies such as ADEME in France.

The Schneider Electric Foundation:

- Has established partnerships with 160 NGOs and associations in 72 countries, such as Muslim Hands in Pakistan, Ashoka in Europe, etc;
- Works with ministries of education in 13 countries including France, Cambodia and South Africa.

The Schneider Electric Foundation works almost exclusively with local structures. It is a guarantee of reliability and efficiency because only organizations that work most closely with the communities to be supported know their specific needs and constraints and can provide the appropriate solutions. The creation of the zone/cluster committee, in 2019, made up of Schneider Electric zone directors is a step in that direction.

Over and above financial, material or logistics support for projects, the actions of the Schneider Electric Foundation aim to create bonds among partners, encourage structures to work together, and build relevant and innovative solutions with all stakeholders to raise the challenges of sustainability.

5.3.6 Group employees, spearheading the Schneider Electric Foundation's actions

The Schneider Electric Foundation strongly focuses on the involvement of Company employees in all the actions it implements. Whether they are Foundation delegates or employee volunteers, they are the link between the Company, the Foundation and the supported organizations. In 2012, the Schneider Electric VolunteerIn NGO was created to organize volunteer missions benefiting the Foundation's partners. Wherever the Company is based, Schneider Electric VolunteerIn empowers people to be actors and ambassadors of societal commitments in the fields of education, access to energy, and the fight against energy poverty. In particular:

- Employees volunteer their time and make their skills available;
- Partners look for skills to support their activities, specify their needs and support volunteers in carrying out their mission;
- The Schneider VolunteerIn association as well as the Foundation delegates coordinate, connect and organize the process and cover costs related to carrying out missions, in particular abroad;
- The Schneider Electric entities host the volunteers when the mission takes place outside their country of habitual residence.

5. Schneider Electric, an eco-citizen company

SSI#21: 15,000 Volunteering days thanks to our VolunteerIn global platform

In 2020, Schneider Electric employees increased their engagement with the Schneider Electric Foundation. The pandemic raised a lot of fragilities in our society. In this difficult period, volunteers at Schneider Electric have accelerated their contribution to initiatives aiming at access to food, to education and to health. Mainly through digital/ remote missions, they proved their capacity to adapt and to help the most vulnerable; above all the youth in need of support, coaching, advices... With a total 7,048 volunteering days in 2020, the final objective of 15,000 volunteering days has been overcome with a total of 18,469 during the period.

Volunteering days since 2018

18,469

The Schneider Electric VolunteerIn Executive Board is composed of Schneider Electric leaders and members of the Sustainability department involved in the Access to Energy program:

- Olivier Blum (Chairman, Chief Strategy & Sustainability Officer);
- Michel Crochon (Vice-president), François Milioni (secretary, in charge of the Training & Entrepreneurship program);
- Christophe Poline (treasurer, in charge of the SEEA solidarity investment fund);
- Emir Boumediene (member, volunteer representative);
- Gilles Vermot Desroches (member, Senior Vice-President Sustainability).

The executive board met 3 times in 2020.

5.3.6.1 100 delegates in 80 countries to catalyze the Schneider Electric Foundation's actions

The Schneider Electric Foundation draws on a network of around 100 volunteer employees, also known as delegates, covering 80 countries. Their role is to select local partners in the fields of vocational training in the energy sector, entrepreneurship, the fight against energy poverty, and raising sustainability awareness. They inform the employees of their entity, as well as the Foundation. They follow the progress of the projects after they have been launched. Each proposed project is subject to a review process based on administrative and financial data by the Schneider Electric Foundation and by Fondation de France before funds are released.

The delegates manage a digital platform, VolunteerIn, that groups together all the missions proposed by the Foundation locally and internationally. Available in eight languages, the platform can be accessed from anywhere in the world and enables employees to apply for volunteer assignments for the benefit of the Foundation's partners and their beneficiaries.

Finally, the delegates coordinate the organization of the Schneider Electric Foundation's campaigns for international mobilization such as the Tomorrow Rising fund. This showcases local initiatives to a global audience. They also engage in campaigns organized following natural disasters.

Each year, around 35,000 employees in 50 countries take part in these campaigns.

5.3.6.2 Standardize measurement to improve the impact and coherence of actions in favor of sustainability

The Schneider Electric Foundation is a ground-breaker in the measurement of the social impact of the actions that it supports. The idea is to enable its partners to better fulfill their missions by identifying areas for improvement.

The Schneider Electric Foundation is assisted in particular by KiMSO, a social impact assessment consulting firm. A first study was conducted in 2018, as part of the fight against energy poverty, to draw up an innovative methodology to assess the social impact of missions. This methodology is placed at the disposal of project sponsors. Cler, the Energy Transition Network, has used this methodology.

More recently, KiMSO conducted an impact study of the Tomorrow Rising project. From now on, all training projects with a budget in excess of EUR 20,000 will be systematically assessed.

5.4 Territorial positioning and impact on economic and social development in France

Wherever it operates, Schneider Electric makes a strong commitment to community partners and civil society through positioning itself in a way that is indispensable for a global enterprise that wants to keep in touch with the labor markets of its industrial locations. Numerous projects under way and on the drawing board demonstrate Schneider Electric's desire to be engaged, notably in the area of employment, and to contribute fully to local economic development.

5.4.1 Business creation and takeover support in France

For more than 26 years, Schneider Electric in France has supported employee projects to create businesses or business takeovers through *Schneider Initiatives Entrepreneurs* (SIE), through a dedicated structure (*Pass Créations*) demonstrating the Group's commitment to its local labor markets: promoting actions to support local economic development, and proposing and supporting volunteer employees in reliable career paths that are external to the Group. It comes resolutely within the development of a spirit of entrepreneurship.

SIE provides support for Schneider Electric employees at all stages of business creation, as well as afterward, with a follow-up period of three years. Sustainability rates at three years remain above 85%.

SIE's dedicated team of seasoned managers and young work/study participants are responsible for reviewing the financial, legal, technical and commercial aspects of business creation or company purchase projects to ensure they are viable and sustainable.

Since 1994, 1,830 projects have been supported, and 1,597 of them have resulted in the creation or takeover of a business: these include electricians, bakers, organic trades, consultants, asset managers, florists, etc., creating more than 3,885 jobs (employees recruited by the founders to support company growth).

The SIE structure is represented directly or indirectly in local business networks and enhances the quality of services offered through partnerships with associations such as *Réseaux Entreprendre*, *France Initiative* and other local structures.

Thanks to SIE's expertise in entrepreneurship, it is regularly called upon to develop training courses in this field. SIE is highly active in the promotion of spin-offs (business creation and takeover support for employees), in particular through the *DIESE* association made up of other major groups.

Since 2008, SEI teams have showcased and rewarded the six most creative projects for company creation or takeover by employees of the Group through the *Vivez l'Aventure* competition. This competition and the prize-giving bring together many managers from the Group as well as political and economic figures. This event is an opportunity to reaffirm the important role this scheme plays in the Group's values and strategy.

5.4.2 Economic development of territories

The SIE teams manage many actions to contribute to local economic development, for example:

- Specific missions within the fabric of the local SMEs (small and medium enterprises) carried out by Schneider Electric senior experts or missions in the framework of skills-based sponsorship (*Alizé system*);
- *Pass Compétences*, which allows experienced managers to take long-term assignments with SMEs. These experts invest in structuring and strategic development projects for SMEs;
- Support for organizations dedicated to the creation of activities and companies (*Réseau Entreprendre*, *France Initiative*, etc.); and
- A club of companies that brings together the main French industrials (CIADEL) to support actions in favor of the local economy by their combined means and shared experiences.

Other organizations such as ADIE (Association for the Right to Economic Initiative) are also financially supported by the provision of seconded employees under a skills sponsorship scheme.

5.4.3 Giving support to associations and NGOs

SIE supports employees who want a career path external to the Group within the framework of a skills-based sponsorship system called *Pass Associations*. This system enables employees to work on defining projects with partner associations or NGOs for one or two years. It encompasses all types of professions, and there are some thirty effective assignments each year.

These specific systems are valued and taken into account in human resources processes and management in France.

5.4.4 Revitalization of local employment pools

The pilot SIE structure was used to implement the revitalization actions put in place during the industrial development of certain local labor markets. The involvement of teams in local economic networks optimizes the allocation of resources where they are most needed under these agreements.

5.4.5 Social integration of disadvantaged young adults in France

Diversity of backgrounds, cultures, profiles and experience is always a source of wealth, sharing new ideas and innovation. In priority urban areas, there is a huge amount of talent that is eager to grow. Recognizing this, Schneider Electric believes that companies have a role to play. It is their duty to act, particularly in the heart of the markets in which they operate.

Convinced of the need to better support young people entering the workforce, Schneider Electric is involved in different ways: training, work/study programs for young adults from underprivileged backgrounds entering the workforce, partnerships with schools and associations, financial support for young students, and participation in technical or general training courses. Such is the scope of the initiatives implemented by Schneider Electric. These actions complement the partnerships established within the framework of the Schneider Electric Foundation.

The unemployment of young people, especially those living in priority employment neighborhoods is unacceptable and efficient actions have been put in place to reduce this scourge, regardless of the economic, social, or industrial situation.

Schneider Electric is involved in three major programs. Two of them are sponsored by the French Government: *paQte* (priority neighborhoods under the City Policy, QPV) and the "*La France, une chance. Les Entreprises s'engagent*" program. The third program, "*Le Collectif pour une Économie plus Inclusive*," is sponsored by companies.

This group was initiated by the CEO of Danone at the end of 2018. Schneider Electric joined the group and has developed the "Inclusion focus" in France in ten cities (Aubervilliers, Strasbourg, Rouen, Marseille, Lyon, Bordeaux, Nantes, Lille, Toulouse and Grenoble). Within this framework and in conjunction with state employment stakeholders (the French Public Employment Service, Youth Employment Centers and *Maison de l'Emploi*), it organized Neighborhood-oriented Forums, e-forums during the pandemic and coaching sessions for the youth.

Lastly, there is the "100 opportunities – 100 jobs" system, which takes in more than 1,000 young people primarily from priority neighborhoods (QPV) and helps them to find long-term employment or training in some 40 cities in France. It is a real public/private partnership that brings two worlds together for work.

The "100 opportunities – 100 jobs" system was implemented for the first time in Chalon-sur-Saône in 2005, and by the end of 2020 more than 8,000 young people had been involved with 68% achieving positive exits, fixed-term contracts or interim contracts longer than six months, permanent contracts, or a qualification or diploma training.

In 2020, the program was deployed in Mantes La Jolie, Argenteuil, Les Mureaux and Provins.

5. Schneider Electric, an eco-citizen company

Schneider Electric works to help inhabitants of the disadvantaged neighborhoods identified in the City Policy (QPV) and is naturally in line with the PaQte (Pact with Neighborhoods for all Companies) with respect to the four pillars of Raise Awareness, Train, Recruit, and Buy.

In 2020, with the coronavirus pandemic, specific actions were put in place to take in junior secondary school students "remotely" for their one-week observation internships, in partnership with the association, *Tous en Stages*. In certain cases, some students were able to do their placements on site.

Schneider Electric in France includes integration clauses in contracts to encourage suppliers to become committed to an approach of vocational integration of persons who are outside the job circuit. Schneider Electric in France challenges employment agencies to put in place temporary occupational integration contracts (CIPI) and interim open-ended employment contracts (CDI-I), which accompany the unemployed toward long-term employment and encourage temporary work that integrates people.

Finally, Schneider Electric has partnered with many other structures or associations: *École de la Deuxième Chance*, *les Entreprises pour la Cité*, *FACE*, *Télémaque*, *Fondation de la 2^{ème} Chance*, *EPA*, *La Cravate Solidaire*, *la Varappe*, etc.

5.4.6 Schneider Electric School

In 1929, Schneider Electric founded its own school – Paul-Louis Merlin – in Grenoble, to address the difficulty of recruiting skilled labor in the energy industry and help young people in precarious situations to access promising jobs. Today, it still focuses on vocational training in Schneider Electric areas of expertise, with innovative training approaches and close alignment with actual industry practices.

Students leave with qualifications enabling them to continue in higher education or take employment in innovation-rich energy-sector fields such as renewable energies, home automation and smart buildings as well as energy management.

In 2019, to reinforce the link with the Group, the school changed its name to *École Schneider Electric* and a new vocational training has been added in the frame of the creation of its CFA (*Centre de Formation d'Apprentis*).

The CFA began its first academic year in September 2020, with an intake of 70 apprentices studying for a vocational diploma in domotics and communicating buildings as well as a professional bachelor's degree in connected buildings and smart energy management.



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6. Methodology and audit of indicators

6. Methodology and audit of indicators

In this section:

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6.1 Methodology elements on the published indicators

Schneider Electric has drawn up a frame of reference with reporting methods for Schneider Sustainability Impact's (SSI) indicators and for Human Resources, safety and environmental data.

This frame of reference includes the scope, collection and consolidation procedures and definitions of this information. As it is engaged in a process of constant improvement, Schneider Electric is gradually supplementing this work to adapt its frame of reference for sustainable development indicators to changes in the Group. This document is updated every year.

In keeping with its commitment to continuous improvement, Schneider Electric asked Ernst & Young to conduct a review in order to obtain a "limited" level of assurance for certain Human Resources, safety and environmental data indicators, and all of the key performance indicators from the SSI (see Independent verifier's report on pages 198 to 199). The audit work builds on that conducted since 2006.

As a general rule and subject to any particular exception to be set out in the universal registered document:

- Schneider Electric reports extra-financial data at Group level for all entities over which it has operational control, within 2 years of acquisition;
- Data is consolidated over all fully integrated companies within the scope of financial consolidation, including joint ventures over which the Group exercises exclusive control;
- Units that belong to Group companies which are fully consolidated are included in reporting on a 100% basis;
- companies accounted for by the equity method are not included in the reporting.

6.1.1 Human Resources, safety and environment indicators

The Human Resources (HR), safety and environmental data come from our HR Analytics for the HR data, Resource Advisor for Environmental data and GlobES (Global Environment and Safety) for the safety data. Its consolidation is placed respectively under the Global Human Resources and the Global Supply Chain functions. Data reliability checks are conducted at the time of consolidation (review of variations, inter-site comparison, etc.). Details for data coverage are specified in tables pages 200 to 213 for each topic and are generally well above 80%.

The safety data of the sites are included in the Group metrics after one complete calendar year following their creation or acquisition. A site joining the Group in year n will be included in the metrics on January 1, n+2, except in exceptional circumstances when an agreement stipulates that the safety data will not be included for two years.

The scope of environmental reporting is that of ISO 14001-certified sites, and certain non-certified sites on a voluntary basis and without interruption in time. All production and logistics sites with 50 or more FTE employees must obtain ISO 14001 certification before the end of the third full calendar year of operation or membership of the Group. Administrative, R&D and sales sites with 500 FTE employees or more also have to obtain ISO 14001 certification. Other sites may seek certification and/or report on a voluntary basis. A difference can be thus recorded with respect to the scope of financial consolidation.

6.1.2 Indicators from the Schneider Sustainability Impact

SSI#1 80% renewable electricity

This indicator measures the share of renewable electricity in Schneider Electric electricity supply, on the scope of environmental reporting (industrial sites >50 employees and tertiary sites >500 employees certified ISO 14001). Five different types of renewable sourcing are taken into account: renewable electricity produced onsite and consumed onsite, renewable electricity produced onsite and sold to a third party, renewable power purchase agreements (PPAs), green tariffs and renewable certificates (depending on the country, REC, iREC, GO, etc.).

Electricity purchased with no specific renewable electricity claim is not taken into account, even if the electricity mix of the supplier includes a share of renewable power.

This indicator was audited by Ernst & Young.

SSI#2 10% CO₂ savings in transportation

This indicator includes emissions from the transport of goods purchased by Schneider Electric, covering 75% of the Group's total transport costs.

The measurement of CO₂ equivalents combines the impact of the following greenhouse gases: CO₂, CH₄, N₂O, HFCs, SF₆, PFCs, NO_x and water vapor.

Two methods, developed in partnership with a specialized firm, are used by carriers to measure CO₂ equivalent emissions: energy-based method (calculation based on fuel combustion – preferred method) and activity-based method (calculation based on the mileage and the weight of transported goods – accepted method).

6. Methodology and audit of indicators

Current year data are corrected based on carbon intensity of previous year, so that gains in carbon efficiency take into account changes in business activity. 2018 is the first year of the 2018-2020 triennial strategic plan.

The target by the end of the program is to reduce our CO₂ emissions by 10% in 2020 compared to 2017 baseline.

Calculation methodology and reporting in the SSI of the transport CO₂ KPI:

- In 2018: 2018 reduction vs 2017
- In 2019: 2019 reduction vs 2017
- In 2020: 2020 reduction vs 2017

This indicator was audited by Ernst & Young.

SSI#3 120 million metric tons CO₂ saved on our customers' end thanks to our EcoStruxure offers

This indicator measures CO₂ savings delivered by Schneider Electric offers to customers. CO₂ savings are calculated for sales of the reporting year and cumulated over the offers' lifetime. Emissions are calculated as the difference between emissions with Schneider Electric's offer and emissions in the reference situation.

The ambition for this indicator has been increased in 2019, former target was 100 million metric tons CO₂ saved due to the extension of the methodology to new offers.

The methodology distinguishes "saved" and "avoided" emissions: saved CO₂ emissions correspond to brownfield sales that enable reduction of global CO₂ emissions compared to previous years, and avoided CO₂ emissions correspond to greenfield sales that enable a limitation of the increase of global emissions. Brownfield sales correspond to the situation where the offer sold replaces or upgrades an existing system, leading to a change of GHG emissions of installed infrastructure versus the previous year. For "saved" emissions, the "brownfield reference situation" is defined as the situation before the new solution is sold and installed at the customer's site. Only "saved" CO₂ emissions are published in this indicator but both "saved" and "avoided" emissions can be calculated with the methodology.

The calculation of CO₂ impact of offers over their lifetime is based on sales data per product range. Market data and expert assumptions are used to determine the use-case scenario of offers and the associated CO₂ impact. This methodology is associated to typical uncertainties of CO₂ corporate accounting methodologies, and conservative assumptions are preferred.

More methodological details can be found in our website that has been made public in 2019.

This indicator was audited by Ernst & Young.

SSI#4 25% increase in turnover for our Energy & Sustainability Services

Energy and Sustainability Services (ESS) is a global Division of Schneider Electric and has its own node in the Group reporting system (see Active Energy Management section pages 97 to 98).

Every year all Group entities perform a restatement of their outside Group Sales in order to neutralize all the changes of perimeters (internal and external). Thanks to this exercise, the year on year growth of the sales is at constant perimeter and is also at constant rate.

The measurement is taken directly from the Group reporting system.

This indicator was audited by Ernst & Young.

SSI#5 75% of sales under our new Green Premium program

Beginning in 2018, the scope of Green Premium has been expanded to cover all Schneider offers including services and solutions in addition to products.

A product is declared Green Premium™ when it meets all the following conditions:

- It complies with the European RoHS Directive;
- It has information available concerning the presence of Substances of Very High Concern (SVHC) under the European REACH regulation and refers to the two most recent lists;
- It does not contain any REACH SVHCs past the sunset date;
- It has a Life Cycle Analysis (ISO 14044) with an Environmental Disclosure available for customers (ISO 14025 Type III or ISO 14021 Type II) providing a material assessment, a recyclability rate and the calculation of environmental impacts including the consumption of raw materials and energy, the carbon footprint and damage to the ozone layer;
- It has a guide that identifies and locates the sub-assemblies or components that require a particular recycling process, referred to as the circularity profile; and
- It complies with a minimum of two performance claims or one external label, as listed in the Green Premium Playbook.

The indicator measures the share of sales made with a Green Premium™ offer from sales figures. For the 2020 final KPI, 2019 sales figures were used.

The Green Premium™ eligible scope for 2018-2020 covers all Schneider Electric businesses: Energy Management, Industrial Automation and Services, except Video Products, Residential and Thermal Control and ETO (engineered to order) Low Voltage Equipment.

The Green Premium™ program was expanded in early 2018 to include additional environmental performance claims, the deployment is phased for 2018-2020, starting with product offers only.

The total eligible turnover, obtained from our product sales consolidated at Product Reference, has been extended in 2019 to include Solutions, Services & Software. It amounts to 18.91 billion euros in 2020.

This indicator was audited by Ernst & Young.

SSI#6 200 sites labeled Towards Zero Waste to Landfill

A site achieves Towards Zero Waste to Landfill, if it recovers, by weight of its annual waste production, more than 99% of its metal waste and more than 97% of its non-metallic waste, as well as 100% proper handling and treatment of hazardous waste. Proper handling and treatment of hazardous waste means that hazardous waste shall be handled as per Schneider Electric's requirements and local regulations, whichever is the most restrictive.

Waste is considered as recovered if it is sent to a waste provider for recycling or disposal in any manner except landfill and incineration without energy recovery. Waste composting and energy recovery systems qualify as recovered.

This indicator relates to all sites included in the environment reporting perimeter. In 2019, the calculation of this indicator changed since 2018. The amounts of reduced/avoided waste declared by sites are now considered in the calculation of the waste recovery ratios. Reduced waste was optionally reported by sites in Resource Advisor in 2020.

This indicator was audited by Ernst & Young.

SSI#7 100% cardboard and pallets for transport packing from recycled or certified sources

The objective is that, from 2018 to 2020, cardboard and pallets purchased by Schneider Electric for transportation, progressively increase to being 100% from recycled materials or certified sources.

The scope includes tier-one strategic suppliers until 2020 with a direct purchase of cardboard and pallets in the Schneider Electric procurement system. Geographically, all regions under the global supply chain will be covered.

Every reporting period, the spend on cardboard and pallets is extracted from the system and each element is classified as recycled, certified or none. Verification is done for recycled and certified declarations on the definitions already provided as well as certificates and other documentary evidence from suppliers. The list of eligible certificates/documents is continually updated to make it exhaustive and to cover countries' specificities.

A global campaign is being run in all global supply chain regions to progressively move the spend to recycled or certified sources with sponsorship from top management.

This indicator was audited by Ernst & Young.

SSI#8 120,000 metric tons of avoided primary resource consumption through ECOFIT™, recycling and take-back programs

This indicator quantifies all industrial activities that contribute to the Circular Economy model, such as repair, reuse, refurbish and recycling, thus avoiding waste, material and energy consumption, CO₂ emissions and/or water depletion.

The scope includes worldwide activities across all businesses (Energy Management, Industry, Services) and relevant product families (LV/MV Equipment, Transformers, UPS-es, Inverters, protection relays, PLCs etc), with offers like ECOFIT™, take-back programs and recycling.

The indicator is calculated as the sum of primary resources consumption avoided by each activity, with calculation method varying per activity. When available, exact weights are reported. Otherwise, average weight for each category of device is used for calculations.

Each activity reports quarterly, half-yearly or annually, depending upon the activity. The verification is done based on ERP/logistics systems extracts, sales datasheets or third-party certificates.

The ambition for this indicator was increased in 2019, former target was 100,000 metric tons of avoided primary resources consumption.

This indicator was audited by Ernst & Young.

SSI#9 70% scored in our Employee Engagement Index

During the OneVoice employee engagement surveys, Schneider Electric employees are asked a series of questions; six of them are used to generate the Employee Engagement Index (EEI). The EEI is a standard international index.

Our bi-annual surveys moved from twice a year to once a year since 2018, to free up HRBPs and Managers' energy and allow time to deep dive into the results and build impactful action plans. All employees are surveyed; Open-Ended Contracts and Fixed-Term Contracts with an active status in our HR system (excluding trainees and interim employees). Employees are surveyed via email, for those who have a professional mailbox, or via kiosks installed in the plants (or via an IT room), for other employees. The survey's feedback is held in an external platform to protect employees' confidentiality.

This indicator was audited by Ernst & Young.

SSI#10 0.88 medical incident per million hours worked

The Medical Incident Rate (MIR) is the number of work incidents requiring medical treatment per million hours worked (i.e. average hours of 500 employees working for one calendar year), including injuries and occupational illnesses. Incidents may or may not have resulted in a day off.

All incidents reported on Schneider Electric sites are counted (including therefore incidents affecting Schneider Electric employees and other employees working under the supervision of Schneider Electric, i.e. temporary workers). All Schneider Electric sites are taken into account. Medical incidents do not include: visits to a physician or other licensed healthcare professional solely for observation or counseling; the conduct of diagnostic procedures, such as x-rays and blood tests, including the administration of prescription medications used solely for diagnostic purposes (e.g. eye drops to dilate pupils); or first aid.

The focus of the Medical Incident Rate (MIR) is on the identification and evaluation of workplace hazards. The resulting corrective actions assist in the elimination of recurring incidents and the prevention of injury. The Group has used the MIR as a key performance indicator on a global basis since 2010.

The ambition for this indicator was increased in 2019 (former target was 1 medical incident per million hours worked).

This indicator was audited by Ernst & Young.

SSI#11 90% of employees have access to a comprehensive well-being at work program

This indicator measures the number of employees having access to our combined commitment for a well-being at work program.

The first pillar of the program is the access to medical coverage. Schneider Electric ensures that it provides its employees with access to a standard level of healthcare coverage, irrespective of level, and provides access to healthcare coverage for their eligible dependents. Access to cover is defined by local regulations and employment agreements, i.e. collective and/or labor agreements. Cost of the standard level of healthcare cover may be borne by the Company and/or the employee.

6. Methodology and audit of indicators

The second pillar is the awareness and training piece. Empowering Schneider Electric's employees to manage their unique life and work by making the most of their energy through learning and practice. At Schneider Electric there is a holistic approach to Well-Being which comprises of: Physical, Emotional, Mental, and Social well-being. Employees have access to trainings provided by the Global Well-Being team, and/or local training that has been reviewed and approved by the global team.

The indicator covers all countries where Schneider has active Open End Contract employees under Schneider compensation and benefit frameworks, including DVC and NDVC. Also including China Fixed Term Contract active Schneider employees.

Third party contractors, joint venture and recent acquisition are excluded.

This indicator was audited by Ernst & Young.

SSI#12 100% of employees are working in countries that have fully deployed our Global Family Leave Policy

This indicator measures the percentage of employees who work in countries that have fully deployed our Global Family Leave Policy (GFLP).

Under the GFLP, countries must meet the global minimum standards of the policy, which includes fully paid leave for primary parental leave (12 weeks) for both natural birth and adoption, secondary parental leave (2 weeks) for natural birth and adoption, care leave for immediate family members that require elder care or care for a serious health condition (1 week) and bereavement leave (1 week).

All permanent employees globally and fixed-term contracts in China are included. Interim workers, other fixed-term contracts, trainees, and apprentices are excluded.

This indicator was audited by Ernst & Young.

SSI#13 100% of workers received at least 15 hours of learning, and 30% of workers' learning hours are done digitally

Schneider Electric workers – shop floor employees in plants and distribution centers – need to get connected to digital tools and digital training resources in order to develop themselves, grow in the Company and develop their career. Eligible worker scope represents 97% of Schneider total workers population (interim staff and interns as well as people joining after January 31 of the year are excluded).

For this, the ambition is that each worker will do a minimum of 15 hours learning each year, and also, 30% of all workers' learning hours will be done digitally, using resources provided to all in the digital learning corners that Schneider Electric is setting in all its plants and distribution center.

The ambition for this indicator was increased in 2019 (former target was 12 hours learning).

Indicator 13 score has been adjusted for 2020 to take into account the impact of the pandemic on face to face training not being able to take place. As agreed with external auditors, a 'rule of three' removing one quarter from the calculation has been applied for the annual results. This means that, in 2020 only, performance for indicator 13 is calculated against a target of 11.25 hours of training (instead of 15 hours). With the 15-hours threshold, indicator score would have been 86.6%, instead of 90%. These modifications are important to reflect well the work of our teams in an exceptional context, but they do not significantly alter the overall SSI performance (0.3% change).

The indicator is the average of the completion of the two ambitions.

This indicator was audited by Ernst & Young.

SSI#14 90% of white collars have individual development plans

All white-collar employees are required to participate in an annual development discussion with their manager that is linked to the annual performance review. This should result in the updating or creating of an individual development plan. During 2020, 92% of white collar employees created or updated an individual development plan with at least one specific development goal.

This indicator was audited by Ernst & Young.

SSI#15 95% of employees are working in a country with commitment and processes in place to achieve gender pay equity

This indicator measures the percentage of employees who work in countries where there is an operating gender pay equity plan, i.e. measurement of pay equity and, if pay gaps, corrective actions in place.

Schneider Electric uses a common global standard methodology to identify gender pay gaps within comparable groups of employees and uses a country driven approach to address gaps with appropriate corrective actions.

All permanent employees globally and fixed-term contracts in China are included. Supplementary workers, other fixed-term contracts, trainees and apprentices are excluded.

This indicator was audited by Ernst & Young.

SSI#16 5.5 pts/100 increase in average score of ISO 26000 assessment for our strategic suppliers

The objective is to motivate strategic Group suppliers to roll out and monitor improvement plans conforming to ISO 26000 guidelines. An assessment of strategic suppliers is carried out by a third party. The assessments are monitored during business reviews with Schneider Electric buyers, with a view to continuous improvement according to the guidelines of ISO 26000.

The Group has set to engage all its strategic suppliers in a process of continuous improvement on this pillar. At the end of 2020, about 700 strategic suppliers representing c. 70% of total strategic purchase volume have submitted their data. Sustainable development has become one of the seven pillars used to measure supplier performance since 2011. ISO 26000 assessments that result in a score lower than 25/100 are not taken into account, as these fall under the category "beginner" and are excluded automatically.

The ambition for this indicator was increased in 2019 (former target was a 5 pts/100 increase).

This indicator was audited by Ernst & Young.

SSI#17 350 suppliers under Human Rights and Environment vigilance received specific on-site assessment

This indicator measures the number of on-site audits performed, regarding Environment, Health & Safety, Labor (human rights) and Management System pillars. The targeted suppliers are defined leveraging a third party methodology and the audit referential is from recognized best industry practices RBA alliance (Responsible Business Alliance, previously EICC). Audits performed by third party companies are also included in the calculation.

The ambition for this indicator was increased in 2019 (former target was 300 on-site assessments).

This indicator was audited by Ernst & Young.

SSI#18 100% of sales, procurement, and finance employees trained every year on anti-corruption

Launched in 2018, the anti-corruption e-learning, initially mandatory for Finance, Sales and Procurement teams, was extended to 201 job codes identified at risk, representing approximately 38,000 employees in 2020, compared to 23,000 employees in 2018. The indicator scope excludes c. 3,200 FTC employees in China with eligible job codes. At the end of 2020, 94% of exposed employees had completed this e-learning.

This indicator was audited by Ernst & Young.

SSI#19 x4 turnover of our Access to Energy program

This indicator tracks the growth rate of the Access to Energy program's annual turnover, based on the actual 2017 turnover.

It covers the sales in Africa and The Middle East, Asia and South America of all products and solutions which contribute to providing access to modern energy for populations living in rural and peri-urban areas: individual lighting, individual and collective electrification, energy services and training equipment and training contracts. Sales are aggregated every quarter based on invoicing data from operational entities.

This indicator was audited by Ernst & Young.

SSI#20 400,000 underprivileged people trained in energy management

The deployment of professional training programs in energy management dedicated to underprivileged people enable these people to acquire skills to pursue a career that offers them, as well as their families, the means for a decent standard of living. These courses are defined according to a local reference and justifiable by the partner.

In partnership with local and international NGOs and local authorities, the Schneider Electric Foundation and the Company's local entities provide direct and indirect contributions to professional training centers. The objective is to help them improve the level of vocational training courses with diploma or certification in energy management. The minimum duration of these courses is three months (or totaling 100 hours).

Contributions may be (cumulative possible):

- funding of electrical and didactic equipments, donation of request equipment, first generation, for practical work;
- knowledge transfer through trainer training, and support for future entrepreneur training.

As a technical partner, Schneider Electric does not pay operating expenses.

The ambition for this indicator was increased in 2019 (former target was 350,000 people trained).

Indicator 20 score has been adjusted for 2020 to take into account the impact of the pandemic on specific actions such as face to face training not being able to take place. As agreed with external auditors, a 'rule of three' removing one quarter from the calculation has been applied for the annual results for these two indicators only. This means that, in 2020 only, performance for indicator 20 is calculated against a target of 380,000 (instead of 400,000). These modifications are important to reflect well the work of our teams in an exceptional context, but they do not significantly alter the overall SSI performance (0.3% change).

This indicator is audited annually by Ernst & Young.

SSI#21 15,000 volunteering days thanks to our VolunteerIn global platform

Schneider Electric employees' volunteering activities mainly take place in vocational or educational NGOs (vocational and technical training, schools, universities, etc.), and companies supported by the Schneider Electric Access to Energy Fund and more globally in all organizations referenced by the Schneider Electric Foundation delegates in their countries. They principally benefit disadvantaged young people or underprivileged families and are organized depending on the personal or professional skills of the volunteers and the needs identified by the supported organizations (specialized or non-specialized needs).

Missions are posted on a dedicated digital and multilingual platform called VolunteerIn enabling Group employees to apply for volunteer missions among the Foundation's partners.

In 2020, Schneider Electric employees worldwide increased their engagement with the "Tomorrow Rising Fund" launched by the Schneider Electric Foundation to support emergency and longer-term reconstruction activities related to COVID-19, creating new partnerships. In this difficult period, volunteers have accelerated their contribution to initiatives aiming at access to food, to education and to health mainly through digital missions which were promoted to help the most vulnerable and above all the youth in need of support, coaching, advices etc.

One day of volunteering is counted when a staff member dedicates five hours of his or her time to one of these partner organizations. The indicator also includes the training missions organized abroad for a period of five days minimum.

The ambition for this indicator was increased in 2019 (former target was 12,000 volunteering days).

This indicator was audited by Ernst & Young.

6. Methodology and audit of indicators

6.2 Concordance of indicators with the French Non-Financial Performance Declaration themes

The table below indicates the page numbers of the report in which the various indicators are mentioned.

| General disclosure | Pages |
|--|-------------------------|
| Business model | 14-15 |
| Description of the key non-financial risks | 76-81 |
| Description of policies in place to prevent, identify and mitigate the key non-financial risks, as well as their results and key performance indicators | 76-81 |
| 1 Social information | Pages |
| a) Employment | |
| Total workforce and breakdown of employees by gender, age and region | 204-208; 345 |
| Hiring and layoffs | 206-207 |
| Remuneration and its development | 165-167 ; 264-299 ; 345 |
| b) Organization of work | |
| Organization of working time | 204-209 |
| Absenteeism | 204-209 |
| c) Social relations | |
| Organization of social dialog – particularly information and personnel consultation and negotiation procedures | 167-169 ; 208 |
| List of collective agreements | 167-169 ; 208 |
| d) Health and safety | |
| Health and safety conditions in the workplace | 146-149 ; 209 |
| List of agreements signed with unions or employee representatives regarding health and safety in the workplace | 167-169 ; 208 |
| Work accidents, particularly their frequency and their severity | 146-149 ; 209 |
| ... as well as Occupational illnesses | 146-149 ; 209 |
| e) Training | |
| Training policies implemented | 153-156 |
| Total number of training hours | 210 |
| f) Equality of in the workforce | |
| Measures taken towards gender equality | 157-164 |
| Measures taken towards employment and involvement of persons with disabilities | 157-164 |
| Anti-discrimination policy | 157-164 |
| g) Promotion and respect of the provisions of the International Labor Organization's fundamental agreements relating to: | |
| • respect of the freedom of association and the right to collective bargaining; | 101-102 ; 167-169 |
| • eradication of discrimination in employment and profession; | 101-102 ; 157-164 |
| • eradication of forced or obligatory labor; | 101-102 |
| • effective abolition of child labor. | 101-102 |

| 2 Environmental information | Pages |
|---|-------------------|
| a) General environmental policy | |
| Organization of the Company to take into account environmental questions and, when necessary, environmental evaluation or certification approaches | 130-135 |
| Employee training and information actions regarding environmental protection | 121 |
| Environmental risk and pollution prevention means | 135 |
| Amount of provisions and cover for environmental risks except if this is likely to cause serious harm to the Company in a pending litigation | 317 |
| b) Pollution | |
| Measures for prevention, reduction or repair of emissions in the air, water and ground with serious environmental effects | 135 |
| Consideration of any form of pollution specific to an activity, particularly noise and light pollution | 135 |
| c) Circular economy | |
| Waste prevention and management | 136-139 |
| Measures for prevention, recycling, reuse, other forms of recovery and removal of waste | 136-139 |
| Actions to combat food waste and food insecurity, to respect animal welfare and responsible, fair and sustainable food | Not material |
| Sustainable use of resources | 136-139 |
| Water consumption and supply according to local constraints | 136-139 |
| Raw material consumption and measures taken to improve the efficiency of their use | 136-142 ; 193 |
| Energy consumption and measures taken to improve energy efficiency and the use of renewable energies | 130-135 ; 201-202 |
| Land use | Not material |
| d) Climate change | |
| Significant sources of greenhouse gas emissions generated as a result of the Company's activities, particularly through the use of the goods and services it produces | 202-203 |
| Measures taken to adapt to the consequences of climate change | 122-127 ; 194-197 |
| Reduction targets set voluntarily in the medium and long term to reduce GHG emissions and means implemented for this purpose | 122-127 |
| e) Biodiversity protection | |
| Measures taken to preserve or develop biodiversity | 128-129 |
| 3 Information relating to societal commitments in sustainable development | |
| a) Territorial, economic and social impact of the Company's activities | |
| Regarding employment and regional development | 170-184 |
| On neighboring or local populations | 170-184 |
| b) Relations with the persons or organizations involved in the Company's activities, particularly involvement organizations, teaching establishments, environmental defense organizations, consumer associations and neighboring populations | |
| Conditions of dialog with these persons or organizations | 170-184 |
| Partnership or sponsorship actions | 170-184 |
| c) Subcontracting and suppliers | |
| Consideration within the Company's purchasing policy of social and environmental issues | 110-117 |
| Consideration within relations with subcontractors and suppliers of their social and environmental responsibility | 110-117 |
| d) Loyalty of practices | |
| Anti-corruption actions taken | 110-117 |
| Measures taken towards consumer health and safety | 140-143 |
| Actions taken to comply with tax regulations | 100 ; 109 |
| e) Other actions taken related to human rights, within the scope of this third indicator | |
| | 101-102 |

6. Methodology and audit of indicators

6.3 Sustainability Accounting Standard (SASB) Correspondance table

| Topic | Accounting metric | Category | Unit of measure | Code |
|-------------------------------|---|-------------------------|---------------------------------|--------------|
| Energy Management | (1) Total energy consumed | Quantitative | Gigajoules (GJ) | RT-EE-130a.1 |
| | (2) percentage grid electricity | | Percentage (%) | |
| | (3) percentage renewable | | | |
| Hazardous Waste Management | Amount of hazardous waste generated, percentage recycled | Quantitative | Metric tons (t), Percentage (%) | RT-EE-150a.1 |
| | Number and aggregate quantity of reportable spills, quantity recovered | | Number, Kilograms (kg) | RT-EE-150a.2 |
| | Number of recalls issued, total units recalled | | Number | RT-EE-250a.1 |
| Product Safety | | Quantitative | | |
| | Total amount of monetary losses as a result of legal proceedings associated with product safety | | Reporting currency | RT-EE-250a.2 |
| Product Life cycle Management | Percentage of products by revenue that contain IEC 62474 declarable substances | Quantitative | Percentage (%) by revenue | RT-EE-410a.1 |
| | Percentage of eligible products, by revenue, that meet ENERGY STAR® criteria | | | RT-EE-410a.2 |
| | Revenue from renewable energy-related and energy efficiency-related products | | Reporting currency | RT-EE-410a.3 |
| Materials Sourcing | Description of the management of risks associated with the use of critical materials | Discussion and Analysis | n/a | RT-EE-440a.1 |
| | | | | |
| | | | | |
| | Description of policies and practices for prevention of: (1) corruption and bribery and (2) anti-competitive behavior | Discussion and Analysis | n/a | RT-EE-510a.1 |
| Business Ethics | Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption | Quantitative | Reporting currency | RT-EE-510a.2 |
| | | | | |
| | Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations | | | RT-EE-510a.3 |
| Activity metrics | Number of units produced by product category | Quantitative | Number | RT-EE-000.A |
| | Number of employees | | | RT-EE-000.B |

| Response/ Data/ Reference | Topic |
|---|-------------------------------|
| <p>The following KPIs covers our measured energy consumption (about 85% of Group energy consumption)</p> <p>(1) 3,677,540 GJ (1,021,539 MWh)</p> <p>(2) 57.8% (590,687 MWh)</p> <p>(3) 57.7% (589,384 MWh)</p> | Energy Management |
| <p>Hazardous waste generated: 7,685 tons.</p> <p>Hazardous waste channeled according to Schneider Electric expectations: 7,667 tons.</p> <p>Zero reportable spills in 2020, therefore no recovered quantity to report.</p> | Hazardous Waste Management |
| <p>12 product recalls have been issued in 2020. Schneider Electric has an Offer Safety Alert (OSA) process to alert the relevant Line of Business and other interested parties as soon as it is suspected that customers' health or property safety may be put at risk by Schneider products, solutions, or projects. The Offer Safety Alert Committee (OSAC) is a permanent corporate committee that oversees and regulates the management of OSA. Its mission is to ensure all OSA are managed with the due diligence and urgency to minimize safety risks to customers. Its independent, multi-discipline nature allows the OSAC to make decisions in our customers' best interest.</p> <p>No material loss at the Group level.</p> | Product Safety |
| <p>Around 60 to 70% of our products (by turnover) contain IEC 62474 substances (which covers 37 worldwide regulations and about 160 substance families). With the current information collected from our supply chain, we manage to cover nearly all substances and regulations. Information disclosed for our Green Premium products covers these substances. More details on Green Premium in section 3.6 "Environmental Product Stewardship".</p> | Product Life cycle Management |
| <p>This metric is not relevant at global level as it is only applicable in US and Canada. Revenues derived from ENERGY STAR UPS are included in our Green Revenues measure (see below).</p> <p>Schneider Electric measures "Green Revenues", ie revenues coming from offers that bring energy, climate, or resource efficiency to our customers, while not generating any significant harmful impact to the environment. In 2020, 72% of Group revenues qualify as green. The Group aims to grow its Green revenues to 80% by 2025 as part of SSI 2021-2025.</p> | Product Life cycle Management |
| <p>Details regarding our sustainable procurement practices are provided in section 2.9 "Relations with subcontractors and suppliers", in particular our Conflict Minerals and cobalt programs. When the country of origin is known to be in the conflict zone, 100% of the smelters and refiners were verified conformant. Therefore, the Group has no reason to believe that any conflict minerals the Group sourced, have directly or indirectly financed or benefitted armed conflict in the covered countries.</p> <p>The Group is exposed to fluctuations in energy and raw material prices, in particular steel, copper, aluminum, silver, lead, nickel, zinc and plastics. The Group has implemented certain procedures to limit exposure to rising non-ferrous and precious raw material prices. The Purchasing departments of the operating units report their purchasing forecasts to the Corporate Finance and Treasury department. Purchase commitments are hedged using forward contracts, swaps and, to a lesser extent, options.</p> | Materials Sourcing |
| <p>As stated in our Principles of Responsibility and Anti-Corruption Code of Conduct, Schneider Electric is committed to comply with all applicable laws and regulations, such as the OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the US Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, and the French Sapin II law. Schneider Electric applies a zero-tolerance policy towards corruption and other unethical business practices and considers that "doing things right" is a key value-creation driver for all its stakeholders. We count on our employees and third parties to promote business integrity. A thorough description of our policies and practices is provided in section 2.2 "Schneider Electric's Principles of Responsibility", 2.4 "Ethics & Compliance program", as well as 2.5 "Focus on anti-corruption".</p> | Business Ethics |
| <p>In 2020 Schneider Electric signed a settlement agreement with the U.S. Department of Justice (DOJ) and the U.S. Attorney's Office (USAO) as a consequence of a former employee engaged in illegal activity. Schneider Electric was not convicted of any wrongdoing and no criminal charges were brought. Schneider Electric terminated the employment of this individual when we were made aware of this issue, and cooperated with the Department of Justice investigation. In addition to our long-standing mandatory Principles of Responsibility training for all employees, which includes clear ethical expectations for work with clients, suppliers and other employees, we also provided additional training to our teams involved in performance contracting.</p> <p>No material losses.</p> | Business Ethics |
| <p>A breakdown of revenues by activity is provided in Chapter 1 (1.4 and 1.5).</p> | Activity metrics |
| <p>128,770 (spot 2020 year-end headcount). More workforce statistics in section 7.2 "Social Indicators".</p> | Activity metrics |

6. Methodology and audit of indicators

6.4 Task-force for Climate Related Financial Disclosure (TCFD) correspondance table

Climate Change has been clearly identified as crucial to both Schneider Electric's internal and external stakeholders during the various materiality assessments that took place in 2014, 2017 and 2020. It is also one of the pillars of the Group's Ethics Charter (Principles of Responsibility). Overall, transformations linked to climate change are a source of opportunities for Schneider Electric, the main risk being to fail leading by example and thereby lose traction with customers, investors, new talents and collaborators in the company. Concrete climate-related programs to either grab opportunities, or mitigate risks are deployed every 3 to 5 years in our Schneider Sustainability Impact (SSI) and complement the Group's Climate Pledge – our short-term (2025), mid-term (2030) and long-term (2040, 2050) objectives, aligned with a 1.5°C trajectory. We present below our main climate-related disclosures in line with TCFD recommendations.

| Recommended Disclosure | CDP Climate Change & URD 2020 references | Brief description (please refer to CDP Climate Change response and other sections of this Universal Registration Document for further details) |
|--|---|---|
| 1. Governance: Disclose the organization's governance around climate-related risks and opportunities. | | |
| 1. a) Describe the board's oversight of climate-related risks and opportunities. | CDP – C1.1b URD – chapter 2 (2.1.5; 2.3); chapter 3 (3.1.4) | The process for designing a new SSI includes a sustainability risks and opportunities assessment (including climate), which leads to the design of concrete transformation programs to align the company on the challenges identified. Several governance bodies are involved in this process: |
| 1. b) Describe management's role in assessing and managing climate-related risks and opportunities. | CDP – C1.2, C1.2a URD – chapter 2 (2.1.2, 2.3) | <ul style="list-style-type: none"> • The Board of directors and its Human Resources and CSR Committee; • The Executive Committee and its Group Sustainability Committee; • The SSI Steering Committee and the Sustainability Department; • A Carbon Committee is in charge of continuously assessing climate-related risks and opportunities, to steer the Climate Pledge and to propose a strategy and management plan to the Group Sustainability Committee. <p>Additionally, environmental transformations are driven by a network of leading experts in various environmental fields (eco-design, Energy Efficiency, Circular Economy, CO₂, etc.), identified globally and annually a process recognizes those individuals who own a specific expertise the company is keen to maintain and grow. Various governance bodies enable these communities of experts and leaders within the Environmental function to meet every month or every quarter, depending on the topics and entities, to ensure consistent adoption of Environment policies and standards throughout the Group. To implement these policies, Environment leaders coordinate a network of more than 600 managers responsible for the environmental management of sites, countries, product design and marketing.</p> |
| 2. Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities in the organization's businesses, strategy and financial planning where such information is material. | | |
| 2. a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. | CDP – C2.1a, C2.3, C2.3a, C2.4, C2.4a URD – chapter 2 (2.1.2, 2.3) | No material climate-related risk has been identified for Schneider Electric. Rather, the growing demand for greener, low-carbon products and services creates a strong business opportunity for Schneider Electric. The Group is uniquely positioned to grab these opportunities because it acts on both sides of the equation: |
| 2. b) Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning. | CDP – C2.3a, C2.4a, C3.1, C3.1b, C3.1d, C3.1e, C3.1f URD – Chapter 2 (2.3) | <ul style="list-style-type: none"> • The solutions Schneider Electric brings to the market are directly linked to activities to mitigate, adapt, and improve humanity's resilience to climate change; • At the same time, Schneider Electric acts to reduce its end-to-end CO₂ footprint, aiming for a net-zero CO₂ supply chain by 2050, with precise steps for 2025, 2030 and 2040. <p>Schneider Electric publishes "Green Revenues", ie revenues come from offers that bring energy, climate, or resource efficiency to our customers, while not generating any significant harmful impact to the environment. In 2020, 72% of Group revenues qualify as green, in line with prevailing Corporate Responsibility reporting practices and trying to anticipate forthcoming EU regulations (EU Taxonomy). For doing so, the Group adopted a Technology-centric approach, and removed revenues from activities with fossil sectors such as Oil & Gas, coal mining and fossil power generation. The Taxonomy process is not fully finalized for full application by companies. Consequently, we're waiting for these technical screening criteria to be able to properly assess how SE activities align with the Taxonomy. The Group aims to grow these revenues to 80% by 2025. In addition more than 90% of our innovation projects contribute to solutions contributing to climate change mitigation.</p> |

| Recommended Disclosure | CDP Climate Change & URD 2020 references | Brief description (please refer to CDP Climate Change response and other sections of this Universal Registration Document for further details) |
|---|---|---|
| 2. a) and 2. b) (continued) | | <p>Our experts have identified the following main climate-related risks:</p> <ul style="list-style-type: none"> • Volatility of energy and commodity prices and regulation strengthening, which can eventually translate into an increase of the cost of goods sold and reduced margins; • Expanding carbon pricing mechanisms could result in increased costs from the supply chain, especially in the purchasing of raw materials and manufactured components containing metals and plastics. Given the relatively low level of the Group's scope 1 and 2 carbon emissions, carbon pricing has indirect rather than direct impacts. A global carbon tax at EUR 30 /ton of CO₂ is estimated to have an impact on the Group industrial supply chain up to EUR 280 million globally (including direct and indirect impacts). • Climate change mitigation will lead to regulation strengthening, which can disrupt markets. For instance, SF₆-insulated switchgear can have a significant impact on climate change if SF₆ is mishandled at the end of life of the equipment and leaks into the atmosphere. • Extreme weather events, floods, droughts, and other climate impacts will increasingly put pressure onto supply chains. Shortage can translate directly into revenue loss (missed orders), increased costs (urgent shipping), and increased working capital requirements (stock management). Extreme events can also cause damage to property and assets. <p>To further tie climate-related issues to financial planning, Schneider Electric successfully launched the first-ever sustainability-linked convertible bonds, linked to 3 SSI targets including the objective to save and avoid 800 million tons CO₂ on customers' end by 2025, since 2018.</p> |
| 2. c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | CDP – C3.1a, C3.1b URD – chapter 2 (2.3) | <p>Schneider Electric has a dedicated Strategy Prospective & External Affairs SVP attached to the Chief Strategy & Sustainability Officer, in charge of climate and environment scenario analysis. Several scenarios to 2040 were developed in 2019, which included critical reviews of the geopolitical landscape, commodity and resources availability, economic and financial evolutions, climate sensitivity and evolving policies, energy transition pathways and technology developments, among others, with consequences quantified, looking at ten regions and a number of sectors individually, framing the business landscape in which Schneider Electric operates.</p> <p>In 2020, these scenarios have been further updated. Beyond impact for long-term analysis, the COVID-19 short-term impact assessment has also been reviewed in details, including the importance and feasibility of climate-compatible recovery plans.</p> <p>Key findings are regularly cross-checked with new publications, particularly the ones from the International Energy Agency, BNEF, the IRENA, among others.</p> <p>Governance is well in place, under the leadership of the Chief Strategy & Sustainability Officer, and both short and long term analysis are shared internally and used to inform strategic priorities across business and operations. We see and acceleration of the dominant role of:</p> <ul style="list-style-type: none"> • Efficiency: a critical enabler for decarbonization, resiliency and security; • Electrification: the world is becoming more electric, with 2x growth against other sources of energy; • Digitization: with the increase in connectivity, complemented by real-time information and competitive computing capabilities, digital technologies play a major role in reaching decarbonization targets while augmenting economic productivity. <p>All these findings, and their potential financial impact on our business have helped us fine-tune key development areas that will allow us to actively contribute to the low-carbon transition, enabling us notably to develop our sustainability portfolio of offers.</p> |

6. Methodology and audit of indicators

| Recommended Disclosure | CDP Climate Change & URD 2020 references | Brief description (please refer to CDP Climate Change response and other sections of this Universal Registration Document for further details) |
|---|---|---|
| 3. Risk Management Disclose how the organization identifies, assesses, and manages climate-related risks. | | |
| 3. a) Describe the organization's processes for identifying and assessing climate-related risks. | CDP – C2.1, C2.2, C2.2a URD – chapter 2 (2.1, 2.3) | Risks are assessed through interviews with experts and leaders, run by the Internal Audit Department, to update the list of general risks at Group level each year. In 2020, around 100 of the Group's top managers were interviewed in addition to external financial analysts, board members, and a sample of strategic Customers. Since 2016, individualized risk matrices by Operation or by Business have been created. (more details in Chapter 1 section 7.4 "Risk identification and management"). Every 3 years, a materiality analysis is conducted by the Sustainability department, leveraging an external consultant, and complements the risk analysis with a focus on ESG topics and longer-term risks and opportunities (more details in Chapter 2 section 1.2 "Evaluation of the main extra-financial risks and opportunities created"). |
| 3. b) Describe the organization's processes for managing climate-related risks. | CDP – C2.1, C2.2 URD – chapter 1 (1.7), chapter 2 (2.1, 2.3) | |
| 3. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. | CDP – C2.1, C2.2 URD – chapter 1 (1.7), chapter 2 (2.1, 2.3) | Overall, the different governance bodies involved in the definition and monitoring of our Sustainability roadmap and programs (SSI), and in particular the Carbon committee, are in charge of defining strategic mitigation programs in response to the risks and opportunities identified. Strategic programs defined at group level are then cascaded into business divisions down to the sites for implementation and are monitored through our digital platform Resource Advisor. Performance against those programs is published quarterly in our SSI, and annually in our SSE and URD. Each program of the SSI has a dedicated pilot in charge of driving the transformation, and is sponsored at the SVP, and Executive level to ensure management control and oversight. |
| | | Where appropriate, opportunities for growth are identified and translated into new products (for instance our unique SM AirSeT™ switchgear to avoid using SF6, or the creation of our new Sustainability Business Division). |
| | | Climate adaptation risks are also studied and mitigated at site level for our industrial sites. Our Property Damage and Business Interruption program, inspired from ISO 22301 standard, maps substantive risks of financial impact on the business, including asset destruction (buildings, equipment, inventories) and profit loss due to business interruption. An example of a risk analysed at site level is flooding risks. Risk analysis of industrial sites includes an analysis of interdependencies, study of alternative supply, and estimation of time to recover in case of damage, etc. Typically, all industrial sites are audited onsite every 3 years, depending on the level of risk. |
| | | In addition, environmental risks (including climate) are assessed and mitigated at site level through our Integrated Management System (IMS). The IMS covers the Group's supply chain sites (plants, distribution centers, large offices) and hosts ISO 14001, ISO 50001, ISO 9001, and OSHAS 18000/ISO 45001 compliance management systems. Each site is audited periodically, either externally by Bureau Veritas (every three years), or internally. Such a program is a key pillar towards robust environmental governance; |

| Recommended Disclosure | CDP Climate Change & URD 2020 references | Brief description (please refer to CDP Climate Change response and other sections of this Universal Registration Document for further details) |
|---|--|--|
| 4. Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. | | |
| 4. a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. | CDP – C4.2, C4.2a, C4.2b, C9.1 URD – chapter 2 (2.1, 2.3, 2.6, 2.7) | Each year, Schneider Electric measures and discloses transparently its end-to-end carbon footprint (scopes 1, 2 and 3 presented in Chapter 2, section 3.2 "Climate strategy towards net-zero CO ₂ emissions" pages 122 to 127). The carbon footprint of the group gives a good indication of the localisation and magnitude of climate-related risks and opportunities, and is also used to monitor progress. Its industrial carbon footprint (i.e. scopes 1, 2 and 3 upstream, as per the WRI Greenhouse Gas Protocol, excluding use and end-of-life of products sold) enables the Group to quantify and reduce CO ₂ emissions from its supply chain, adopting a cradle to gate view. Scope 3 emissions represent around 90% of the Group's industrial carbon footprint, mainly from the purchase of raw materials, equipment, and services to its suppliers. Emissions produced, saved, and avoided by Schneider Electric's products and services during their use phase and end-of-life are also quantified. |
| 4. b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. | CDP – C6.1, C6.2, C6.3, C6.5 URD – chapter 2 (2.3, 2.7) | Emissions calculations are done with GHG Protocol methodology. The carbon footprint methodology is compliant with ISO 14069 principles. The results are calculated in tons of CO ₂ equivalent, taking into account all greenhouse gases included in the Kyoto Protocol. The Group has launched several concrete programs aiming at either directly or indirectly reducing GHG emissions, under the Climate, Circular Economy and Resources pillars of the SSI. These programs are presented under SSI 2018-2020, SSI 2021-2025 and Schneider Sustainability Essentials (SSE) 2021-2025 pages 74 to 75 of this document). They cover actions concerning the Group's operations (e.g. energy efficiency, renewable electricity procurement, fleet electrification, circular offers), suppliers (e.g. CO ₂ reduction program, green materials program) and customers (SF ₆ free offers, measuring CO ₂ savings on customer's end thanks to Ecostruxure™). |
| 4. c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets. | CDP – C4.1, C4.1a, C4.1b, C4.2, C4.2a, C4.2b URD – chapter 2 (2.1, 2.3, 2.6, 2.7) | The overall performance of the SSI represents 20% in the short-term incentives for 60,000+ employees worldwide (collective share) and 25% for the long-term incentives (LTI) for 2,300+ top leaders. A new criterion has also been designed in 2019 to replace the SSI in the LTI to integrate CDP Climate Change score (Schneider Sustainability External and Relative Index, SSERI). In addition, Schneider Electric is committed to embed a carbon pricing of EUR 30-130 /ton (depending on time horizons) in strategic supply chain and R&D decisions, to assess the performance and resiliency of operations as well as to assess whether the investment and reduction efforts are in line with the cost of CO ₂ externality. Schneider Electric is a signatory of the Business Ambition for 1.5°C initiative aimed at setting Greenhouse Gas (GHG) emissions reduction targets in line with the global effort to limit warming to 1.5°C. Climate ambitions are defined for 2025, 2030 and 2050: <ul style="list-style-type: none"> • Before 2025, demonstrate that Schneider Electric is carbon positive together with its customers and partners, thanks to CO₂ savings delivered by EcoStruxure™; • On the Group's operations (scope 1 and 2): be carbon neutral by 2025 (allowing CO₂ offsets) and net-zero CO₂ emissions by 2030 (with no CO₂ offsets); • On indirect emissions (scope 3) in its supply chain and with customers: reduce emissions by -35% by 2030 (versus 2017) as part of the Group's validated 1.5 °C SBT targets, by actively engaging suppliers to accelerate their climate strategy and sourcing greener materials, as well as reducing offers' emissions on customers' ends; • Become carbon neutral on the Group's full end-to-end footprint by 2040 (scope 1, 2, and 3), 10 years ahead of 1.5 °C trajectory. This means that all Schneider Electric's products will be carbon neutral in 2040; • Engage with suppliers to move towards a net-zero CO₂ supply chain by 2050 (with no CO₂ offsets). |

6. Methodology and audit of indicators

6.5 Independent third party's report on consolidated non-financial statement presented in the management report

To the General Assembly,

In our quality as an independent verifier, accredited by the COFRAC under the number n° 3-1681 (scope of accreditation available on the website www.cofrac.fr), and as a member of the network of one of the statutory auditors of your company (hereafter "entity"), we present our report on the consolidated non-financial statement established for the year ended on the 31st of December 2020 (hereafter referred to as the "Statement"), included in the management report pursuant to the requirements of articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

The entity's responsibility

The Board of Directors is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and available on request from the entity's head office.

Independence and quality control

Our independence is defined by the requirements of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

Responsibility of the independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225 105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax avoidance legislation nor on the compliance of products and services with the applicable regulations.

Nature and scope of the work

The work described below was performed in accordance with the provisions of articles A. 225-1 *et seq.* of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements and with ISAE 3000⁽¹⁾.

- we obtained an understanding of all the consolidated entities' activities and the description of the principal risks associated;

- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225 102 1 III, as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation set out in article L. 22-10-36 paragraph 2;
- we verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- we verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to
 - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
 - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix 1; concerning certain risks (example: anti-corruption), our work was carried out on the consolidating entity, for the others risks, our work was carried out on the consolidating entity and on a selection of entities: the production site SE Alpes (France) for environmental information, and the Schneider Electric regional headquarters in China and the United States of America for environmental, HR and safety information;
- we verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial;
- we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix 1, we implemented:
 - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
 - concerning the 21 indicators of the Schneider Sustainability Impact (SSI), tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. Depending on the indicators, the selected sample ranges between 10 % and 100 % of the consolidated data;
 - concerning the other environmental and social indicators, tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities and covers between 24% and 32% of the consolidated data relating to the key performance indicators and outcomes selected for these tests (24% of the headcount and worked hours, 31% of generated waste, 32% of the energy consumption);

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

6. Methodology and audit of indicators

- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our verification work mobilized the skills of five people and took place between November 2020 and February 2021 on a total duration of intervention of about sixteen weeks.

We conducted several interviews with the persons responsible for the preparation of the Statement.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the consolidated non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Paris-La Défense, 10 March 2021

French original signed by:

Independent third party
EY & Associés

Jean-François Bélorgey
Partner

Eric Mugnier
Partner, Sustainable
Development

Appendix 1: The most important information

| Quantitative Information (including key performance indicators) | Qualitative Information (actions or results) |
|---|--|
| <p>Social Information</p> <p>The seven indicators of the Schneider Sustainability Impact (SSI) related to health and equity.</p> <p>Other indicators:</p> <ul style="list-style-type: none"> Headcounts (incl. gender distribution), hires and turnover, % women as new hires, as frontline managers and as senior leadership, number of training hours. Lost-time incident rate, lost-time days rate, occupational illness frequency rate. | <p>The company program Step Up related to People strategy of Schneider Electric, including among others:</p> <ul style="list-style-type: none"> the Individual Development Plan; the outcomes of the policies related to equity; the outcomes of the Global Well-being Policy. <p>The 2020 Health & Safety Strategy and the measures to prevent occupational health and safety risks.</p> |
| <p>Environmental Information</p> <p>The eight SSI indicators related to climate and circular economy.</p> <p>Other indicators:</p> <ul style="list-style-type: none"> Produced and recovered amounts of waste. Total energy and water consumption. SF₆ consumption and leakage. Total scopes 1 and 2 CO₂ emissions related to energy consumption (incl. fuel consumption of the vehicle fleet) and SF₆ leakage. Scope 3 CO₂ emissions. VOC emissions. | <p>The outcomes of the policies to fight against climate change including among others:</p> <ul style="list-style-type: none"> the commitments of Schneider Electric targeting carbon neutrality in its ecosystem by 2030; the outcomes of the Global Energy Policy and the Schneider Energy Action Program. <p>The group's circular economy strategy (i.e. Circular resources, Circular offers, Circular Supply Chain, Waste as Worth).</p> <p>The outcomes of the policies related to chemical substance control and pollution prevention, including the Green Premium program, the group's environmental policy and the Zero Waste to Landfill program.</p> |
| <p>Societal Information</p> <p>The six SSI indicators related to ethics and development.</p> | <p>The outcomes of the policies promoting the respect of human rights in the supply chain.</p> <p>The outcomes of the policies undertaken to prevent corruption, including, among others, anti-corruption policies, the Code of Conduct and the existence of alert systems.</p> |

7. Indicators

7. Indicators

In this section:

| | | |
|------------|--|-----|
| 7.1 | Environmental & Climate indicators | 200 |
| 7.2 | Social indicators | 204 |
| 7.3 | Societal indicators presented in the management report | 212 |

7.1 Environmental & Climate indicators



The indicators below have a Group scope.

They illustrate our industrial and logistics sites' environmental consumption, emissions and waste in addition to certain major tertiary sites. The scope of environmental reporting is that of ISO 14001 certified sites, and certain non-certified sites on a voluntary basis and without interruption in time.

All of the industrial and logistics sites with more than 50 people and the major tertiary sites with more than 500 people must be ISO 14001 certified within 2 years after their acquisition or creation. A difference can, therefore, be noted with respect to the scope of financial consolidation. The perimeter for environmental data publications is 100% of the Group's energy consumption, 100% of CO₂e emissions (Scope 1 and 2), and more than 85% regarding water consumption, waste generation and VOC emissions.

Comments on the indicators are included in the corresponding chapters.

7.1.1 Key performance indicators from the Schneider Sustainability Impact

| Schneider Sustainability Impact 2018-2020 | | | |
|---|---|---------------|-------------|
| Megatrends and SDGs | 2018-2020 programs | 2020 progress | 2020 target |
|  | Climate | | |
| | 1. Renewable electricity | 80% ▲ | 80% |
| | 2. CO ₂ efficiency in transportation | 8.4% ▲ | 10% |
| | 3. Million metric tons CO ₂ saved on our customers' end thanks to EcoStruxure™ offers | 134 ▲ | 120 |
| | 4. Increase in turnover for our EcoStruxure™ Energy and Sustainability Services | 17.6% ▲ | 25% |
|  | Circular economy | | |
| | 5. Sales under our new Green Premium™ program | 76.7% ▲ | 75% |
| | 6. Sites labeled Towards Zero Waste to Landfill | 206 ▲ | 200 |
| | 7. Cardboard and pallets for transport packing from recycled or certified sources | 99% ▲ | 100% |
| | 8. Metric tons of avoided primary resource consumption through ECOFIT™, recycling, and take-back programs | 157,588 ▲ | 120,000 |

▲ 2020 audited indicators.

The 2017 performance serves as a baseline for the 2018-2020 Schneider Sustainability Impact (SSI). Please refer to pages 185 to 189, for the methodological presentation of indicators. The performance of each indicator is presented in detail in corresponding chapters.

7.1.2 Perimeter and Environmental Management Systems (ISO 14001)

| Indicators | 2020 | 2019 | 2018 |
|--|------|------|------|
| ISO 14001 Certified Sites | 232 | 241 | 253 |
| Industrial and logistics sites | 212 | 220 | 230 |
| Tertiary sites | 20 | 21 | 23 |
| New sites certified this year | 0 | 2 | 0 |
| Certified sites that have closed or consolidated this year | 9 | 14 | 10 |
| Number of participating sites to environmental reporting | 253 | 268 | 269 |

7.1.3 Group site consumption, emissions and waste

Waste

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|--|---------------------------|------------------|---------|---------|
| | Estimated coverage (% waste generation) | % | 90% | 89% | 86% |
| 306-2 | Total waste produced | metric tons | 125,292 | 152,171 | 154,940 |
| 306-2 | Total waste produced/Turnover | metric tons/ million € | 4.98 | 5.60 | 6.02 |
| 306-2 | Non-hazardous waste produced | metric tons | 117,607 ▲ | 143,149 | 145,391 |
| 306-2 | Non-hazardous waste recovered | metric tons | 113,211 ▲ | 136,316 | 137,500 |
| 306-2 | Share of non-hazardous waste recovered | % | 96.3% ▲ | 95.2% | 94.6% |
| | of which metal waste recovered | % | 99.99% ▲ | 99.97% | 99.90% |
| 306-2 | Hazardous waste produced | metric tons | 7,685 ▲ | 9,022 | 9,549 |
| 306-2 | Hazardous waste channeled according to Schneider Electric expectations | metric tons | 7,667 ▲ | 8,727 | 9,239 |
| 306-3 | # and aggregate quantity of reportable spills | kg | 0 | UP | UP |
| 306-3 | Quantity of spills recovered | kg | NA | UP | UP |

▲ 2020 audited indicators. UP = Unpublished. NA = Not Applicable.

Water

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|---|----------------------------|--------------------|-----------|-----------|
| | Estimated coverage (% water consumption) | % | 88% | 88% | 86% |
| 303-1 | Water consumption/Turnover | m ³ / million € | 76.6 | 94.1 | 105.0 |
| 303-1 | Water withdrawn for consumption | m ³ | 1,928,032 ▲ | 2,554,428 | 2,700,619 |
| | of which public water | m ³ | 1,446,391 ▲ | 2,021,168 | 2,163,276 |
| | of which ground water | m ³ | 452,602 ▲ | 501,163 | 490,563 |
| | of which surface water | m ³ | 17,461 ▲ | 17,074 | 17,993 |
| | of which other sources | m ³ | 11,578 ▲ | 15,023 | 28,842 |
| 303-1 | Water withdrawn for cooling restituted w/o impact | m ³ | 780,201 ▲ | 880,276 | 1,376,335 |

▲ 2020 audited indicators.

Atmospheric pollutions

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|--------------------------------------|---------------|------------------|---------|---------|
| | Estimated coverage (% VOC emissions) | % | 90% | 90% | 90% |
| 305-7 | VOC emissions (kg) (estimates) | kg | 440,442 ▲ | 653,502 | 664,352 |
| 305-7 | VOC/Turnover (kg/EUR) (estimates) | kg/ million € | 17.5 | 24.1 | 25.8 |

▲ 2020 audited indicators.

Energy

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|--------------|--|-------|--------------------|-----------|-----------|
| | Estimated coverage (% energy consumption) | % | 100% | 100% | 100% |
| | ISO 50001 Certified Sites | # | 150 | 153 | 168 |
| 302-1, 302-4 | Estimated total energy consumption | MWh | 1,204,381 | 1,442,841 | 1,540,831 |
| | of which measured energy consumption | MWh | 1,021,539 ▲ | 1,192,508 | 1,258,081 |
| | of which estimated energy consumption for sites out of reporting perimeter | MWh | 182,842 | 250,333 | 282,750 |

7. Indicators

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|--|--|-------------------|------------------|---------|---------|
| 302-1, 302-4 | Estimated total energy consumption/turnover | MWh/ million € | 47.9 | 53.1 | 59.9 |
| Indicators below concern measured energy consumption only | | | | | |
| | % renewable energy | % | 58% | 34% | 21% |
| | % renewable electricity* | % | 80% ▲ | 50% | 30% |
| | Renewable electricity generated onsite and sold back to the grid | MWh | 2,734 ▲ | 2,149 | 1,370 |
| Measured energy consumption by source: | | | | | |
| | grid electricity | MWh | 148,969 ▲ | 406,200 | 584,721 |
| | renewable electricity* | MWh | 585,495 ▲ | 402,363 | 257,356 |
| | district heating | MWh | 27,602 ▲ | 75,253 | 84,263 |
| | fuel oil | MWh | 6,941 ▲ | 8,595 | 9,672 |
| | gas | MWh | 251,377 ▲ | 298,319 | 320,153 |
| | coal | MWh | 0 ▲ | 0 | 0 |
| | renewable fuel and heat | MWh | 1,155 ▲ | 1,778 | 1,916 |

▲ 2020 audited indicators.

* Renewable electricity reported here includes renewable electricity purchased through Power Purchasing Agreements or green tariffs, renewable electricity produced onsite and electricity covered by Energy Attributes Certificates (EAC). The 2020 EAC account for 75% of total renewable electricity reported. Electricity generated onsite and sold back to grid is not counted in our energy footprint, but is counted in the %renewable electricity supply.

Greenhouse gas (GHG)

| GRI | Indicators | Units | 2020 | 2019 | 2018 | 2017 |
|--------------|--|----------------------------------|------------------|---------|---------|---------|
| | Estimated coverage (% GHG emissions) | % | 100% | 100% | 100% | 100% |
| 305-1; 305-2 | Estimated total scopes 1 and 2 GHG emissions (market-based) ⁽¹⁾ | TCO ₂ e | 287,356 ▲ | 436,376 | 569,553 | 698,162 |
| 305-5 | Absolute reduction vs base year (2017) | % | -58.8% | -37.5% | -18.4% | NA |
| 305-4 | Total scopes 1 and 2 per euro turnover | TCO ₂ e/ million € | 11.4 | 16.1 | 22.1 | 28.2 |
| 305-1 | Direct (Scope 1) GHG emissions ⁽¹⁾ | TCO ₂ e | 142,149 ▲ | 179,834 | 188,992 | 186,560 |
| | of which fuel oil | TCO ₂ e | 4,451 ▲ | 5,748 | 6,626 | 5,605 |
| | of which gas | TCO ₂ e | 52,197 ▲ | 61,733 | 65,631 | 66,798 |
| | of which coal | TCO ₂ e | 0 ▲ | 0 | 0 | 0 |
| | of which vehicle fleet | TCO ₂ e | 73,229 ▲ | 91,169 | 94,287 | 91,035 |
| | of which SF ₆ emissions ⁽²⁾ | TCO ₂ e | 7,048 ▲ | 12,684 | 12,132 | 12,688 |
| | SF ₆ leakage rate | % | 0.14% | 0.24% | 0.26% | 0.29% |
| | Target SF ₆ leakage rate | % | 0.25% | 0.25% | 0.25% | 0.25% |
| | of which estimated scope 1 GHG emissions of sites out of reporting perimeter ⁽³⁾ | TCO ₂ e | 5,224 ▲ | 8,499 | 10,316 | 10,434 |
| 305-2 | Energy indirect (Scope 2) GHG emissions ⁽¹⁾ | TCO ₂ e | 145,207 ▲ | 256,542 | 380,561 | 511,602 |
| | of which grid electricity (market-based) | TCO ₂ e | 70,145 ▲ | 134,122 | 258,975 | 392,713 |
| | of which renewable electricity (market-based) ⁽⁴⁾ | TCO ₂ e | 694 ▲ | 795 | 219 | 0 |
| | of which district heating | TCO ₂ e | 11,550 ▲ | 35,020 | 39,541 | 36,125 |
| | of which estimated scope 2 GHG emissions of sites out of reporting perimeter (market-based) ⁽³⁾ | TCO ₂ e | 62,818 ▲ | 86,605 | 81,825 | 82,764 |

| GRI | Indicators | Units | 2020 | 2019 | 2018 | 2017 |
|-------|---|----------------------------------|---------------------|-------------|------------|------------|
| 305-3 | Other relevant indirect (scope 3) GHG emissions | TCO ₂ e | 65,701,766 ▲ | 74,031,281 | 70,562,356 | 67,413,029 |
| 305-5 | Absolute variation vs base year (2017) | % | -2.5% | 9.8% | 4.7% | NA |
| 305-4 | Total scope 3 per euro turnover | TCO ₂ e/ million € | 2,611 | 2,726 | 2,743 | 2,725 |
| 305-3 | Other relevant indirect (scope 3 upstream) GHG emissions | TCO ₂ e | 6,966,062 ▲ | 8,610,739 | 8,903,363 | 8,292,778 |
| | 1. Purchased goods and services | TCO ₂ e | 6,137,388 ▲ | 7,388,926 | 7,605,700 | 7,052,903 |
| | 2. Capital Goods | TCO ₂ e | 63,863 ▲ | 64,398 | 64,000 | 64,000 |
| | 3. Fuel- and energy-related activities (not included in Scope 1 or Scope 2) | TCO ₂ e | 55,151 ▲ | 67,993 | 72,775 | 71,990 |
| | 4. Transportation of good paid by the Group | TCO ₂ e | 497,761 ▲ | 753,253 | 816,888 | 788,885 |
| | 5. Waste generated in operations | TCO ₂ e | 31,872 ▲ | 39,710 | 44,000 | 45,000 |
| | 6. Business travel | TCO ₂ e | 33,304 ▲ | 139,054 | 140,000 | 110,000 |
| | 7. Employee commuting | TCO ₂ e | 146,723 ▲ | 157,405 | 160,000 | 160,000 |
| 305-3 | Other relevant indirect (scope 3 downstream) GHG emissions | TCO ₂ e | 58,735,704 ▲ | 65,420,542 | 61,658,993 | 59,120,251 |
| | 9. Transportation of goods not paid by the Group | TCO ₂ e | 371,159 ▲ | 449,507 | 462,695 | 429,065 |
| | 11. Use of sold products ⁽⁵⁾ | TCO ₂ e | 53,998,500 ▲ | 60,447,799 | 57,158,727 | 55,009,719 |
| | 12. End-of-life treatment of sold products | TCO ₂ e | 4,366,045 ▲ | 4,523,236 | 4,037,571 | 3,681,467 |
| | Saved GHG emissions thanks to sold products and services ⁽⁶⁾ | TCO ₂ e | 46,964,497 ▲ | 50,994,695 | 57,501,195 | UP |
| | Avoided GHG emissions thanks to sold products and services ⁽⁶⁾ | TCO ₂ e | 28,609,522 ▲ | 39,406,306 | 39,849,166 | UP |
| | Cumulative CO ₂ saved and avoided thanks to sold products and services since 2018 ⁽⁶⁾ | TCO ₂ e | 263,325,381▲ | 187,751,362 | 97,350,361 | UP |

▲ 2020 audited indicators. UP = Unpublished. NA = Not Applicable.

- (1) The CO₂ emissions linked to energy consumption are considered estimates, because the indirect emissions are calculated on the conversion factors per country. Scope 1 and 2 CO₂ emissions from energy consumption are quantified using energy reporting data, in MWh of energy per energy source. Scope 2 emissions are quantified with the market-based methodology and the location-based methodology, following GHG Protocol scope 2 guidance. Location-based scope 2 electricity emissions on energy reporting perimeter are equal to 321,153 tCO₂e (audited value). Total scope 1 and 2 (location-based) CO₂ emissions (energy, vehicles, and SF₆ emissions in tCO₂e) on full perimeter are equal to 527,186 tCO₂e (audited value). Electricity emissions calculated with market-based and location-based methodologies should not be added. Market-based electricity emissions are calculated using residual electricity emissions factors (source AIB, 2017) for European countries, and average country emission factors for other countries (IEA, 2017);
- (2) 14 sites in 2019 and 2020; 16 sites in 2017, 2018;
- (3) CO₂ emissions for sites not included in the energy reporting perimeter are estimated based on site surface in real estate databases and average CO₂ intensity of sites per region from our energy reporting. Overall coverage of emissions due to energy consumption is 100%, based on site surface occupied by Schneider Electric worldwide. Using location-based methodology, total scope 2 emissions are equal to 385,037 tCO₂e;
- (4) Greenhouse gas emissions from renewable electricity are due to CH₄ and N₂O emissions of renewable electricity from biomass;
- (5) Emissions of products sold by Schneider Electric during the year of reporting, and cumulated over their lifetime. These emissions are due to electricity consumption of products, either due to internal consumption or due to heat dissipation (Joule effect);
- (6) CO₂ savings are calculated for sales of the reporting year and cumulated over the offers' lifetime. Emissions are calculated as the difference between emissions with Schneider Electric's offer and emissions in the reference situation. The methodology distinguishes "saved" and "avoided" emissions: saved CO₂ emissions correspond to brownfield sales that enable reduction of global CO₂ emissions compared to previous years, and avoided CO₂ emissions correspond to greenfield sales that enable a limitation of the increase of global emission. CO₂ savings figures here include calculations for new offers compared to SSI2018-2020 KPI (microgrids, ADMS, cooling, power quality and 3 phase UPS), which explains the difference (155 million tons CO₂ saved vs 134 million tons).

In addition, biogenic CO₂ emissions are due to the consumption of renewable electricity from biomass, and are not reported in scope 2 emissions following GHG protocol guidance. These emissions are of 17,048 tCO₂b in 2020.

7. Indicators

7.2 Social indicators

Indicators below have a Group scope.

HR data cover about 97% of the workforce from integrated companies (excluding 5,037 AVEVA and IGE+XAO employees). According to our extra-financial reporting principles, 8,042 employees from new acquisitions (RIB Software, ProLeit, DMS and L&T) are also excluded from 2020 figures. Total Group average workforce (including supplementary employees) for all entities is 155,466 employees. The precisions on the variations of scope are contributed at the end of the tables below and indicated by footnotes.

The calculation methodology of the absenteeism rate varying from one country to another, in this domain Schneider Electric communicates at Group level the number of lost days and the number of hours worked (Safety data).

The comments on the indicators are given in the corresponding chapters and indicated in the tables below.

7.2.1 Key performance indicators from the Schneider Sustainability Impact

| Schneider Sustainability Impact 2018-2020 | | | |
|--|---|---------------|-------------|
| Megatrends and SDGs | 2018-2020 programs | 2020 progress | 2020 target |
|  | Health & equity | | |
| | 9. Scored in our Employee Engagement Index | 69% ▲ | 70% |
| | 10. Medical incidents per million hours worked | 0.58 ▲ | 0.88 |
| | 11. Employees have access to a comprehensive well-being at work program | 90% ▲ | 90% |
| | 12. Employees are working in countries that have fully deployed our Family Leave Policy | 100% ▲ | 100% |
| | 13. Workers received at least 15 hours of learning, and 30% of workers' learning hours are done digitally | 90% ▲ | 100% |
| | 14. White-collar workers have individual development plans | 92% ▲ | 90% |
| 15. Employees are working in a country with commitment and process in place to achieve gender pay equity | 99.6% ▲ | 95% | |

▲ 2020 audited indicators.

The 2017 performance serves as a baseline for the 2018-2020 Schneider Sustainability Impact (SSI). Please refer to pages 185 to 189, for the methodological presentation of indicators. The performance of each indicator is presented in detail in corresponding chapters.

7.2.2 General disclosure

Average workforce

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|---|------------|-----------|---------|---------|
| 102-8 | Average workforce including supplementary employees*, Joint Ventures and trainees | average HC | 146,794 ▲ | 146,406 | 152,058 |
| | Blue collar (Direct Variable Cost**, DVC) | average HC | 80,275 ▲ | 77,392 | 80,703 |
| | White collar (non-DVC**) | average HC | 66,519 ▲ | 69,014 | 71,355 |
| | Share of DVC** | % | 54.7% | 52.9% | 53.1% |
| | Share of non-DVC** | % | 45.3% | 47.1% | 46.9% |
| | Average workforce excluding supplementary employees* | average HC | 129,156 | 133,160 | 138,649 |
| | Average supplementary employees* | average HC | 17,638 ▲ | 13,246 | 13,409 |

▲ 2020 audited indicators.

Spot workforce at year-end

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|--|-------------|-----------|---------|---------|
| 102-8 | Spot workforce at year-end including supplementary employees* | year-end HC | 147,349 | 150,828 | 151,019 |
| | Spot workforce at year-end excluding supplementary employees* | year-end HC | 128,770 ▲ | 135,307 | 137,534 |
| | Open-ended contract | % | 87.3% | 87.3% | 87.2% |
| | Fixed-term contract | % | 12.7% | 12.7% | 12.8% |
| | Spot supplementary employees* at year-end | year-end HC | 18,548 | 15,456 | 13,480 |
| | Share of temporary personnel (fixed-term contracts and supplementary employees*) | % | 23.7% | 21.6% | 20.6% |

▲ 2020 audited indicators.

Full-time Equivalent (FTE)

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|--|-------|------------------|---------|---------|
| 102-8 | Workforce in FTE, including JV, excluding supplementary employees* | FTE | 126,328 ▲ | 134,291 | 136,624 |

▲ 2020 audited indicators.

Workforce composition

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|---|-------|-----------------|--------|--------|
| | Organization of working time ⁽¹⁾ | | | | |
| | Full-time | % | 97% | 98% | 98% |
| | Part-time | % | 3% | 2% | 2% |
| 401-1 | Hires ⁽²⁾ | HC | 19,536 ▲ | 25,131 | 23,228 |
| 401-1 | Departures ⁽²⁾ | HC | 20,840 ▲ | 23,381 | 24,036 |
| | Layoffs | HC | 5,626 ▲ | 8,190 | 7,680 |
| | Resignations | HC | 8,729 ▲ | 10,600 | 11,595 |
| | Other (retirement, end of contract, etc.) | HC | 6,485 ▲ | 4,591 | 4,761 |
| 401-1 | Voluntary turnover | % | 6.9% ▲ | 8.0% | 8.4% |
| 102-8 | Breakdown of workforce by region ⁽¹⁾ | | | | |
| | Asia-Pacific | % | 32% | 35% | 32% |
| | Western Europe | % | 27% | 26% | 27% |
| | North America | % | 24% | 20% | 22% |
| | Rest of the world | % | 17% | 19% | 20% |
| 102-8 | Breakdown of workforce by country (the most significant countries) ⁽¹⁾ | | | | |
| | France | % | 12% | 11% | 11% |
| | United States | % | 13% | 13% | 13% |
| | China | % | 11% | 10% | 10% |
| | India | % | 10% | 10% | 10% |
| | Mexico | % | 10% | 7% | 7% |
| | Russia | % | 3% | 6% | 6% |
| | Spain | % | 3% | 3% | 3% |
| | Brazil | % | 2% | 2% | 2% |
| | Germany | % | 3% | 3% | 3% |
| | Australia | % | 2% | 2% | 2% |
| | Indonesia | % | 3% | 3% | 3% |
| | United Kingdom | % | 3% | 3% | 3% |
| 102-8 | Annual change in workforce by country (the most significant countries) ⁽¹⁾ | | | | |
| | France | % | -2% | -2% | -7% |
| | United States | % | -5% | -4% | -3% |
| | China | % | -2% | -2% | 0% |
| | India | % | -3% | 0% | -3% |
| | Mexico | % | 36% | 1% | -4% |
| | Russia | % | -51% | -5% | -10% |
| | Spain | % | -5% | 2% | 1% |
| | Germany | % | -9% | -1% | -3% |
| | Brazil | % | -12% | -6% | -7% |
| | Australia | % | -7% | -5% | -10% |
| | Indonesia | % | -9% | -7% | 0% |
| | United Kingdom | % | -6% | -2% | -1% |

7. Indicators

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|--|-------|--------------|------|------|
| 102-8 | Breakdown of workforce by gender ⁽¹⁾ | | | | |
| 102-8 | Overall workforce ⁽¹⁾ | | | | |
| | Men | % | 67% ▲ | 67% | 68% |
| | Women | % | 33% ▲ | 33% | 32% |
| 102-8 | Frontline managers | | | | |
| | Men | % | 75% ▲ | 76% | UP |
| | Women | % | 25% ▲ | 24% | UP |
| 102-8 | Leadership teams | | | | |
| | Men | % | 76% ▲ | 77% | 78% |
| | Women | % | 24% ▲ | 23% | 22% |
| 102-8 | White collar | % | 50% | 51% | 51% |
| | Men | % | 67% | 67% | 68% |
| | Women | % | 33% | 33% | 32% |
| 102-8 | Blue collar | % | 50% | 49% | 49% |
| | Men | % | 67% | 68% | 68% |
| | Women | % | 33% | 32% | 32% |
| 102-8 | Breakdown of workforce by age ⁽¹⁾ | | | | |
| | 14/24 years | % | 7% | 7% | 7% |
| | 25/34 years | % | 27% | 27% | 28% |
| | 35/44 years | % | 31% | 31% | 31% |
| | 45/54 years | % | 21% | 21% | 21% |
| | 55/64 years | % | 13% | 13% | 12% |
| | > 64 years | % | 1% | 1% | 1% |
| 102-8 | Breakdown of workforce by seniority ⁽¹⁾ | | | | |
| | < 5 years | % | 46% | 46% | 44% |
| | 5/14 years | % | 33% | 33% | 36% |
| | 15/24 years | % | 13% | 13% | 12% |
| | 25/34 years | % | 6% | 6% | 6% |
| | > 34 years | % | 2% | 2% | 2% |
| 102-8 | Breakdown of workforce by function ⁽¹⁾ | | | | |
| | Marketing | % | 4% | 4% | 3% |
| | Sales | % | 13% | 13% | 12% |
| | Services and projects | % | 19% | 19% | 19% |
| | Support | % | 29% | 30% | 28% |
| | Technical | % | 7% | 6% | 6% |
| | Industrial | % | 28% | 28% | 32% |

▲ 2020 audited indicators. UP = Unpublished.

Hires⁽²⁾

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|-------------------------------|-------|--------------|------|------|
| 401-1 | Breakdown by type of contract | | | | |
| | Permanent contract | % | 62% | 70% | 63% |
| | Fixed-term contract | % | 38% | 30% | 37% |
| 401-1 | Breakdown by category | | | | |
| | White collar | % | 19% | 37% | 39% |
| | Blue collar | % | 81% | 63% | 61% |
| 401-1 | Breakdown by gender | | | | |
| | Men | % | 59% ▲ | 60% | 62% |
| | Women | % | 41% ▲ | 40% | 38% |
| 401-1 | Breakdown by age | | | | |
| | 14/24 years | % | 39% | 39% | 35% |
| | 25/34 years | % | 37% | 37% | 39% |
| | 35/44 years | % | 17% | 16% | 17% |
| | 45/54 years | % | 6% | 6% | 7% |
| | 55/64 years | % | 1% | 2% | 2% |
| | > 64 years | % | 0% | 0% | 0% |
| 401-1 | Breakdown by region | | | | |
| | Asia-Pacific | % | 26% | 44% | 35% |
| | Western Europe | % | 9% | 12% | 16% |
| | North America | % | 55% | 29% | 33% |
| | Rest of the world | % | 10% | 15% | 16% |

▲ 2020 audited indicators. UP = Unpublished.

Layoffs⁽²⁾

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|-------------------------------|-------|------------|------|------|
| 401-1 | Breakdown by type of contract | | | | |
| | Open-ended contract | % | 72% | 79% | 80% |
| | Fixed-term contract | % | 28% | 21% | 20% |
| 401-1 | Breakdown by category | | | | |
| | White collar | % | 20% | 33% | 35% |
| | Blue collar | % | 80% | 67% | 65% |
| 401-1 | Breakdown by Region | | | | |
| | Asia-Pacific | % | 28% | 30% | 23% |
| | Western Europe | % | 8% | 8% | 10% |
| | North America | % | 50% | 44% | 42% |
| | Rest of the world | % | 14% | 18% | 24% |

Resignations⁽²⁾

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|------------------------|-------|------------|------|------|
| 401-1 | Breakdown by seniority | | | | |
| | < 1 year | % | 41% | 40% | 39% |
| | 1/4 years | % | 39% | 34% | 37% |
| | 5/14 years | % | 16% | 17% | 20% |
| | 15/24 years | % | 3% | 5% | 3% |
| | 25/34 years | % | 1% | 2% | 1% |
| | > 34 years | % | 0% | 2% | 0% |

7. Indicators

Departures⁽²⁾

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|---------------------|-------|------------|------|------|
| 401-1 | Breakdown by gender | | | | |
| | Men | % | 63% | 62% | 61% |
| | Women | % | 37% | 38% | 39% |
| 401-2 | Breakdown by age | | | | |
| | 14/24 years | % | 23% | 26% | 26% |
| | 25/34 years | % | 31% | 32% | 33% |
| | 35/44 years | % | 21% | 21% | 20% |
| | 45/54 years | % | 11% | 11% | 10% |
| | 55/64 years | % | 11% | 8% | 9% |
| | > 64 years | % | 3% | 2% | 2% |
| 401-2 | Breakdown by region | | | | |
| | Asia-Pacific | % | 30% | 34% | 33% |
| | Western Europe | % | 17% | 15% | 16% |
| | North America | % | 39% | 35% | 34% |
| | Rest of the world | % | 14% | 16% | 18% |

Average supplementary employees*

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|-----------------------|-------|------------|------|------|
| 102-8 | Breakdown by category | | | | |
| | White collar | % | 10% | 11% | 7% |
| | Blue collar | % | 90% | 89% | 93% |
| 102-8 | Breakdown by region | | | | |
| | Asia-Pacific | % | 64% | 64% | 62% |
| | Western Europe | % | 15% | 16% | 18% |
| | North America | % | 7% | 7% | 8% |
| | Rest of the world | % | 14% | 13% | 11% |

7.2.3 Dialog and social relations

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|--------|---|-------|------------|------|------|
| | Coverage | % | 85% | 92% | 90% |
| 102-41 | Employees represented by | | | | |
| | Unions | % | 66% | 64% | 67% |
| | Works Council | % | 70% | 68% | 68% |
| 403-1 | Health and Safety Committee | % | 89% | 86% | 86% |
| 102-41 | Number of collective agreements | # | 78 | 81 | 138 |
| | Employees covered by collective bargaining agreements | % | 69% | 70% | 75% |

* Supplementary employees are employees under short term contracts to supplement short term activities and work peaks.

** Direct Variable Cost (DVC) refers to employees whose cost is directly charged to a project, customer, or activity.

(1) Based on data tracked under our global tool Talent Link, excluding supplementary employees, Joint Ventures and trainees (covers about 96% of employees, or 84% if including supplementary employees);

(2) Acquisitions/disposals and supplementary employees not taken into account in the calculation;

Note: variations resulting from scope exclusion:

On October 24, 2019, the Group agreed to establish a Joint Venture with the Russian Direct Investment Fund ("RDIF"), to further strengthen the long-term outlook for the Group's Electroshield Samara business which was consolidated under Energy Management reporting segment and generated revenues of EUR 168 million in 2019. The transaction with the Russian Direct Investment Fund ("RDIF") was closed on January 20, 2020. The new Joint Venture is accounted for as an equity method investment in 2020, and therefore excluded from extra-financial consolidation. This caused a global reduction in workforce figures of 3,439 employees (about 3%) compared to 2019, and explains the 51% workforce decrease in Russia, where the business is located.

7.2.4 Health and safety of employees and subcontractors

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|--|--------------------------|----------------------|-------------|-------------|
| | Number of ISO 45001 sites | # | 194 | UP | UP |
| | Coverage | % | 100% | 100% | 100% |
| 403-2 | Number of medical incidents* | # | 154 ▲ | 233 | 277 |
| | of which Schneider Electric employees | # | 133 ▲ | 193 | 225 |
| | of which temporary workers | # | 21 ▲ | 40 | 52 |
| 403-2 | Number of lost-time accident* | # | 85 ▲ | 116 | 136 |
| | of which Schneider Electric employees | # | 74 ▲ | 94 | 105 |
| | of which temporary workers | # | 11 ▲ | 22 | 31 |
| 403-2 | Number of fatal accidents | # | 1 | 1 | 1 |
| | of which Schneider Electric employees | # | 1 | 1 | 1 |
| | of which temporary workers | # | 0 | 0 | 0 |
| 403-2 | Medical Incident Rate** | per million hours worked | 0.58 ▲ | 0.79 | 0.94 |
| | of which Schneider Electric employees | per million hours worked | 0.58 ▲ | 0.77 | 0.90 |
| | of which temporary workers | per million hours worked | 0.55 ▲ | 0.91 | 1.10 |
| 403-2 | Lost-Time Injury Rate (LTIR)** | per million hours worked | 0.32 ▲ | 0.39 | 0.46 |
| | of which Schneider Electric employees | per million hours worked | 0.32 ▲ | 0.38 | 0.42 |
| | of which temporary workers | per million hours worked | 0.29 ▲ | 0.50 | 0.66 |
| 403-2 | Lost-Time Day Rate (LTDR)** | per million hours worked | 13.74 ▲ | 16.69 | 13.69 |
| | of which Schneider Electric employees | per million hours worked | 14.92 ▲ | 17.69 | 14.39 |
| | of which temporary workers | per million hours worked | 6.61 ▲ | 10.96 | 9.54 |
| | Number of lost days | # | 3,662 ▲ | 4,909 | 4,025 |
| | of which Schneider Electric employees | # | 3,412 ▲ | 4,427 | 3,579 |
| | of which temporary workers | # | 250 ▲ | 482 | 446 |
| | Number of hours worked | # | 266,582,055 ▲ | 294,202,028 | 294,001,927 |
| | of which Schneider Electric employees | # | 228,742,624 ▲ | 250,235,482 | 248,633,265 |
| | of which temporary workers | # | 37,839,431 ▲ | 43,966,546 | 45,368,662 |
| | Occupational Illness Frequency Rate (OIFR) | per million hours worked | 0.019 ▲ | 0.014 | 0.020 |
| | of which Schneider Electric employees | per million hours worked | 0.022 ▲ | 0.016 | 0.024 |
| | of which temporary workers | per million hours worked | 0.000 ▲ | 0.000 | 0.000 |

▲ 2020 audited indicators.

* Includes business travel, excludes home/workplace travel.

** LTIR = Number of incidents with lost days x 1,000,000/number of hours worked. International standard indicator comparable to the accident frequency rate. LTDR = Number of lost days x 1,000,000/number of hours worked. International standard indicator comparable to the accident severity rate (the latter, however, is calculated per thousand hours worked). MIR = Number of accidents requiring medical treatment x 1,000,000/number of hours worked. Occupational Illness Frequency Rate (OIFR) is based on 1million hours worked (The number of Occupational illness X 1,000,000 Hours / Total Hours Worked). Note that the Medical Incident Rate (MIR) consists of both medical incidents + Occupational Illnesses and is based on 1million hours worked.

7. Indicators

7.2.5 Talent development and training

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|---|-------------|--------------------|-----------|-----------|
| | Coverage | % | 90% | 92% | 87% |
| 404-1 | Number of training hours | # | 2,869,111 ▲ | 3,117,348 | 3,283,492 |
| 404-1 | Average hours of training per person by category and gender | # | 24.5 | 25.0 | 27.5 |
| | White collar | # | 24.9 | 27.1 | 30.5 |
| | Blue collar | # | 24.0 | 22.9 | 24.1 |
| | Men | # | 25.1 | 25.6 | 28.3 |
| | Women | # | 23.2 | 23.7 | 25.6 |
| 404-1 | Breakdown of hours by category ⁽¹⁾ | | | | |
| | White collar | % | 52% | 54% | 58% |
| | Blue collar | % | 48% | 46% | 42% |
| 404-1 | Employees taking one day training (7 hours or more) | % | 81% | 81% | 86% |
| 404-1 | Breakdown by country | | | | |
| | France | % | 69% | 71% | 76% |
| | United States | % | 76% | 78% | 82% |
| | China | % | 84% | 86% | 89% |
| | India | % | 90% | 84% | 97% |
| | Mexico | % | 74% | 87% | 93% |
| | Spain | % | 84% | 83% | 88% |
| | Brazil | % | 95% | 92% | 90% |
| | Germany | % | 79% | 80% | 86% |
| | Australia | % | 80% | 78% | 81% |
| | Indonesia | % | 93% | 76% | 80% |
| | United Kingdom | % | 65% | 69% | 80% |
| | Russia | % | 98% | 93% | 95% |
| 404-1 | Breakdown of hours by training type ⁽¹⁾ | % | | | |
| | Health, safety and environment | % | 20% | 22% | 20% |
| | Technical | % | 6% | 5% | 5% |
| | Languages | % | 0% | 5% | 1% |
| | IT | % | 8% | 8% | 10% |
| | Products, Solutions and Services | % | 12% | 13% | 24% |
| | Management and Leadership | % | 4% | 6% | 5% |
| | Personal Development | % | 11% | 8% | 16% |
| | Functional | % | 24% | 27% | 14% |
| | Mandatory/Compliance | % | 4% | 6% | 3% |
| | Supply Chain | % | 9% | UP | UP |
| | Well-being | % | 2% | UP | UP |
| 404-1 | Total Learning & Development spend ⁽²⁾ | million € | 44.2 | 52.3 | UP |
| 404-1 | Learning & Development cost per employee | €/ employee | 356.1 | 386.6 | UP |
| 404-1 | Breakdown of costs by category ⁽¹⁾ | | | | |
| | White collar | % | 52% | 68% | 72% |
| | Blue collar | % | 48% | 32% | 28% |

| GRI | Indicators | Units | 2020 | 2019 | 2018 |
|-------|--|-------|------------|------|------|
| 404-1 | Breakdown of costs by category ⁽¹⁾ | | | | |
| | Products, Solutions and Services | % | 10% | 28% | 21% |
| | Personal Development | % | 10% | 5% | 19% |
| | Health, safety and environment | % | 39% | 9% | 15% |
| | Management and Leadership | % | 12% | 18% | 14% |
| | Functional | % | 9% | 12% | 11% |
| | Technical | % | 10% | 4% | 6% |
| | IT | % | 3% | 11% | 3% |
| | Languages | % | 1% | 13% | 3% |
| | Mandatory/ Compliance | % | 1% | 0% | 0% |
| | Supply Chain | % | 5% | UP | UP |
| | Well-being | % | 0% | UP | UP |
| 404-3 | Employees having had a performance review ⁽³⁾ | % | 98% | 98% | 96% |
| 404-3 | Breakdown by category | | | | |
| | White collar | % | 75% | 76% | 76% |
| | Blue collar | % | 25% | 24% | 24% |
| 404-3 | Breakdown by gender | | | | |
| | Men | % | 72% | 72% | 73% |
| | Women | % | 28% | 28% | 27% |

▲ 2020 audited indicators. UP = Unpublished.

(1) Based on spot workforce at year-end.

(2) Includes Learning and development teams, travel and expenses as well as vendors costs - Sources: Schneider Electric TalentLink Employee data and Procurement tracking system - Excludes training sold to customers


(3) The data relates to the eligible workforce for Performance interview at 12/31/2020 (TalentLink).

7. Indicators

7.3 Societal indicators

Indicators are published on the basis of declarative information submitted by Foundation delegates. It covers 90% of Schneider Electric employees and highlights the importance of company and employee participation in the Foundation's approach to involvement towards local communities. With more than EUR20 million in 2020, the amount of budget for the Foundation's actions includes the Foundation's intervention budget, the amount of the donations from entities, employees and partners, and the amount of donations in kind.

7.3.1 Key performance indicators from the Schneider Sustainability Impact

| Schneider Sustainability Impact 2018-2020 | | | |
|---|--|------------------|----------------|
| Megatrends and SDGs | 2018-2020 programs | 2020 progress | 2020 target |
|  | 19. Turnover of our Access to Energy program | x1.64 ▲ | x4 |
| | 20. Underprivileged people trained in energy management | 281,737 ▲ | 400,000 |
| | 21. Volunteering days thanks to our VolunteerIn global platform | 18,469 ▲ | 15,000 |
| | | | |

▲ 2020 audited indicators.

The 2017 performance serves as a baseline for the 2018-2020 Schneider Sustainability Impact (SSI).

Please refer to pages 185 to 189 for the methodological presentation of indicators. The performance of each indicator is presented in detail in corresponding chapters.

7.3.2 Breakdown of the Foundation's financial commitments

| | Units | 2020 | 2019 |
|--|-------|------------------|-----------|
| FOUNDATION'S INTERVENTION BUDGET | € | 4,000,000 | 4,000,000 |
| Breakdown by program | | | |
| Training and entrepreneurship | % | 63% | 51% |
| Energy poverty | % | 7% | 28% |
| Raising awareness about sustainable development | % | 10% | 17% |
| Employees' volunteering/skills-based sponsorship | % | 1% | 4% |
| Emergency | % | 19% | UP |
| Breakdown by region | | | |
| Africa & Middle East | % | 25% | 31% |
| America | % | 4% | 6% |
| Asia & Pacific | % | 45% | 11% |
| Europe | % | 20% | 44% |
| Cross countries | % | 6% | 8% |

7.3.3 Breakdown of contributions from employees and Schneider Electric entities to the Foundation's actions

| | Units | 2020 | 2019 |
|-------------------------------------|-------|------------------|-----------|
| TOTAL FINANCIAL CONTRIBUTION | € | 9,287,805 | 7,715,663 |
| From employees | € | 1,454,801 | 827,682 |
| From the Schneider Electric entity | € | 7,413,102 | 6,659,701 |
| From partners | € | 419,902 | 228,280 |

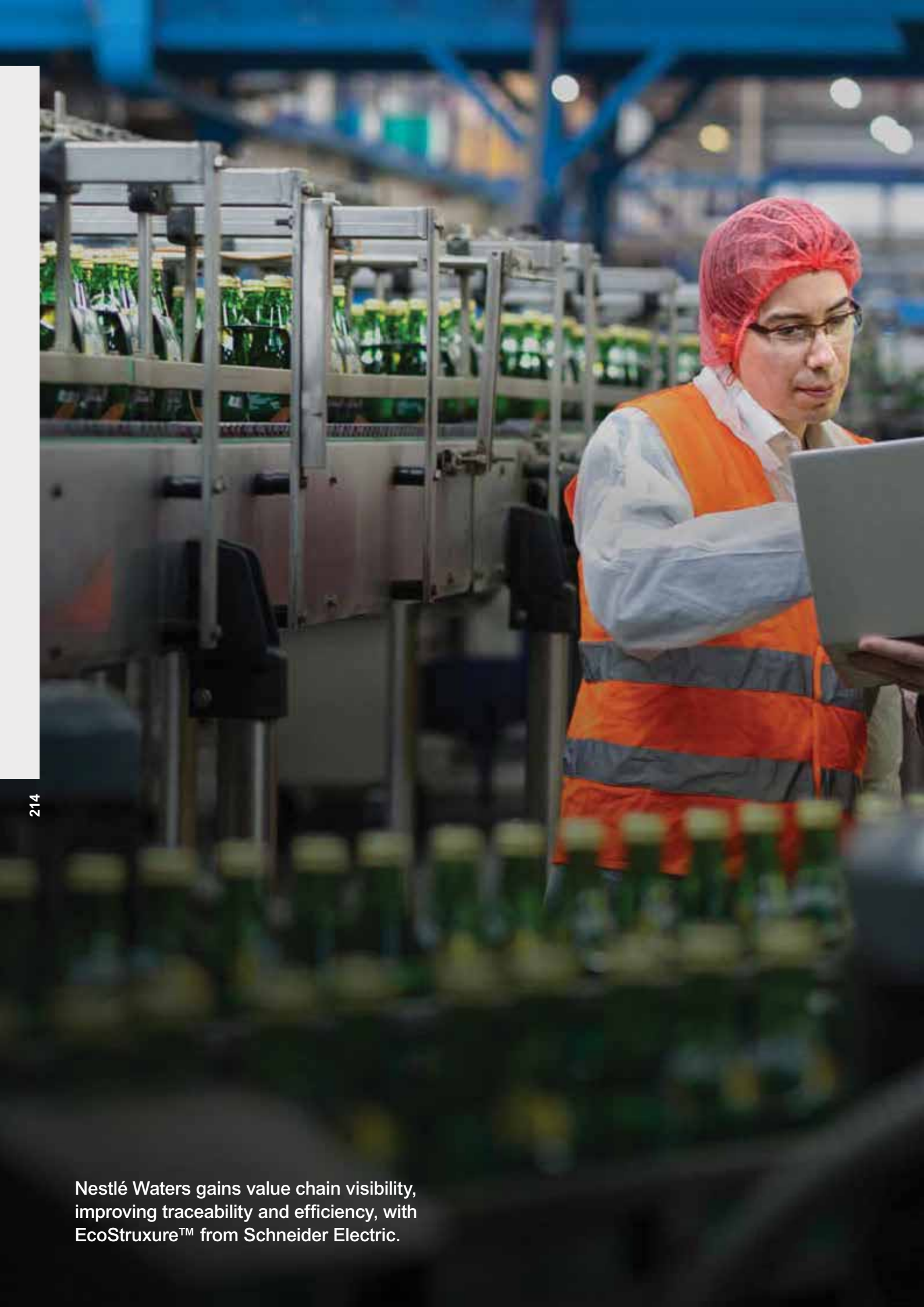
7.3.4 Breakdown of total contributions (Employees, Schneider Electric entities and Schneider Electric Foundation) to the Foundation's actions

| | Units | 2020 | 2019 |
|--|-------|------------------|-----------|
| Breakdown by region | | | |
| Africa & Middle East | % | 8% | 11% |
| America | % | 31% | 38% |
| Asia & Pacific | % | 27% | 21% |
| Europe | % | 30% | 30% |
| Cross countries | % | 4% | UP |
| DONATIONS IN PRODUCTS OR SERVICES FOR A PARTNER/PROJECT OF THE FOUNDATION | € | 6,927,700 | 8,062,248 |
| Number of employees involved in the Foundation's actions | # | 35,000 | 35,000 |

UP = Unpublished.

7.3.5 Total budget for the Foundation's actions

| | Units | 2020 | 2019 |
|---|-------|-------------------|------------|
| FOUNDATION BUDGET, FINANCIAL CONTRIBUTIONS AND DONATIONS IN KIND | € | 20,215,505 | 19,777,911 |



Nestlé Waters gains value chain visibility, improving traceability and efficiency, with EcoStruxure™ from Schneider Electric.



3

Corporate Governance Report

| | |
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1. Governance Report

Vice-Chairman & Lead Independent Director's introduction

Dear Shareholders,

2020 was a signature year for Schneider Electric which demonstrated the resilience of its business model in difficult circumstances. The strong results achieved in such an unprecedented situation proved the success and the robustness of the strategy implemented under the leadership of Jean-Pascal Tricoire, Chairman and CEO.

All employees, the management team as well as the Board of directors had to adapt. The Board held 12 meetings, *i.e.* 5 more than in 2019, to monitor and control the situation during the COVID-19 crisis. Overall, directors had a very high attendance rate of 97%.

In terms of governance, 2020 was also a year of change with the departure of the deputy CEO, some important changes in the Executive Committee in spring, and my appointment as Vice-Chairman & Lead Independent Director, taking over from Leo Apotheke. In this year, the Board continued to improve and reinforce its composition and invites you to support at the Shareholders' Meeting the appointment of Anna Ohlsson-Leijon as a new director. On February 10, 2021, Anna Ohlsson-Leijon was appointed by the Board as an Observer upon recommendation from the Governance & Remuneration Committee which conducted the search process for new candidates.

The Board also recommends supporting the renewal of Jean-Pascal Tricoire's office as Director for a further four-year term and intends to renew his combined function as Chairman and CEO. Indeed, the performance of Jean-Pascal Tricoire in his double mandate was positively assessed by the Board of Directors taking into account his profile, excellent track record within the Company and his openness to the Board Members' recommendations as well as the governance mechanisms in place to safeguard the balance of power between the Board and the management. Nevertheless, the Board understands and acknowledges the preference of its investors to have a clear distinction between the roles of Chairman and CEO, and intends to separate the roles of Chairman and Chief Executive Officer before the end of Jean-Pascal Tricoire's upcoming term.

Throughout 2020, I had the opportunity to discuss our compensation policy and approach with many of Schneider Electric's shareholders, as well as investor representative bodies, and will continue this dialogue in 2021.

For 2020, the Board decided to use the discretion clause provided in the existing compensation policy on annual variable compensation. This was predicated on the fact that the COVID-19 crisis brought about exceptional circumstances external to the Group. It was and continues to be in the Group's interest to incentivize, within reasonable levels, the Corporate Officer and all employees to drive performance and keep all teams motivated. In doing so, the Board reviewed the compensation outcome to ensure its alignment with the resilient results achieved by the Group and with shareholders' experience in 2020 (Schneider Electric TSR ranked 2nd of the CAC40 and 1st of its Peer group). In addition, the outcome for the Corporate Officer had to be consistent with the approach applied to the ~58,000 employees of the Group who participate in a similar annual variable compensation plan.



Fred Kindle
Vice-Chairman
& Lead Independent Director

It is important to note that the Board decided not to apply the discretion clause to the Long-Term Incentive Plans which remained unchanged. For the LTIP that vested in 2020, the Board concluded that its payout level accurately reflects the outstanding performance and shareholder return realized over the past three years as well as the Company's strong resilience throughout the crisis.

As for the 2021 compensation policy, the Board of Directors took into account the wide approval for the revisions made in the last few years (for example, on the post-mandate benefits and the new LTIP criteria). Consequently, the Board of Directors decided not to materially change the compensation policy again. The current policy appears balanced, provides a competitive pay structure, ensures a strong link between pay and performance, enforces strong alignment with employees and shareholders, and, last but not least, provides both a short and long-term focus.

I hope that these balanced and well thought-through proposals will receive your support.

I invite you to read this governance and compensation report as well as the notice of meeting. They provide more detail on the governance structure of the Company and on all draft resolutions you are asked to approve at the 2021 Shareholders' Meeting. I welcome shareholders' participation at the Annual General Meeting. They can express their views ahead of or during the meeting with the digital tools that we will provide. Unfortunately, the ongoing pandemic will not allow us to conduct a physical meeting for the second time. We are truly sorry about this but look forward to a successful AGM.

Thank you for your support and your trust,

Fred Kindle
Vice-Chairman
& Lead Independent Director

This corporate governance report has been approved by the Board of Directors at its meeting of February 10, 2021.

Corporate Governance Code

The Company applies all the AFEP-MEDEF corporate governance guidelines that are available online at www.medef.com.

Governance structure

Board of Directors

14 Directors including 8 independents, 2 Directors representing the employees and 1 Director representing the employee shareholders.



12
meetings in 2020

97%
average attendance in 2020

3
executive sessions in 2020

Audit & Risks Committee

4
members
Read more in section 1.4.1

8
meetings*

100%
average attendance

75%
independence

Governance & Remunerations Committee

5
members
Read more in section 1.4.2

10
meetings*

100%
average attendance

60%
independence

Human Resources & CSR Committee

6
members
Read more in section 1.4.3

5
meetings*

100%
average attendance

75%
independence**

Investment Committee

7
members
Read more in section 1.4.4

5
meetings

100%
average attendance

80%
independence**

Digital Committee

4
members
Read more in section 1.4.5

4
meetings*

100%
average attendance

75%
independence

* Including joint meetings with other committee

** Employee Directors excluded as prescribed by the AFEP-MEDEF Corporate Governance Code

1. Governance Report

1.1 Composition of the Board of Directors

As of December 31, 2020, the Board of Directors counted 14 Directors. Mrs. Anna Ohlsson-Leijon was appointed as an Observer by the Board of Directors on February 10, 2021 with the intent to submit her candidacy at the Annual Shareholders' Meeting to be held on April 28, 2021.



Mr. Jean-Pascal Tricoire
Chairman and Chief executive officer



Mr. Fred Kindle
Vice-chairman & Lead Independent Director



Mr. Léo Apotheker
Director



Mrs. Cécile Cabanis
Independent Director



Mrs. Rita Felix
Employee Director



Mr. Willy R. Kissling
Director



Mrs. Linda Knoll
Independent Director



Mrs. Jill Lee
Independent Director



Mrs. Xiaoyun Ma
Employee Shareholders Director



Mr. Patrick Montier
Employee Director



Mrs. Fleur Pellerin
Independent Director



Mr. Anders Runevad
Independent Director



Mr. Gregory Spierkel
Independent Director



Mr. Lip-Bu Tan
Independent Director



Anna Ohlsson-Leijon
Observer

Board committees





















































Changes in the composition of the Board of Directors in 2020 and until the date of this Universal Registration Document

| | Name | Gender | Nationality | Date of appointment | Term end |
|--|---------------------|--------|---------------|---------------------|----------|
| Directors whose term of office was renewed at the 2020 AGM* | Léo Apotheker | M | French/German | April 2008 | AGM 2023 |
| | Cécile Cabanis | F | French | April 2016 | AGM 2024 |
| | Fred Kindle | M | Swiss | April 2016 | AGM 2024 |
| | Willy Kissling | M | Swiss | April 2001 | AGM 2022 |
| Directors who left the Board of Directors in 2020 | None | | | | |
| Directors who joined the Board of Directors in 2020 | Jill Lee | F | Singaporean | April 2020 | AGM 2024 |
| | Rita Felix | F | Portuguese | August 2020 | AGM 2024 |
| Observer who joined the Board of Directors in 2021 | Anna Ohlsson-Leijon | F | Swedish | February 2021 | AGM 2021 |

* Annual General Shareholders' Meeting.

Overview of the composition of the Board of Directors as of the date of this Universal Registration Document

| Personal information | | | | | Position within the board | | | | Attendance rate in 2020 | | Participation in Board committees | | | | |
|---|--------|---|--|--|---|---------------------|----------|--------------------------|-------------------------|-----------|---|---|---|---|---|
| Age | Gender | Nationality | Number of directorships in listed companies* | Number of Schneider Electric shares held | Independence | First appointment** | Term end | Seniority on the Board** | Board | Committee | Audit & Risks Committee | Governance & Remunerations Committee | Human Resources & CSR Committee | Investment Committee | Digital Committee |
| Jean-Pascal Tricoire, Chairman & Chief executive officer | | | | | | | | | | | | | | | |
| 57 | M |  | 2 | 728,469 | | 2013 | AGM 2021 | 7 | 92% | – | | | | | |
| Fred Kindle, Vice-Chairman & Lead Independent Director | | | | | | | | | | | | | | | |
| 61 | M |  | 3 | 40,000 |  | 2016 | AGM 2024 | 4 | 100% | 100% |  | | |  | |
| Léo Apotheker, non-independent Director | | | | | | | | | | | | | | | |
| 67 | M |  | 3 | 3,093 | | 2008 | AGM 2023 | 12 | 100% | 100% | |  | |  |  |
| Cécile Cabanis, independent Director | | | | | | | | | | | | | | | |
| 49 | W |  | 4 | 1,000 |  | 2016 | AGM 2024 | 4 | 83% | 100% |  | | | | |
| Rita Felix, Employee Director | | | | | | | | | | | | | | | |
| 38 | W |  | 1 | 0 | | 2020 | AGM 2024 | <1 | 100% | 100% | | | |  | |
| Willy Kissling, non-independent Director | | | | | | | | | | | | | | | |
| 76 | M |  | 1 | 1,600 | | 2001 | AGM 2022 | 19 | 100% | 100% |  |  |  | | |
| Linda Knoll, independent Director | | | | | | | | | | | | | | | |
| 60 | W |  | 2 | 1,000 |  | 2014 | AGM 2022 | 6 | 92% | 100% | |  |  | | |
| Jill Lee, independent Director | | | | | | | | | | | | | | | |
| 57 | W |  | 1 | 1,000 |  | 2020 | AGM 2024 | <1 | 100% | 100% |  | | | | |
| Xiaoyun Ma, Director representing the employee shareholders | | | | | | | | | | | | | | | |
| 57 | W |  | 1 | 23,097 | | 2017 | AGM 2021 | 3 | 100% | 100% | | |  |  | |
| Patrick Montier, Employee Director | | | | | | | | | | | | | | | |
| 64 | M |  | 1 | 4,042 | | 2017 | AGM 2021 | 3 | 100% | 100% | | | |  | |
| Fleur Pellerin, independent Director | | | | | | | | | | | | | | | |
| 47 | W |  | 2 | 1,000 |  | 2018 | AGM 2022 | 2 | 92% | 100% |  | |  | |  |
| Anders Runevad, independent Director | | | | | | | | | | | | | | | |
| 61 | M |  | 4 | 1,000 |  | 2018 | AGM 2022 | 2 | 100% | 100% | | |  |  | |
| Gregory Spierkel, independent Director | | | | | | | | | | | | | | | |
| 64 | M |  | 3 | 1,000 |  | 2015 | AGM 2023 | 5 | 100% | 100% | |  | |  |  |
| Lip-Bu Tan, independent Director | | | | | | | | | | | | | | | |
| 61 | M |  | 4 | 1,000 |  | 2019 | AGM 2023 | 1 | 100% | 100% | | | |  |  |
| Anna Ohlsson-Leijon, Observer | | | | | | | | | | | | | | | |
| 52 | W |  | 2 | 0 |  | – | – | – | – | – | – | – | – | – | – |

* Including Schneider Electric SE directorship.

** As a Director or member of the Supervisory Board (if any, the period of presence at the Board as an Observer is not taken into account).

 Independent  Chairperson of the committee  Member of the committee

1. Governance Report

List of directorships and other functions of the members of the Board of Directors as of the date of this Universal Registration Document



Jean-Pascal Tricoire

Chairman and Chief executive officer of Schneider Electric SE

Age: 57 years

Nationality: French

Business address: Schneider Electric
35, rue Joseph Monier, 92500 Rueil-Malmaison, France
728,469⁽¹⁾ Schneider Electric SE shares

Experience and qualifications

After graduating from ESEO Angers and obtaining an MBA from EM Lyon, Jean-Pascal Tricoire spent his early career with Alcatel, Schlumberger, and Saint-Gobain and joined the Schneider Electric Group (Merlin Gerin) in 1986. From 1988 to 2001, he occupied operational functions within Schneider Electric abroad, in Italy, China South Africa and the US. He held corporate positions from 1999 to 2001 including Director in charge of Strategic Global Accounts and the strategic plan. From January 2002 to the end of 2003, he was appointed at the executive committee as Executive Vice-President of Schneider Electric's International Division. In October 2003, he was appointed Deputy CEO before becoming Chairman of the Management Board of Schneider Electric SA on May 3, 2006. On April 25, 2013, following the change in mode of governance of the Company, he was appointed Chairman and CEO.

Term of office

First appointed: 2013/Term ends: 2021

Current directorships

Other directorships at listed companies:

Director of **Qualcomm, Inc.** (USA).

Other external directorships:

Co-Chairman of the France-China Business Committee;
Director of the Board of the United Nations Global Compact (USA); Member of the Board of Trustees of Northeastern University (USA).

Other internal directorships:

Chairman of the Board of Directors of Schneider Electric Industries SAS; Director of Delixi Electric Ltd; Director of Schneider Electric USA, Inc.; Chairman of the Board of Directors of Schneider Electric Asia Pacific Ltd; Chairman of the Board of Directors of Schneider Electric Holdings Inc.



Fred Kindle*

Vice-Chairman & Lead Independent Director of Schneider Electric SE

Age: 61 years

Nationality: Swiss

Business address: Schneider Electric
35, rue Joseph Monier, 92500 Rueil-Malmaison, France
40,000 Schneider Electric SE shares

Experience and qualifications

Fred Kindle graduated from the Swiss Federal Institute of Technology (ETH) in Zurich and holds an MBA from Northwestern University, Evanston, USA. He began his career in the Marketing Department of Hilti AG in Liechtenstein from 1984 to 1986. From 1988 to 1992, he worked as a consultant at McKinsey & Company in New York and Zurich. He then joined Sulzer AG in Switzerland where he held various management positions. In 1999, he was appointed CEO of Sulzer Industries and in 2001, he became CEO of Sulzer AG. After joining ABB Ltd in 2004, Fred Kindle was appointed CEO of the ABB group, a position which he held until 2008. He then became a partner at Clayton, Dubilier & Rice LLP, a private equity fund based in London and New York. He is now an independent consultant and Director at several companies. Board member of Schneider Electric SE since 2016, he was appointed Vice-Chairman & Lead Independent Director in April 2020.

Term of office

First appointed: 2016/Term ends: 2024

Current directorships

Other directorships at listed companies:

Chairman of the Board of Directors of **VZ Holding AG** (Switzerland) and Director of **Stadler Rail AG** (Switzerland).

Other external directorships:

None

Previous directorships

Previous directorships held in the past five years:

Director of **Exova Plc.** (United Kingdom); Partner of **Clayton Dubilier & Rice Llc.** (USA); Chairman of the Board of Directors of **Exova Group Plc.** (United Kingdom); Chairman of the Board of Directors of **BCA Marketplace Plc.** (United Kingdom); Director of **Rexel SA** (France); Member of the Development committee of the Royal Academy of Engineering (London); Vice-Chairman of **Zurich Insurance Group Ltd.** (Switzerland); Chief executive officer of **Kinon AG** (Switzerland).

Board committees



Skills



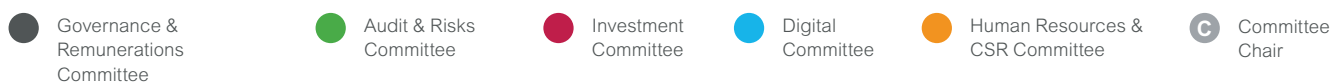
Honorary Chairman: Mr. Didier Pineau-Valencienne

* An independent Director within the meaning of the AFEP-MEDEF Corporate Governance Code.

(1) Held directly or through the FCPE.

Note: **bold** indicates the names of companies whose securities are listed on a regulated market.

Board committees





Léo Apotheker

Company Director

Age: 67 years

Nationality: French/German

Business address: Schneider Electric
35, rue Joseph Monier, 92500 Rueil-
Malmaison, France
3,093 Schneider Electric SE shares

Board committees



Skills



Experience and qualifications

Léo Apotheker began his career in 1978 in management control after graduating with a degree in international relations and economics from the Hebrew University in Jerusalem. He then held management and executive responsibilities in several firms specializing in information systems including SAP France & Belgium, where he was Chairman and CEO between 1988 and 1991. Léo Apotheker was founding Chairman and CEO of ECsoft. In 1995, he returned to SAP and, after various appointments within SAP as regional director, he was appointed in 2002 as a member of the Executive Committee and President of Customer Solutions & Operations, then in 2007 as Deputy CEO of SAP AG and in 2008 CEO of SAP AG. In 2010, he became CEO and Chairman of Hewlett-Packard, a position he held until the fall of 2011. Board member of Schneider Electric SE since 2008, Léo Apotheker served as Vice-Chairman & Lead Independent Director from 2014 to April 2020.

Term of office

First appointed: 2008/Term ends: 2023

Current external appointments

Other directorships at listed companies:
Director of **NICE-Systems Ltd** (Israel); Chairman and Co-CEO of **Burgundy Technology Acquisition Corporation** (USA).

Other directorships:

Chairman of the Board of Directors of Unit 4 NV (Netherlands); Chairman of Synchron International AB (Sweden); Director of P2 Energy Solutions (USA); Director of Taulia (USA), Director of MercuryGate (USA).

Previous directorships

Previous directorships held in the past five years:

Chairman of the Supervisory Board of Signavio GmbH (Germany); Director and Chairman of the Board of KMD A.S. (Denmark), Member of the Supervisory Board of **Steria** (France).



Cécile Cabanis*

Vice-Chairwoman of Danone

Age: 49 years

Nationality: French

Business address: Danone,
17 boulevard Haussmann,
75009 Paris, France
1,000 Schneider Electric SE shares

Board committees



Skills



Experience and qualifications

Engineer graduated from Agro Paris Grignon, Cécile Cabanis began her career in 1995 at L'Oréal in South Africa, where she worked as logistics manager and head of management control before working in France as an internal auditor. In 2000, she joined Orange as Assistant Director in the group's Mergers- Acquisitions division. Cécile Cabanis came to Danone in 2004 as Corporate Financial Officer, then Head of Development. In 2010, she was appointed Chief Financial Officer of the Fresh Dairy Products Division. From 2015 to February 2021, she has been Danone's Chief Financial Officer Technology & Data, Cycles & Procurement. Since 2018, she has been a member of the Board of Directors of Danone SA and has been appointed Vice-Chairwoman on December 2020. Shi is also the Chairperson of the Board of Directors of Livelihoods Fund SICAV SIF, a fund created to accelerate its partners' actions in favor of the climate and the most vulnerable people.

Term of office

First appointed: 2016/Term ends: 2024

Current external appointments

Other directorships at listed companies:
Vice-Chairwoman of the Board of Directors of **Danone SA** (France); Director of **2MXOrganic** (France); Member of the Supervisory Board of **Unibail-Rodamco-Westfield SE**.

Other directorships:

Vice-chairwoman, member of the Supervisory Board of Mediawan (France); Director of Michel et Augustin SAS (France); Member of the Supervisory Board of Société Editrice du Monde (France), Chairwoman and member of the Board of Directors of Livelihoods Fund (SICAV, Luxembourg).

Previous directorships

Previous directorships held in the past five years:

Director of Central Danone (Morocco); Fromagerie des Doukkala (Morocco); Danone Djurdura (Algeria); Produits Laitiers Frais Iberia (Spain); Danone SA (Spain); Compagnie Gervais Danone (France); Dan Trade (Russia); Danone Limited (United Kingdom); Danone Industria LLC (Russia); JSC Danone Russia (Russia); Danonewave (Public Benefit Corporation – USA); Member of the Supervisory Board of Danone Sp. z.o.o (Poland); Toeca International Company B.V. (the Netherlands); Chief executive officer of Danone CIS Holdings B.V. (Netherlands).

* An independent Director within the meaning of the AFEP-MEDEF Corporate Governance Code.
Note: **bold** indicates the names of companies whose securities are listed on a regulated market.

Skills

€ Financial or accounting

🌐 Deep knowledge of the Group's market

💻 Digital skills

🌍 Deep knowledge of the US market

🌏 Deep knowledge of the Asian market

★ Former or current CEO of listed companies including energy sector

🌱 Sustainability skills

🏢 Deep knowledge of the Group

1. Governance Report



Rita Felix

PMO & Inside Sales Leader

Age: 38 years

Nationality: Portuguese

Business address: Av. do Forte 3,
Ed. Suécia IV, Piso 3, 2794-038
Carnaxide, Portugal

0⁽¹⁾ Schneider Electric SE shares

Board committees



Skills



Experience and qualifications

Rita Felix is graduated from ISCTE – IUL (University Institute of Lisbon) including 6 months in the Vrije Universiteit (Amsterdam). She also holds a master's degree in Marketing Management (2012). She began her career in consulting at Deloitte, where she worked from 2006 to 2008. After that she joined the marketing department of COSEC (a credit insurance company partially owned by Euler Hermes). Rita Felix came to Schneider Electric Portugal in 2012 as Business Excellence. In 2017, she was appointed Project Management Officer (PMO) for Global Marketing, International Operations at Schneider Electric group. Since 2020 she has been working as a PMO and Inside Sales Director. In July 2020, she was designated Director representing the employees of Schneider Electric SE. During November 2020, she attended the High Performance Boards at IMD Business School.

Term of office

First appointed: 2020/Term ends: 2024

Current external appointments

Other directorships at listed companies:

None

Other directorships:

None

Previous directorships

Previous directorships held in the past five years:

None



Willy R. Kissling

Company Director

Age: 76 years

Nationality: Swiss

Business address: Schneider Electric
35, rue Joseph Monier, 92500 Rueil-
Malmaison, France

1,600 Schneider Electric SE shares

Board committees



Skills



Experience and qualifications

Willy R. Kissling is a graduate from the Universities of Bern (Dr. Rer.pol) and Harvard (P.M.D). He began his career at Amiantus Corporation and then joined Rigips, a plasterboard manufacturer, in 1978. He was appointed to the Rigips Executive Committee in 1981 and subsequently became CEO. From 1987 to 1996, Willy R. Kissling served as CEO of Landis&Gyr Corporation, a provider of services, systems and equipment for energy management, building control and payment systems for payphone operators. From 1998 to 2005, he was Chairman of Oerlikon Bürhle Holding AG (renamed OC Oerlikon Corp.) and of SIG Holding Ltd, and Vice-Chairman of Holcim Ltd (renamed LafargeHolcim Ltd). Willy R. Kissling has also been a member on various Board of Directors including those of Kühne&Nagel International Ltd and European Advisory Board member of Pratt&Whitney and Booz Allen Hamilton.

Term of office

First appointed: 2001/Term ends: 2022

Current external appointments

Other directorships at listed companies:

None.

Previous directorships

Previous directorships held in the past five years:

None.

* An independent Director within the meaning of the AFEP-MEDEF Corporate Governance Code.

(1) Held directly or through the FCPE.

Note: **bold** indicates the names of companies whose securities are listed on a regulated market.

Board committees

Governance & Remunerations Committee

Audit & Risks Committee

Investment Committee

Digital Committee

Human Resources & CSR Committee

Committee Chair



Linda Knoll*

Company Director

Age: 60 years

Nationality: American

Business address: Schneider Electric
35, rue Joseph Monier, 92500 Rueil-
Malmaison, France
1,000 Schneider Electric SE shares

Board committees



Skills



Experience and qualifications

Linda Knoll holds a Bachelor of Science Degree in Business Administration from Central Michigan University. After a career in the land systems division of General Dynamics, Linda Knoll honed her career in the predecessor companies to FCA and CNH Industrial through numerous operational assignments, accumulating a wealth of relevant industrial industry experience spanning more than 25 years (including Vice-President and General Manager of the Crop Production Global Product Line, Vice-President North America Agricultural Industrial Operations, Executive Vice-President Agricultural Product Development, President Parts and Service (ad interim) and Executive Vice-President Worldwide Agricultural Manufacturing). Linda Knoll has been CHRO in CNH Industrial (from 2007 to 2019) and Fiat Chrysler Automobiles (from 2011 to March 2021).

Term of office

First appointed: 2014/Term ends: 2022

Current external appointments

Other directorships at listed companies:
Chief Human Resources Officer and member of the Group Executive Council of **Fiat Chrysler Automobiles N.V.** (Netherlands).

Other directorships:

Director of Comau S.p.A.

Previous directorships

Previous directorships held in the past five years:
None.



Jill Lee*

Group Chief Financial Officer of Sulzer Ltd

Age: 57 years

Nationality: Singaporean

Business address: Neuwiesenstrasse
15, Winterthur 8401, Zurich,
Switzerland
1,000 Schneider Electric SE shares

Board committees



Skills



Experience and qualifications

Jill holds a Bachelor of Business Administration from National University of Singapore and an MBA from Nanyang Technological University in Singapore. Jill Lee began her career in finance in 1986 at Siemens, AT&T and Tyco Electronics in Singapore. She pursued her career within Siemens where she held a number of leadership positions from 1997 to 2010 (including CFO and Senior Vice-President of Siemens in Singapore, CFO and Senior Executive Vice-President of Siemens in China, Group Chief Diversity Officer), then Senior Vice-President, Finance Strategy and Investments for Neptune Orient Lines in Singapore (2010 to 2011) and later ABB from 2012 to 2018 where she was Senior Vice-President and CFO for ABB China and North Asia Region and then Group Senior Vice-President and Head of Next Level Program Management of ABB. Since April 2018, Jill Lee serves as Group Chief Financial Officer of Sulzer Ltd, a company where she had been previously a member of the Board of Directors for 7 years and Chairwoman of the Audit Committee.

Term of office

First appointed: 2020/Term ends: 2024

Current external appointments

Other directorships at listed companies:
None.

Other directorships:

Advisory Board Member of Nanyang Business School, Singapore.

Previous directorships

Previous directorships held in the past five years:
Observer of **Schneider Electric SE**; Member of the Supervisory Board of **Signify N.V.** (formerly Philips Lighting); Non-executive Director of **Sulzer Ltd**.

* An independent Director within the meaning of the AFEP-MEDEF Corporate Governance Code.
Note: **bold** indicates the names of companies whose securities are listed on a regulated market.

Skills

€ Financial and accounting

🌐 Deep knowledge of the Group's market

💻 Digital skills

🌍 Deep knowledge of the US market

🌏 Deep knowledge of the Asian market

★ Former or current CEO of listed companies including energy sector

🌱 Sustainability skills

🏭 Deep knowledge of the Group

1. Governance Report



Xiaoyun Ma

CFO for Schneider's China Operations

Age: 57 years

Nationality: Chinese

Business address: 8F, Schneider Electric Building, No. 6, East WangJing Rd. Chaoyang District Beijing 100102, China

23,097⁽¹⁾ Schneider Electric SE shares

Board committees



Skills



Experience and qualifications

Graduating from top Chinese universities and holding China Certificate of Public Accountant, Xiaoyun Ma started her career as a finance professional at an audit firm (PWC). She joined Schneider Electric in 1997 as the controller of Schneider (Beijing) Medium Voltage Co., Ltd. in Beijing China. Since then, she has worked in many different controller and CFO positions, covering manufacturing, supply chain and front office, in the China and Asia Pacific zone, while getting an MBA from New York City University in 2004. She is currently the CFO for Schneider's China Operations, in charge of China daily finance operations, organization simplification and internal digital transformation.

Term of office

First appointed: 2017/Term ends: 2021

Current external appointments

Other directorships or functions at listed companies: None

Other directorships within Schneider Electric Group:

Chairwoman of the Board of Directors of Schneider Electric IT (China) Co., Ltd.; Vice-Chairwoman of the Board of Directors of Citic Schneider Smart Building Technology (Beijing) Co., Ltd., Beijing BipBop Efficiency and Automation Application Technology Center (China); Director of Full Excel (Hong Kong) Limited (Hong Kong), Schneider Electric (China) Co., Ltd., Schneider Shanghai Power Distribution Electrical Apparatus Co., Ltd., Schneider Shanghai Low Voltage Terminal Apparatus Co., Ltd., Schneider Shanghai Industrial Control Co., Ltd., Schneider Busway (Guangzhou) Ltd., Schneider (Beijing) Medium and Low Voltage Co., Ltd., Schneider Merlin Gerin Low Voltage (Tianjin) Co., Ltd., Schneider Shanghai Apparatus Parts Manufacturing Co., Ltd., Schneider Wingoal (Tianjin) Electric Equipment Co., Ltd., Shanghai ASCO Electric Technology Co., Ltd. (formerly known as Schneider Automation Solutions (Shanghai) Co., Ltd.), Schneider (Shaanxi) Baoguang Electrical Apparatus Co., Ltd., Clipsal Manufacturing (Huizhou) Co., Ltd., Schneider Switchgear (Suzhou) Co., Ltd., Schneider Smart Technology Co., Ltd.; Supervisor of Zircon Investment (Shanghai) Co., Ltd.; Executive Director of Beijing Leader Harvest Energy Efficiency Investment Co., Ltd. (China).

Other directorships or functions outside Schneider Electric Group:

Vice-Chairwoman of the Board of Directors of Sunten Electric Equipment Co., Ltd. (China).

Previous directorships

Previous directorships held in the past five years:

Chairwoman of the Board of RAM Electronic Technology and Control (Wuxi) Co., Ltd., Beijing Chino Harvest Wind Power Technology Co., Ltd., Schneider Electric Trading (Wuhan) Co., Ltd.; Vice-Chairwoman of the Board of Directors of Schneider Electric (Xiamen) Switchgear Co., Ltd., Schneider Electric (Xiamen) Switchgear Equipment Co., Ltd.; Director of Pelco (Shanghai) Trading Co., Ltd., Schneider (Wuxi) Drives Co., Ltd., Schneider Electric Manufacturing (Wuhan) Co., Ltd., Telvent Control Systems (China) Co., Ltd., Schneider Automation & Control Systems (Shanghai) Co., Ltd., Ennovation Systems Control Co., Ltd., Schneider (Suzhou) Transformer Co., Ltd., Telvent-BBS High & New Tech (Beijing) Co., Ltd., Beijing Leader Harvest Electric Technologies Co., Ltd., Schneider Electric Equipment and Engineering (Xi'an) Co., Ltd., Shanghai Foxboro Co., Ltd., Shanghai Invensys Process Systems Co., Ltd., Schneider Great Wall Engineering (Beijing) Co., Ltd., Tianjin Merlin Gerin Co., Ltd., Schneider (Beijing) Medium Voltage Co., Ltd., Shanghai Schneider Electric Power Automation Co., Ltd., Tianjin Wingoal Electric Equipment Co., Ltd., Schneider South China Smart Technology (Guangdong) Co. Ltd.

(1) Held directly or through the FCPE.

Note: **bold** indicates the names of companies whose securities are listed on a regulated market.

Board committees



Governance & Remunerations Committee



Audit & Risks Committee



Investment Committee



Digital Committee



Human Resources & CSR Committee



Committee Chair



Patrick Montier

Advisor for vocational training

Age: 64 years

Nationality: French

Business address: Schneider Electric
35, rue Joseph Monier, 92500 Rueil-
Malmaison, France
4,042⁽¹⁾ Schneider Electric SE
shares

Board committees



Skills



Experience and qualifications

After graduating from the Institute of Business Administration of the University of Nantes (France), Patrick Montier began his career at Schneider Electric in 1978 as a Business Engineer of the applications and systems department. In 1986, he joined France Country organization and contributed to the development of business activities in the instrumentation and automation fields and in regional marketing as project manager for launching new offers. In 1999, he was appointed regional executive of the France Training Institute in charge of relations with educational institutions (universities, engineering schools, academies). Since 2010, he has been in charge of partnerships with organizations imparting vocational training. Meanwhile, in 2003 he joined the trade union Force Ouvrière and became its Group deputy coordinator in 2010 until the end of January 2017. He followed the training conducted jointly by SciencesPo and the French Institute of Directors ("Institut Français des Administrateurs") and he successfully obtained the "Director of Companies" certificate.

Term of office

First appointed: 2017/Term ends: 2021

Current external appointments

None

Previous directorships

Previous directorships held in the past five years:

Regional Chairman (Loire) of AFDET association (French Association for Technical Education Development, a non-profit association as per the French Law of 1901); Director of CAPRA Prévoyance.



Fleur Pellerin*

Founder & CEO of Korelya Capital

Age: 47 years

Nationality: French

Business address: Korelya Capital, 87
rue Réaumur, 75002 Paris, France
1,000 Schneider Electric SE shares

Board committees



Skills



Experience and qualifications

Fleur Pellerin graduated from the *Ecole Supérieure des Sciences Economiques et Commerciales* (ESSEC), the *Paris Institut d'Etudes Politiques* (IEP-Sciences-Po), and the *Ecole Nationale d'Administration* (ENA). She became a magistrate at the Court of Auditors in the early 2000s. In addition, she worked for the United Nations as an external auditor. In 2007, she joined "Club XXle Siècle", a not-profit association dedicated to diversity and equal opportunities, and served as its president between 2010 and 2012. She took over as French Minister for SMEs, Innovation and Digital Economy in 2012 where she launched a program for the development of French startups referred to as "French Tech". In April 2014, she was appointed Secretary of State for Foreign Trade, Tourism Development and French people residing abroad, a position that she held till August 2014. Additionally, Fleur Pellerin is a lecturer at the ENA and was a Director of the *Public Sénat* channel from 2011 to 2012. In 2016, she left politics and founded Korelya Capital, an investment fund with €200 million in funding which promotes and supports investments in technology start-ups in France and in Europe.

Term of office

First appointed: 2018/Term ends: 2022

Current external appointments

Other directorships at listed companies:

Member of the Supervisory Board of **KLM Royal Dutch Airlines** (the Netherlands).

Other directorships:

Director and CEO of Korelya Consulting, Korelya Capital, Korelya Fondateurs (France); Director of Korelya Portfolio companies (Devialet, Ledger); Director of Stanhope Capital LLP (United Kingdom); Member of the Strategic orientations committee of Talan (France); Member of the Board or Supervisory committee of following Associations: Canneseries, Eurockéennes, Institut Montaigne, Fonds de dotation du Musée du Louvre and France Digitale (France).

Previous directorships

Previous directorships held in the past five years:

Director of **Reworld Media** (France); Director of Naver France (France); Director of Snips (France) (2019).

* An independent Director within the meaning of the AFEP-MEDEF Corporate Governance Code.

(1) Held directly or through the FCPE.

Note: **bold** indicates the names of companies whose securities are listed on a regulated market.

Skills

€ Financial and accounting

🌐 Deep knowledge of the Group's market

💻 Digital skills

🌍 Deep knowledge of the US market

🌏 Deep knowledge of the Asian market

★ Former or current CEO of listed companies including energy sector

🌱 Sustainability skills

🏢 Deep knowledge of the Group

1. Governance Report



Anders Runevad*

Company Director

Age: 61 years

Nationality: Swedish

Business address: Schneider Electric
35, rue Joseph Monier, 92500 Rueil-
Malmaison, France
1,000 Schneider Electric SE shares

Board committees



Skills



Experience and qualifications

Anders Runevad holds a Master of Science Degree in Electrical Engineering from the University of Lund (Sweden), where he also studied business and economy. He joined Ericsson in 1984 as a Design Engineer before assuming various management positions in Sweden, Singapore Brazil, UK and USA. In 1998, he was appointed President of Ericsson Singapore. From 2000 to 2004, he served as Vice-President Sales and Marketing of Ericsson Mobile Communications AB. In 2004, he was appointed President of Ericsson Brazil. From 2007 until 2010, he served as Executive Vice-President, and Director of the Board at Sony Ericsson Mobile Communications AB. He then became President of Western & Central Europe at Telefonaktiebolaget LM Ericsson (public company) in 2010. In 2013, he left Ericsson to join Vestas Wind Systems A/S as Chief executive officer and Group President, a position from which he stepped down in 2019.

Term of office

First appointed: 2018/Term ends: 2022

Current external appointments

Other directorships at listed companies:

Director of **Nilfisk Holding A/S** (Denmark); Director of **Vestas Wind Systems A/S** (Denmark); Director of **Peab AB** (Sweden).

Other directorships:

Chairman of the board PGA National Sweden (Sweden).

Previous directorships

Previous directorships held in the past five years:

President & CEO of **Vestas Wind Systems A/S** (Denmark); Member of the General Council of the Confederation of Danish Industry; Member of the Industrial Policy Committee of the Confederation of Danish Industry, Director of **NKT A/S** (Denmark) (2018).



Gregory Spierkel*

Company Director

Age: 64 years

Nationality: Canadian

Business address: Schneider Electric
35, rue Joseph Monier, 92500 Rueil-
Malmaison, France
1,000 Schneider Electric SE shares

Board committees



Skills



Experience and qualifications

Gregory Spierkel holds a Bachelor's degree in Commerce from Carleton University (Ottawa) and a Master's Degree in Business Administration from Georgetown University. He also attended the Advanced Manufacturing program at INSEAD. Gregory Spierkel began his career working for Bell Canada in sales and product development, followed by a period with Nortel Inc. in market research. For four years, he served as Managing Director of Mitel Telecom with responsibilities over Europe and Asia. He then spent five years at Mitel Corp. where he served as President of North America and President of Global Sales and Marketing. In August 1997, he joined Ingram Micro as a Senior Vice-President Asia-Pacific. In June 1999, he was appointed as Executive Vice-President and President of Ingram Micro Europe. He was promoted to President of the Ingram Micro Inc. group in 2004, before assuming the role of CEO of Ingram Micro Inc. from 2005 to 2012.

Term of office

First appointed: 2015/Term ends: 2023

Current external appointments

Other directorships at listed companies:

Director of **MGM Resorts International** (USA); Director of **PACCAR Inc.** (USA).

Other directorships:

Member of McLaren Advisory Group (McLaren Technology Group) (United Kingdom).

Previous directorships

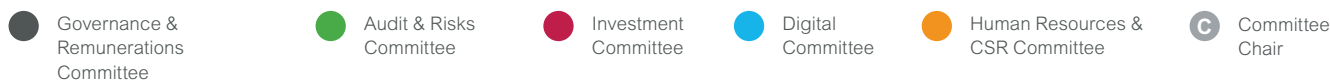
Previous directorships held in the past five years:

Observer of **Schneider Electric SE**.

* An independent Director within the meaning of the AFEP-MEDEF Corporate Governance Code.

Note: **bold** indicates the names of companies whose securities are listed on a regulated market.

Board committees





Lip-Bu Tan*

CEO of Cadence Design Systems, Inc.

Age: 61 years

Nationality: American

Business address: One California Street, Suite 1750, San Francisco, CA 94111, United States

1,000 Schneider Electric SE shares

Board committees



Skills



Experience and qualifications

Lip-Bu Tan holds a Master of Science in Nuclear Engineering from the Massachusetts Institute of Technology, an MBA from the San Francisco University, and a Bachelor of Science degree from the Nanyang University of Singapore. Lip-Bu Tan held management positions at EDS Nuclear and ECHO Energy before being Vice-President of Chappell & Co. He also serves as Chairperson of Walden International, a venture capital firm he founded in 1987. Lip-Bu Tan is currently CEO and Board member of Cadence Design Systems, Inc., positions that he has been holding since 2009 and 2004 respectively.

Term of office

First appointed: 2019/Term ends: 2023

Current external appointments

Other directorships at listed companies:

CEO and board member of **Cadence Design Systems, Inc.** (USA), Director of **Softbank Group Corp.** (Japan) and of **Hewlett Packard Enterprise** (USA).

Other directorships or functions:

Director of Advanced Micro-Fabrication Equipment Inc (Shanghai), CNEX Labs, Inc. (USA), Fungible, Inc. (USA), Innovium, Inc. (USA), Komprise (USA), RF Pixels, Inc.(USA), LightBits Labs (Israel), Movandi Corporation (USA), NuVia, Inc. (USA), Oryx Vision (Israel), Prosimo, Inc. (USA), Proteantecs (Israel), Rosetal System Information Ltd. (dba Localize) (Israel), Vayyar Imaging (Israel), HiDeep, Inc. (South Korea), Silicon Mitus, Inc. (South Korea), SambaNova Systems, Inc. (USA), The Electronic System Design Alliance (ESD Alliance), Member of the board of trustees and the School of Engineering Dean's Council at Carnegie Mellon University (CMU), Global Advisory board Member of METI Japan, Member of the board of Global Semiconductor Alliance (GSA), Member of The Business Council and Committee 100.

Previous directorships

Previous directorships held in the past five years:

Observer of **Schneider Electric SE**, Board member of Habana Labs Ltd. (Israel), Tagore Technology, Inc. (USA), WekaIO, LTD (Israel), **Aquantia Corporation** (USA), Semiconductor Manufacturing International Corporation (China), SINA Corporation (China), Quantenna Communications, Inc. (USA) and Ambarella Inc. (USA).



Anna Ohlsson-Leijon

Chief executive officer Europe and Executive Vice-President of AB Electrolux

Age: 52 years

Nationality: Swedish

Business address: St Göransgatan 143, 105 45 Stockholm, Sweden

0 Schneider Electric SE share

Skills



Experience and qualifications

Anna Ohlsson-Leijon, a Swedish Citizen, is currently Chief Executive Officer Europe and Executive Vice President of AB Electrolux, a position that she has held since 2018. Ms. Ohlsson-Leijon began her career in 1993 at PricewaterhouseCoopers where she held various positions advising high-tech, industrial and media companies. In 2000, she joined Kimoda, an e-commerce platform, as Chief Financial Officer, before joining in 2001 AB Electrolux (Sweden) as Director of Project Management. Anna Ohlsson-Leijon then held various senior positions in corporate functions including Director internal audit & Global program manager Sarbanes-Oxley Act from 2003 to 2005, Head of Management Assurance & Special Assignments until 2008, Group Treasurer until 2011, Head of Corporate Control & Services until 2013 and Chief Financial Officer Major Appliance EMEA thereafter. She was then promoted to Chief Financial Officer of AB Electrolux in 2016 before taking her current position in 2018. Anna Ohlsson-Leijon holds a Bachelor of Sciences in Business Administration and Economics from Linköping University (Sweden). Ms. Ohlsson-Leijon currently also seats on the board of Atlas Copco AB.

Term of office

Co-optation as Observer member: February 2021

Candidate for election: April 2021

Current directorships

Observer of **Schneider Electric SE**

Current external appointments

Other directorships at listed companies:

Director and member of the Audit Committee of **Atlas Copco AB** (Sweden).

Other directorships:

None

Previous directorships

Previous directorships held in the past five years:

Director and Chairwoman of the Audit Committee of **Alfa Laval AB** (Sweden), Director and member of the Audit Committee of **Ahlstrom-Munksjö Oyj** (Finland).

* An independent Director within the meaning of the AFEP-MEDEF Corporate Governance Code.
Note: **bold** indicates the names of companies whose securities are listed on a regulated market.

Skills

€ Financial and accounting

🌐 Deep knowledge of the Group's market

💻 Digital skills

🌍 Deep knowledge of the US market

🌏 Deep knowledge of the Asian market

★ Former or current CEO of listed companies including energy sector

🌱 Sustainability skills

🏢 Deep knowledge of the Group

1. Governance Report

Independent Directors

Each year, as provided under the AFEP-MEDEF Corporate Governance Code, the Board of Directors, on the report of the Governance & Remunerations Committee, dedicates one of the points on its agenda to the qualification of its members as independent with regard to the criteria for independence set out in article 9.5 of the Code and presented in the table below.

Criterion 1: employee or Corporate Officer within the previous five years

Not to be and not to have been within the previous five years:

- an employee or executive Corporate Officer of the Company;
- an employee, executive Corporate Officer, or Director of a company consolidated with the Company;
- an employee, executive Corporate Officer, or Director of the Company's parent company or a company consolidated with this parent company.

Criterion 2: cross-directorships

Not to be an executive Corporate Officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive Corporate Officer of the Company (currently in office or having held such office within the last five years) holds a directorship.

Criterion 3: significant business relationships

Not to be a customer, supplier, commercial banker, investment banker, or consultant:

- that is significant to the Company or its group;
- or for which the Company or its group represents a significant portion of its activity.

The assessment of the significance or otherwise of the relationship with the Company or its group must be debated by the board and the quantitative and qualitative criteria that led to this evaluation (continuity, economic dependence, exclusivity, etc.) must be explicitly stated in the annual report.

Criterion 4: family ties

Not to be related by close family ties to a Corporate Officer.

Criterion 5: auditor

Not to have been an auditor of the Company within the previous five years.

Criterion 6: period of office exceeding 12 years

Not to have been a Director of the Company for more than 12 years. Loss of the status of independent Director occurs on the date of the 12th anniversary.

Criterion 7: status of non-executive Corporate Officer

A non-executive Corporate Officer cannot be considered independent if he or she receives variable compensation in cash or in the form of securities or any compensation linked to the performance of the Company or Group.

Criterion 8: status of the major shareholder

Directors representing major shareholders of the Company or its parent company may be considered independent, provided these shareholders do not take part in the control of the Company. Nevertheless, beyond a 10% threshold in capital or voting rights, the board, upon a report from the Governance & Remunerations Committee, should systematically review the qualification as independent in light of the Company's shareholding structure and the existence of a potential conflict of interest.

Upon recommendation from the Governance & Remunerations Committee, the Board of Directors, during its meeting of February 10, 2021, reviewed the independence of each Board member in regard of the criteria reminded above.

- With regard specifically to independence in terms of business relations, the Board of Directors noted that, due to:
 - (i) The absence of business relations between the Directors and Schneider Electric;
 - (ii) The nature of Schneider Electric activities and those of the companies in which members of the Board of Directors are employed or serve as Directors;
 - (iii) The amounts, either unitary or global, of operations performed or that may be performed between Schneider Electric and these companies that are agreed at arm's length and that are by no means likely to be referred to the Board of Directors;
 the existing business relations between Schneider Electric and these companies in which the members of the Board of Directors are employed or serve as officers are not likely to prejudice their independence, indeed, when such operations exist, they are agreed at arm's length and their amounts, representing less than 0.1% of the consolidated turnover of each group, are without a doubt insignificant for each party, in particular with regard to respective size of the groups concerned.
- Among 14 Directors, 8 are independent according to the definition prescribed by the AFEP-MEDEF Corporate Governance Code: Mrs. Cécile Cabanis, Mr. Fred Kindle, Mrs. Linda Knoll, Mrs. Jill Lee, Mrs. Fleur Pellerin, Mr. Anders Runevad, Mr. Gregory Spierkel, and Mr. Lip-Bu Tan.

- Mr. Jean-Pascal Tricoire, as Chief executive officer, Mrs. Xiaoyun Ma, as employee shareholders representative, Mrs. Rita Felix and Mr. Patrick Montier as employee Directors, Mr. Léo Apotheker, and Mr. Willy Kissling, who have served on the Board for over 12 years, are not considered to be independent Directors under the AFEP-MEDEF Corporate Governance Code.
- The AFEP-MEDEF Corporate Governance Code recommends that, in non-controlled companies, the Board comprises at least 50% independent Directors (Directors representing employee shareholders and employees are not computed in calculating this percentage). The proportion of independent Directors of the Company, excluding Mrs. Xiaoyun Ma, Rita Felix and Mr. Patrick Montier, is therefore 73%. The proportion would rise to 75% should the appointment on Mrs. Anna Ohlsson-Leijon be voted in the Annual Shareholders' Meeting per the 10th resolution.

The following table shows the status of each Director with regard to the criteria for independence set out in article 9.5 of the AFEP-MEDEF Corporate Governance Code.

| Criteria ⁽¹⁾ | Jean-Pascal Tricoire ⁽²⁾ | Léo Apotheker | Cécile Cabanis | Rita Felix ⁽³⁾ | Fred Kindle | Willy Kissling | Linda Knoll | Jill Lee | Xiaoyun Ma ⁽⁴⁾ | Patrick Montier ⁽⁵⁾ | Fleur Pellerin | Anders Runevad | Gregory Spierkel | Lip-Bu Tan | Anna Ohlsson-Leijon |
|---|-------------------------------------|---------------|----------------|---------------------------|-------------|----------------|-------------|----------|---------------------------|--------------------------------|----------------|----------------|------------------|------------|---------------------|
| Criterion 1: Employee or corporate officer within the past five years | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Criterion 2: Cross-directorships | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Criterion 3: Significant business relationships | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Criterion 4: Family ties | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Criterion 5: Auditor | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Criterion 6: Period of office exceeding 12 years | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Criterion 7: Status of non-executive Corporate Officer | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Criterion 8: Status of the major shareholder | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Conclusion | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |

(1) In this table, ● signifies that a criterion for independence is satisfied and ● signifies that a criterion for independence is not satisfied.

(2) Mr. Jean-Pascal Tricoire is Chairman and Chief executive officer of Schneider Electric SE, Chairman of the Board of Directors of Schneider Electric Industries SAS, Director of Delixi Electric Ltd, Chairman of the Board of Directors of Schneider Electric Holdings Inc., Director of Schneider Electric USA Inc. and Chairman of the Board of Directors of Schneider Electric Asia Pacific Ltd.

(3) Mrs. Rita Felix has an employment contract with Schneider Electric Portugal Lda.

(4) Mrs. Xiaoyun Ma has an employment contract with Schneider Electric (China) Co., Ltd.

(5) Mr. Patrick Montier has an employment contract with Schneider Electric France.

1. Governance Report

Declarations concerning the situation of the members of the administrative, supervisory or management bodies

Service contracts

None of the Directors has a service contract with the Company or any of its subsidiaries providing for benefits under such contract.

Absence of conviction or incrimination

To the best of the Company's knowledge, in the last five years, none of the Directors or the Chairman and CEO have been:

- the subject of any convictions in relation to fraudulent offenses or of any official public incrimination and/or sanctions by statutory regulatory authorities;
- disqualified by a court from acting as a member of the administrative, management, or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of an issuer;
- involved, as a member of an administrative, management, or supervisory body or a partner, in a bankruptcy, receivership, or liquidation.

Family ties

To the best of the Company's knowledge, none of the Directors and/or the Chairman and CEO of the Company are related through family ties.

Conflicts of interest

To the best of the Company's knowledge, there are no arrangements or understandings with major shareholders, customers, suppliers, or others pursuant to which a Director or the Chairman and Chief executive officer has been selected as a member of an administrative, management, or supervisory body or a member of senior management of the Company.

To the best of the Company's knowledge, there are no conflicts of interest between the duties of any Directors and the Chairman and Chief executive officer with respect to the Company in their capacity as members of those bodies or their private interests and/or other duties.

To the best of the Company's knowledge, the Directors and the Chairman and Chief executive officer have no restrictions on the disposal of their Company shares aside from those stipulated in Performance Share plans (see pages 294 *et seq.*) for the Chairman and Chief executive officer and a minimum 1,000 shareholding requirement for Directors.

Diversity policy within the Board of Directors and within the management of the Company

The Board of Directors pays due attention to its composition and that of its committees. It relies on the works of the Governance & Remunerations Committee which reviews regularly and proposes as often as required, the relevant changes to the composition of Board of Directors and its committees depending on the Group's strategy.

In that respect, in conformity with its internal regulations, the Board of Directors ensures through its proposals and its decisions that:

- its composition reflects the international nature of the Group's activities and of its shareholders by having a significant number of members of non-French nationality;
- it protects the independence of the board through the competence, availability, and courage of its members;
- it encourages open and unrestricted speech;
- it pursues its objective of diversifying the Board of Directors in compliance with the legal principle of attaining balanced representation between men and women on the Board;

- it appoints persons with the expertise required for developing and implementing the Group strategy while considering the objectives of diversity based on criteria such as age, professional skills, nationalities and background;
- employee shareholders and employees shall continue to be represented on the board in compliance with the provisions set forth in Articles 11.3 and 11.4 of the Articles of Association; and
- it preserves the continuity of the Board by changing some of its members at regular intervals, if necessary, by anticipating the expiry of members' terms of office.

The gender diversity ratio of the Board of Directors, should the appointment of Mr. Anna Ohlsson-Leijon be confirmed in the 2021 Annual Shareholder's Meeting, will reach 42% (excluding the employees Directors and the representative employee shareholders Director).

Schneider Electric is deeply committed towards diversity in general and gender diversity in particular. Schneider Electric focuses on taking proactive measures to encourage a balanced representation of men and women at the leadership level: the portion of women at the Executive Committee had been increased from 27% in 2019 to 38% in 2020. For the leadership pool comprising of the top 1,000 leaders, the female representation is 23.2%, while among NDVC (*i.e.* white collars) representing more than 60,000 employees, the female representation reaches 32.8%.

At its meeting of December 14, 2020, the Board of Directors reviewed senior management's ambitions regarding the balanced representation of men and women at the leadership level and noted that the objective is set to at least 30% of women at the Executive Committee and 35% among NDVC. To achieve these objectives and further improve gender diversity, the Group aims at attracting female talents by offering a training leadership program and dedicated mentoring, implementing an equal treatment policy and a tailored family leave policy.

Directors' holdings in the Company's share capital

Article 11 of the Company's Article of Association provides that Directors are each required to hold at least 250 Schneider Electric shares during their term of office. Moreover, in accordance with Article 6 of the Board Internal Regulations, each Board Member shall hold 1,000 Schneider Electric shares.

The Board of Directors has set a retention target of shares representing three years of base salary for Mr. Jean-Pascal Tricoire. Calculation of the number of shares held is based on Schneider Electric SE shares and the equivalent in shares of the corporate mutual fund units invested in Schneider Electric shares held by the beneficiaries.

In accordance with the provisions of Article L.225-197-1 of the French Commercial Code and the AFEP/MEDEF code, the Board of Directors has approved the following:

- mandatory retention beyond the lock-up period of 25% of the shares acquired under the Long-term incentive plan; and
- mandatory investment in Schneider Electric SE shares of 10% of the selling price (net of taxes and contributions) of Performance Share acquired.

These obligations are suspended once the shareholding target described above are met which is the case of Mr. Jean-Pascal Tricoire who owns 728,469 Schneider Electric's shares.

To the Company's knowledge, the Directors' shareholdings in the Company's registered capital as of the date of publication of this Universal Registration Document are as follows:

| Board Member | Schneider Electric shares |
|----------------------|---------------------------|
| Jean-Pascal Tricoire | 728,469 |
| Fred Kindle | 40,000 |
| Léo Apotheker | 3,093 |
| Cécile Cabanis | 1,000 |
| Rita Felix | 0 |
| Willy Kissling | 1,600 |
| Linda Knoll | 1,000 |
| Jill Lee | 1,000 |
| Xiaoyun Ma | 23,097 |
| Patrick Montier | 4,042 |
| Fleur Pellerin | 1,000 |
| Anders Runevad | 1,000 |
| Gregory Spierkel | 1,000 |
| Lip-Bu Tan | 1,000 |
| TOTAL | 807,301 |

The members of the Board of Directors directly hold 0.14% of the share capital and 0.24% of the voting rights as of the date of publication of this Universal Registration Document.

The table below shows the transactions in Schneider Electric securities carried out during fiscal year 2020 and notified to the *Autorité des marchés financiers* in accordance with Article 19 of Regulation n° 594/2014 of April 16, 2014 on Market Abuse and Article L. 621-18-2 of the French Monetary and Financial Code:

| First name and last name | Transaction date | Transaction type | Description of the financial instrument | Number of securities/instruments | Unit price (in euros) | Amount of the transaction (in euros) |
|--------------------------|------------------|------------------|---|----------------------------------|-----------------------|--------------------------------------|
| Jean-Pascal Tricoire | 23/03/2020 | Acquisition | LTIP – Plan 26 | 38,414 | – | – |
| Jean-Pascal Tricoire | 24/03/2020 | Acquisition | LTIP – Plans 28 & 29 | 59,725 | – | – |
| Emmanuel Babeau | 23/03/2020 | Acquisition | LTIP – Plan 26 | 16,646 | – | – |
| Emmanuel Babeau | 24/03/2020 | Acquisition | LTIP – Plans 28 & 29 | 25,882 | – | – |
| Jill Lee | 08/05/2020 | Acquisition | Ordinary shares | 1,000 | 80.48 | 80,480 |
| Xiaoyun Ma | 21/02/2020 | Disposal | Ordinary shares | 1,000 | 102.58 | 102,578.30 |
| Xiaoyun Ma | 23/03/2020 | Acquisition | LTIP – Plan 26 | 6,223 | – | – |
| Xiaoyun Ma | 24/03/2020 | Acquisition | LTIP – Plans 28 & 29 | 6,480 | – | – |
| Patrick Montier | 30/07/2020 | Disposal | Shares in Schneider Electric FCPE | 136.04 | 104.00 | 14,148.51 |
| Patrick Montier | 08/08/2020 | Disposal | Shares in Schneider Electric FCPE | 183.15 | 103.00 | 18,864.75 |
| Patrick Montier | 12/08/2020 | Disposal | Shares in Schneider Electric FCPE | 135.97 | 105.00 | 14,277.29 |
| Patrick Montier | 24/08/2020 | Disposal | Shares in Schneider Electric FCPE | 127.70 | 106.00 | 13,536.36 |
| Patrick Montier | 24/08/2020 | Disposal | Shares in Schneider Electric FCPE | 126.51 | 107.00 | 13,536.37 |

See details regarding Performance Shares granted to Executive Directors on pages 294 *et seq.* of this Universal Registration Document.

1. Governance Report

Skills within the Board of Directors

Out of 14 Directors, excluding the Chairman and Chief executive officer:

6

have deep financial or accounting skills

6

have a deep knowledge of the Group's markets

4

have deep digital skills

4

have a deep knowledge of the US market

4

have a deep knowledge of the Asian market

6

Former or current CEO of listed companies including energy sector

3

have deep sustainability skills

7

have a deep knowledge of the Group

Board members

The Board of Directors shall have at least three and up to eighteen members, all of whom must be natural persons elected by the shareholders at the Shareholders' Meeting. However, in case of death or resignation of a member, the Board may co-opt a new member. This appointment is then subject to ratification at the next Shareholders' Meeting.

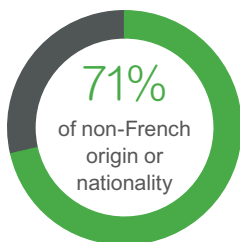
Directors are appointed for four-year terms (renewable). However, from the age of 70, Directors are re-elected or appointed for a period of two years. No more than one-third of the Directors may be 70 years old or over.

Mrs. Xiaoyun Ma represents the employee shareholders in accordance with the provisions of Articles L.225-23 and L.22-10-5 of the French Commercial Code. She was elected at the Annual Shareholders' Meeting upon the recommendation of the supervisory boards of the FCPEs.

Mrs. Rita Felix and Mr. Patrick Montier represent the employees in accordance with the provisions of Article L.225-27-1 of the French Commercial Code. They were appointed respectively by the European works council and by the most representative trade union organization in France in pursuance of Article 11.4 of the Articles of Association.

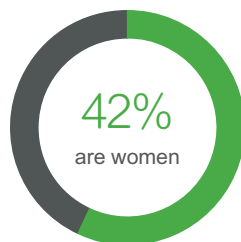
As of December 31, 2020:

Directors' nationality



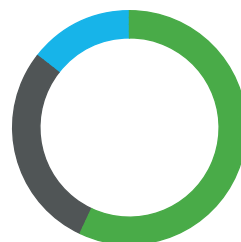
- Non-French origin or nationality (10)
- French (4)

Board representation by gender*



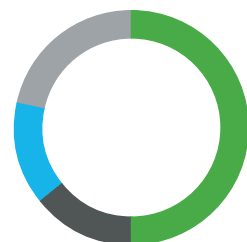
- Men (8)
- Women (6)

Directors' age



- 55 years old or less (3)
- 56 to 65 years old (9)
- > 65 years old (2)

Board tenure (Chairman and CEO excluded)



- 1–five years (7)
- 6–12 years (2)
- > than 12 years (1)
- < or equal to 1 year (3)

* (Directors representing employees excluded as per AFEP-MEDEF Corporate Governance Code). In addition, out of five committees, two are chaired by a woman: the Audit & Risks Committee (Mrs. Cécile Cabanis) and the Human Resources & CSR Committee (Mrs. Linda Knoll).

Proposals to the Annual Shareholders' Meeting on the composition of the Board of Directors

- As part of the Board's continuous review of its composition, the Board of Directors asked the Governance & Remunerations Committee to work on the search for candidates. In doing so, the Committee identified the skills that would be required to diversify and strengthen the Board composition and hired an external recruitment firm (Heidrick & Struggles) to search for suitable candidates. Among these candidates, the Governance & Remunerations Committee preselected a short list and the members of the Committee interviewed the short-listed candidates. Following these interviews, the Committee recommended a candidate to the Board of Directors, Mrs. Anna Ohlsson-Leijon who, on February 10, 2021, was appointed as an Observer with the aim to propose her appointment to the Shareholders' Meeting. She will bring to the Board her

professional experience and skills based on her wide-ranging finance and business background, and will further add to the gender diversity of the Board of Directors. She will qualify as an independent Director with regard to all the criteria set by Article 9.5 of the AFEP/MEDEF Corporate Governance Code and, if appointed, will join the Audit & Risks Committee.

- Mr. Jean-Pascal Tricoire's term of office expires at the close of the 2021 Annual Shareholders' Meeting. On February 10, 2021, the Board, following the recommendation from the Governance & Remunerations Committee, decided to propose to the Annual General Meeting to renew Mr. Jean-Pascal Tricoire's office as Director for a four-year term with the intention to renew his office as Chairman & Chief executive officer. The performance by Mr. Jean-Pascal Tricoire of the duties of Chairman and CEO seems particularly appropriate to the Board of Directors taking into account:

- The results of the external Board assessment conducted in October 2020 that confirmed that (i) all Board members individually support the current leadership structure and (ii) the level of transparency between management team and the Board of Directors is considered as excellent;
- Jean-Pascal Tricoire's profile, his excellent track record within the Company, his leadership, and his openness to the Board members' recommendations;
- The current unprecedented COVID-19 crisis which reinforces the leadership needs of the Group, especially with the renewal of the Executive Committee made in February 2020;
- The governance mechanisms in place to safeguard the balance of power between the Board and the management (appointment of a Lead Independence Director with specific powers, high rate of independent Directors within the Board (73%), independence of the committees mainly chaired by independent Directors, executive session proposed systematically at the end of each Board meeting);
- The requirement for the Board to deliberate each year on the unification of the functions of Chairman and Chief executive officer in pursuance of its internal regulations.

All these considerations conducted the Board, on February 10, 2021, to decide to propose to the Annual General Meeting to be held on April 28, 2021 to renew Mr. Jean-Pascal Tricoire's office as Director for a four-year term and his office as Chairman & CEO. On the occasion of its annual review of the governance mode of the Company, the Board has, however, expressed the wish to separate the roles of Chairman and Chief executive officer in the future. The Board is planning a separation of the two roles during Mr. Tricoire's upcoming term.

- Mrs. Xiaoyun Ma was appointed Director to represent employee shareholders pursuant to Article 11-3 of the Articles of Association and her term of office expires at the close of the 2021 Annual Shareholders' Meeting. As a consequence, her successor must be appointed according to the procedure provided in this Article which stipulates that when employee shareholders hold more than 3% of the capital at the close of a given financial year, their representative must be elected by the Annual Shareholders' Meeting from the candidates appointed by the supervisory boards of the FCPEs invested in company shares or by the employee shareholders when their shares are held directly and not via FCPEs. The candidates designated by this procedure are:
 - Mr. Thierry Jacquet on the proposal of the French FCPE;
 - Mrs. Zennia Csikos and Mrs. Xiaoyun Ma on the proposal of the international FCPE;
 - Mrs. Malene Kvist Kristensen for the employee shareholders holding their shares directly.

Their biographies are provided in section 1.1 of Chapter 7.

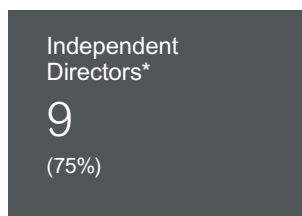
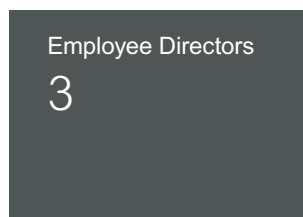
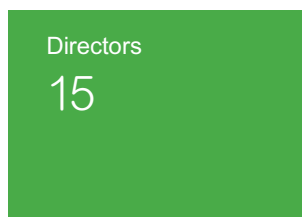
The Board of Directors, upon the report from the Governance & Remunerations Committee, decided to support the resolution n°13 providing for the appointment of Mrs. Xiaoyun Ma as member of the Board of Directors representing employee shareholders. Xiaoyun Ma's profile fits with the Group's objectives in terms of experience within the Group and internationalization, as set by the Board of Directors in relation to its composition.

- At its meeting of February 10, 2021, the Board of Directors took note of Mr. Patrick Montier's decision not to represent himself as a candidate for the renewal of his term of office. As Mr. Patrick Montier was appointed to represent employees pursuant to Article 11-4 of the Articles of Association, his successor must be appointed according to the procedure provided in this Article which stipulates that the French employee representative must be designated by the trade union which obtained the highest number of votes at the most recent elections which is as of today, Force Ouvrière (FO).

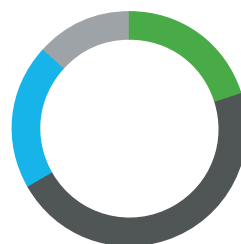
The renewed Board would comprise:

- 15 members;
- 75% of independent Directors (excluding consideration of the Director representing employee shareholders and the Directors representing the employees, in accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code);
- a percentage of women which will rise to 42% (Director representing employee shareholders and Directors representing employees excluded as per the provisions of the French Commercial Code) should Mrs. Anna Ohlsson-Leijon be appointed; and
- a strong proportion of Directors of non-French origin (73%) reflecting the international nature of the Group.

1. Governance Report



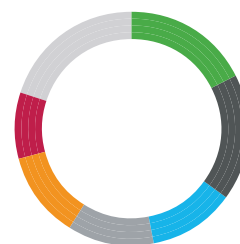
Board members spread across all geographies



- North America (3)
- Europe (7)
- France (3)
- Asia (2)

Out of six former or current CEOs of listed companies, three are from the energy sector and three from the digital industry.

Board expertise**



- Deep financial or accounting skills (6)
- Deep knowledge of the Group's markets (6)
- Deep digital skills (4)
- Deep knowledge of the US market (4)
- Deep knowledge of the Asian market (4)
- Deep sustainability skills (3)
- Deep knowledge of the Group (7)

* Excluding the Director representing the employee shareholders and the Directors representing the employees. In pursuance of PACTE law, from the 2021 Annual Shareholders' Meeting onwards, the Directors representing employees and the Director representing employee shareholders will no longer count for the purpose of the calculation of the gender ratio which, upon expiry of Mrs. Xiaoyun Ma's term of office, will be brought down to less than the legal requirement. If the Annual Shareholders' Meeting of April 28, 2021 approves the appointment of Mrs. Anna Ohlsson-Leijon, the gender ratio will be brought up to 42% and the independent rate to 75%.

** Excluding the CEO.

1.2 Organizational and operating procedures of the Board of Directors

1.2.1 Governance structure

The Company is a European company with a Board of Directors. The functions of the Chairman and the Chief executive officer are carried out by Mr. Jean-Pascal Tricoire, who was appointed Chairman and Chief executive officer on April 25, 2013 and renewed on April 25, 2017.

The performance by Mr. Jean-Pascal Tricoire of the duties of Chairman and Chief executive officer seems particularly appropriate to the Board of Directors for all the reasons exposed in the pages just above relating to "Proposals to the Annual Shareholders' Meeting on the composition of the Board of Directors".

Powers and responsibilities of the Vice-Chairman & Lead Independent Director

Article 1 of the internal regulations of the Board of Directors defines the duties and missions of the Vice-Chairman & Lead Independent Director who is mandatorily appointed when the board decides to unify the functions of Chairman and Chief executive officer. As such, the Vice-Chairman:

- is informed of major events in the life of the Group within the framework of regular contacts and monthly meetings with the Chairman, as well as through contacts that he/she can have with managers of Schneider Electric and possible visits to the Group's sites he/she can undertake. In addition, he/she can attend all meetings of committees of which he/she is not a member;
- can answer shareholders' questions or meet them on governance issues when it is considered that he/she is the most appropriate spokesperson;
- sets the agenda for Board meetings with the Chairman;
- chairs the Governance & Remunerations committee which, starting from the evaluation of the functioning of the Board and that of the CEO, proposes each year to the Board to the continuation or separation of the unified functions of Chairman and Chief executive officer and, as needed, makes proposals for a successor in one or both functions;
- chairs the "executive sessions", i.e. meetings of the Board of Directors not in the presence of any executive member, namely the CEO and Deputy CEO(s), if any;
- reports to the Chairman on the results of the "executive sessions";
- leads the annual evaluations of the Board of Directors;
- informs the Chairman and CEO and the Board of any conflicts of interest which could be identified or which may be reported to him/her;
- reports on his/her activities during the Annual Shareholders' Meeting.

It is reminded that at the close of the Annual Shareholders' Meeting of April 23, 2020, Mr. Léo Apotheker no longer qualified as an independent Director due to his long years of service on the Board under AFEP-MEDEF Corporate Governance Code and, as a consequence, no longer served as Vice-Chairman & Lead Independent Director. At its meeting of February 19, 2020, the Board of Directors designated Mr. Fred Kindle, whose biography is provided on page 220 to become Vice-Chairman & Lead Independent Director of Schneider Electric SE. In application of Article 10 of the internal regulations which prescribes that the Governance & Remunerations Committee shall be presided by the Vice-Chairman & Lead Independent Director, Mr. Fred Kindle chairs this committee of which Mr. Léo Apotheker remains a member.

The charter for the Vice-Chairman & Lead Independent Director is found on page 246. **As every year, the Vice-Chairman & Lead Independent Director, now Mr. Fred Kindle, reported on the missions he carried out in 2020 in line with his functions (page 259).**

1.2.2 Missions and powers of the Board of Directors

Specific powers are vested in the Board of Directors under French law and the Company's Articles of Association as well as the Internal Board Regulations.

The Board of Directors

Powers vested by law

- determine the Group's strategic directions and ensures their implementation, in doing so, the Board shall act in accordance with the corporate interest and shall take into account social and environmental matters;
- examine all matters related to the efficient operation of the business and make decisions about any and all issues concerning the Company, within the limits of the corporate purpose, except for those matters which, by law, can only be decided on by the shareholders in a Shareholders' Meeting;
- approve the corporate and consolidated financial statements;
- carry out all audits and controls that it deems necessary;
- authorize any regulated agreements on a preliminary basis;
- co-opt Directors whenever necessary;
- determine the method of exercising the senior management of the Company;
- appoint executive Corporate Officers and also remove them from office (Chief executive officer and Deputy Chief executive officers, if any), and subject to shareholders' control, set their compensation and the benefits granted to them as well as the compensation policy applicable to them;
- set the Directors' remuneration within the total maximum amount determined by the Annual Shareholders' Meeting as well as the compensation policy applicable to them;
- call Annual Shareholders' Meetings and approve all reports submitted to shareholders;
- decide on the use of authorizations granted by the Shareholders' Meetings, more particularly for increasing Company capital, buying back the Company's own shares, carrying out employee shareholding transactions, implementing Long-Term Incentive Plan through the granting of Performance Shares and canceling shares;
- authorize the issue of bonds;
- authorize the issue of sureties, endorsements, and guarantees.

Additional powers arising from Articles of Association or Internal Board Regulations

- may appoint a Vice-Chairman;
- may appoint up to three Board Observers;
- regularly review, in relation to the strategy it has defined, the opportunities and risks, such as financial, legal, operational, social and environmental risks, as well as the measures taken accordingly;
- ascertain the implementation of a process aimed at preventing and detecting corruption and influence peddling;
- checks that the executive Corporate Officers implement a policy of non-discrimination and diversity, notably with regard to the balanced representation of men and women on executive bodies;
- shall give prior authorization for:
 - all disposals or acquisitions of holdings or assets by the Company or by a Group company for a sum of more than 250 million euros,
 - concluding any strategic partnership agreement;
- shall review every year its composition, its organization and its mode of operation;
- shall be consulted prior to acceptance by the Chief executive officer or Deputy Chief executive officers of any corporate appointment in a listed company outside the Group;
- shall be informed about market developments, competitive environment and the most important challenges the company has to face, including in the area of social and environmental responsibility.

1. Governance Report

1.2.3 Internal regulations and procedures of the Board of Directors

On April 25, 2013, the Board of Directors adopted its own internal regulations. These were later modified on December 11, 2019 to reflect the regulatory changes which took place in 2019. These internal regulations include the rules of procedure of the board committees and the Directors' charter as recommended by the AFEP-MEDEF Corporate Governance Code. The regulations are reproduced hereafter and available on the Company's website, www.se.com.

Article 1 – Method of exercising general management – chairmanship and vice-chairmanship of the Board of Directors

A. Method of exercising general management

1. General management of the company is under the responsibility of either the chairperson of the Board of Directors, who will then go by the title of Chairman and Chief executive officer, or of another natural person appointed by the Board of Directors going by the title of Chief executive officer.
2. The Board of Directors decides between these two methods of exercising general management at the time when the Chairman of the Board of Directors or the Chief executive officer is appointed or when renewing their terms of office. If the Board of Directors has decided to combine the functions of Chairman and Chief executive officer, it will deliberate on this choice every year.
3. In order to maintain continuity in the company's operation if the Chairman serving as CEO leaves his role or is prevented from doing so, the Deputy CEO(s) shall take the interim responsibility for general management functions in the company, unless otherwise decided by the Board, until such time as a new CEO is appointed. The Vice-Chairman shall temporarily take the Chair of the Board of Directors.

B. Chairperson of the Board of Directors

1. The Board of Directors shall elect a chairperson amongst its members ("Chairman"). The Chairman shall be appointed for a period that can be no longer than his/her term of office as a Director. The Chairman is eligible for re-election. He/she may be removed from office by the Board of Directors at any time.
2. The Chairman of the Board of Directors organizes and manages the Board's activities, and reports thereon at the Annual General Shareholders Meeting.
3. The Chairman of the Board of Directors sets the agenda and the schedule for Board meetings with assistance from the Vice-Chairman Lead Director.
4. The Chairman of the Board of Directors ensures that the different corporate bodies operate correctly and especially that the Directors are in a position to fulfill their mission. The Chairman may request any document or item of information useful to enlighten the Board of Directors when preparing its meetings.

C. Vice-Chairman of the Board of Directors – Lead Independent Director

1. The Board of Directors may appoint a Vice-Chairman. The Vice-Chairman shall be appointed for a period that may not be any longer than his term of office as a Director. The Vice-Chairman is eligible for re-election. The Vice-Chairman may be removed from office by the Board of Directors at any time.
2. The Vice-Chairman shall preside over Board meetings in the absence of the Chairman.

The Vice-Chairman shall be called upon to replace the Chairman of the Board of Directors in the event of any temporary inability of the latter to fulfill his/her functions or in the event of death. In the event of the Chairman's inability to fulfill his/her functions, he/she will be replaced by the Vice-Chairman as long as his/her inability may last and, in the case of death, until the election of a new Chairman.

3. In exception to 1 above, and in compliance with Article 12.2 of the Articles of Association, the appointment of a Vice-Chairman is compulsory if the roles of Chairman and CEO are combined. In this case, the Vice-Chairman also takes on the role of independent Director. In this respect:
 - The Vice-Chairman is kept informed of major events in Group life through regular contacts and monthly meetings with the Chairman serving as CEO;
 - The Vice-Chairman is consulted by the Chairman serving as CEO on the agenda and the sequence of events for every Board meeting as well as on the schedule for Board meetings;
 - At the end of every Board meeting, the Vice-Chairman convenes executive sessions with non-executive members of the Board of Directors, over which he will preside. It is the Vice-Chairman's responsibility to appreciate for each topic discussed whether the employee Directors should leave the meeting till the topic is closed. In addition, the Vice-Chairman may convene an executive session between two Board meetings. Any Director may ask the Vice-Chairman to convene additional executive sessions;

- The Vice-Chairman shall promptly report to the Chairman serving as CEO on the conclusions of executive sessions;
- The Vice-Chairman shall draw the attention of the Chairman and of the Board of Directors to any possible conflicts of interest that he may have identified or which may be reported to him;
- The Vice-Chairman is the chairperson of the Governance and remuneration Committee;
- Like any other member of the Board, the Vice-Chairman may attend any meetings of committees of which he is not a member;
- In order to complement his knowledge, the Vice-Chairman may meet the Group's leading managers and visit company sites;
- The Vice-Chairman carries out annual assessments of the Board of Directors and, in this context, assesses the actual contribution of every member of the Board to the Board's activities;
- The Vice-Chairman shall report on his actions at Annual General Shareholders Meetings;
- The Vice-Chairman shall meet any shareholder who wishes so and inform the Board of their concerns on governance matters.

4. The Vice-Chairman Lead Director must be an independent member of the Board, as defined in accordance with the criteria published by the company.

Article 2 – Roles and powers of the Board of Directors

1. The Board of Directors shall determine company business policies in accordance with its social interest and while considering its social and environmental aspects, and ensure that they are implemented. Subject to the powers expressly conferred to Annual General Shareholders Meetings and within the limit of the corporate purpose, it shall deal with any issue affecting the company's efficient operation and take business decisions within its remit.

The Board regularly reviews, in relation to the strategy it has defined, the opportunities and risks, such as financial, legal, operational, social and environmental risks, as well as the measures taken accordingly. To this end, the Board of Directors receives all of the information needed to carry out its task, notably from the executive Corporate Officers (Chief executive officer, Deputy Chief executive officers).

The Board ascertains the implementation of a process aimed at preventing and detecting corruption and influence peddling. It receives all of the information required for this purpose.

The Board also checks that the executive Corporate Officers implement a policy of non-discrimination and diversity, notably with regard to the balanced representation of men and women on the governing bodies.

2. In accordance with legal or statutory provisions, it is the Board of Directors' responsibility to:
 - Determine the method of exercising general management of the company;
 - Appoint executive Corporate Officers and also remove them from office as well as to set their remuneration and the benefits granted to them;
 - Co-opt Directors whenever necessary;
 - Convene Annual General Shareholders Meetings;
 - Approve corporate and consolidated accounts;
 - Draw up management reports and reports for Annual General Shareholders Meetings;
 - Draw up management planning documents and the corresponding reports;
 - Draw up the corporate governance report as provided for in Article L.225-37 of the French Commercial Code;
 - Decide on the use of the delegations of authority granted at Annual General Shareholders Meetings, more particularly for increasing company capital, redeeming the company's own shares, carrying out employee shareholding operations and cancelling shares;
 - Authorize the issue of bonds;
 - Decide on the handing out of options or restricted/Performance Shares within the limits of authorizations given at Annual General Shareholders Meetings;
 - Authorize statutory conventions (conventions covered by Article L.225-38 and following of the Commercial Code);
 - Implement a process to regularly assess that the rules used to qualify a related party transaction as regulated agreement or not, are relevant and effective;
 - Authorize the issue of sureties, endorsements and guarantees;
 - Decide on the constitution of study committees and designate their members;
 - Decide on the dates for the payment of dividends and any possible down-payments on dividends;
 - Distribute Directors' remuneration allocated at the Annual General Shareholders Meeting amongst members of the Board of Directors.

1. Governance Report

Article 2 – Roles and powers of the Board of Directors continued

In compliance with the provisions set forth in the Commercial Code, the Board of Directors delegates all powers to the Chairman serving as CEO (or the CEO if appropriate):

- For issuing, with the possibility of sub-delegating, sureties, endorsements or guarantees within a maximum annual sum of 500 million euros, limited per surety, endorsement or guarantee to:
 - (i) EUR150 million for commitment guarantees made by Group subsidiaries for Group financial optimization operations,
 - (ii) EUR250 million for commitment guarantees made by Group subsidiaries, for taking over the company's commitments whenever acquisition operations are made on companies or business activities,
 - (iii) EUR100 million for other guarantees.

The above limits are not applicable to any sureties, endorsements and guarantees that may be issued with regard to tax or customs authorities.

- For formally recording any increases in capital following conversions of convertible bonds, exercising warrants and stock options, as well as subscribing to capital securities or shares giving access to company capital in the context of increases in capital reserved for employees and carrying out all prior and subsequent formalities related to any such changes in capital and to any modifications to the Articles of Association.
3. To enable the Board to exercise its duties as defined in 1 and beyond its specific powers summarized in 2, the Board of Directors:
- Shall be informed by its Chairman or by its committees of any significant event concerning the company's efficient operation as well as the successful conclusions of any significant projects;
 - Shall give prior authorization for:
 - All disposals or acquisitions of holdings or assets by the company or by a Group company for a sum of more than 250 million euros,
 - Concluding any strategic partnership agreement;
 - Shall review every year its composition, its organization and its mode of operation;
 - Shall be consulted prior to acceptance by the Chief executive officer or Deputy Chief executive officers of any corporate appointment in a listed company outside the Group;
 - Shall be informed about market developments, competitive environment and the most important challenges the company has to face, including in the area of social and environmental responsibility.
4. The activities of the Board of Directors and its committees shall be described in the corporate governance report.

Article 3 – Membership of the Board of Directors

In the proposals it makes and the decisions it takes, the Board of Directors shall ensure:

- That it reflects the international nature of the Group's activities and of its shareholders by having a significant number of members of non-French nationality;
- That it protects the independence of the Board through the competence, availability and courage of its members;
- That it pursues its objective of diversifying the Board of Directors in compliance with the legal principle of attaining balanced representation between men and women on the Board;
- That it appoints persons with the expertise required for developing and implementing the Group strategy while considering the objectives of diversity based on criteria such as age, professional skills and experiences;
- That employee shareholders and employees shall continue to be represented on the Board in compliance with the provisions set forth in Articles 11.3 and 11.4 of the Articles of Association;
- That it preserves the continuity of the Board by changing some of its members at regular intervals, if necessary by anticipating the expiry of members' terms of office.

Article 4 – Meetings of the Board of Directors

1. The Board of Directors shall meet whenever the interests of the company so require and at the least six times a year, including one meeting for examining strategy in detail.

Notices to attend shall be issued by all means, including verbally. They shall be sent via the secretary of the Board.

2. Board meetings shall be convened by the Chairman or, if such person is unable to do so, by the Vice-Chairman.

Moreover, if no Board meeting takes place for over two months, the Chairman must convene a meeting of the Board at a date no later than fifteen days after at least one-third of the members of the Board have made a justified request for this purpose. If the request goes unheeded, the person or persons requesting the meeting may convene a meeting himself or themselves, stating the agenda of the proposed meeting.

Similarly, the Chief executive officer, if he is not Chairman of the Board of Directors may also address a request to the Chairman to convene a meeting on any given agenda.

The person responsible for convening the meeting shall set its agenda. The agenda may be modified or completed at the time of the meeting.

Board meetings shall be held at the company's registered offices or at any other place specified in the notice of the meeting, whether in France or abroad.

3. Any member of the Board may appoint another member to represent him at a Board meeting by means of a proxy form.

During the same meeting, each member of the Board may only use one proxy form that he has received further to the foregoing paragraph.

Members of the Board may attend Board meetings by videoconference or telecommunication links, which allow them to be identified and which guarantee their effective participation. In such a case, they are counted among the members present to the meeting. However, in accordance with applicable laws, for the purposes of checking and controlling annual accounts, consolidated accounts and the management report, the members of the Board of Directors who attend the meeting by videoconference or telecommunication links shall not be taken into account for the purposes of determining the quorum or the majority.

Deliberations of the Board of Directors shall only be valid if at least half of the Directors are present. However, in application of Article 15 of the Articles of Association, the Board of Directors may only deliberate validly on the methods for exercising general management if two-thirds of the Directors are present or represented.

Decisions shall be taken on a majority vote by the Directors present or represented. In the event of equality of votes, the Chairman of the meeting shall have the casting vote.

4. Besides the secretary of the Board, the Deputy CEO in charge of finance shall attend Board meetings.

The Board of Directors shall hear operational managers concerned by major issues submitted to examination by the Board.

The Board of Directors may authorize persons who are not members of the Board to attend Board meetings including by videoconference or by telecommunication links.

5. An attendance register shall be kept at the registered office.

The proceedings of the Board of Directors shall be recorded in minutes.

The secretary of the Board shall be authorized to certify copies or excerpts from the minutes of the Board's proceedings.

Article 5 – Information for the Board of Directors

Members of the Board of Directors shall be provided with all the information necessary to enable them to carry out their duties and this within time limits that enable them to familiarize themselves with this information in a meaningful way. They may procure any documents they require for this purpose prior to meetings.

Any request for information made by members of the Board on specific subjects shall be addressed to the Chairman serving as CEO (and, if appropriate, to the CEO), who will reply thereto as promptly as possible.

In order to provide members of the Board of Directors with complete information, visits to sites and customers shall be organized for them. Members of the Board of Directors shall have the right to meet the main company executives. They shall inform the Chairman serving as CEO (and, if appropriate, the CEO) thereof.

The Chairman serving as CEO shall meet each member of the Board individually once a year.

1. Governance Report

Article 6 – The status of members of the Board of Directors

1. Members of the Board of Directors shall represent all the shareholders and shall act in the interests of the company in all circumstances.
2. Members of the Board of Directors shall attend Board meetings and meetings of the committees of which they are members.

Any member, who has not attended at least half of the meetings held during the year, unless there are exceptional reasons, shall be deemed to wish to terminate his term of office and shall be invited to resign from the Board of Directors or the committee concerned, as appropriate.

3. Members of the Board of Directors shall be bound by a general confidentiality obligation with respect to the deliberations of the Board and the committees and with respect to information which is not in the public domain, which they receive further to performing their duties.
4. Directors may not exercise more than 4 other terms of office in listed companies outside the Group.
5. Members of the Board of Directors shall have a duty to inform the Board of Directors of any office they may hold or no longer hold in other companies.
6. Members of the Board of Directors have a permanent duty to ensure that their personal situation shall not give rise to a conflict of interest with the company. In this respect, they shall disclose:
 - the existence of any conflict of interest, even a potential one, upon assuming their duties and then each year in response to a request made by the company at the time of preparation of its Universal Registration Document;
 - upon occurrence of any event which would render the statement above mentioned totally or partially inaccurate.

Any member of the Board of Directors having a conflict of interest, even a potential one, has a duty to notify it to the Vice-Chairman Lead Director who shall in turn inform the Board of Directors. The Board of Directors shall rule upon the conflict of interest and may request to the member(s) of the Board of Directors concerned to correct his/her situation. The member of the Board of Directors having a conflict of interest, even a potential one, shall not take part to the discussions nor to the vote of the corresponding decision and shall leave the meeting of the Board of Directors when the decision is debated.

7. During their term of office, members of the Board of Directors, to the exclusion of the Directors representing employees, shall possess at least 1,000 shares in Schneider Electric SE. For applying this obligation, except for the 250 shares which must be held to comply with Article 11.1 of the Articles of Association, shares held via a company mutual fund essentially invested in the company shares can be taken into account. The Schneider Electric shares that they hold shall either be in purely registered (*nominatif pur*) or in managed registered (*administré*) form.
8. Members of the Board of Directors shall inform the French financial market authority within three business days from the completion of the operation, by e-mail at the following address: <https://onde.amf-france.org/RemiseInformationEmetteur/Client/PTRemiseInformationEmetteur.aspx>, as well as the secretary of the Board, of any acquisition, sale, subscription or exchange concerning shares issued by Schneider Electric SE or any operation on financial instruments linked thereto, conducted on their own account or on their behalf.
- 8A. Members of the Board of Directors shall provide the secretary of the Board with the list of the persons closely associated with them as defined by the European Regulation n°596/2014 ("Market Abuse Regulation"), whom they shall notify of their individual duties to inform the French financial market authority and Schneider Electric SE (to the attention of the secretary of the Board), similar to those applicable to themselves pursuant to paragraph 8 above.
9. Members of the Board of Directors undertake to abide by the compliance Code governing stock-market ethics, of which they have received a copy, with respect to their personal financial transactions. In consequence, members of the Board of Directors may not acquire or dispose of options or any other derivative relating to Schneider Electric SE shares, except authorized hedging of stock-options plans in order to hedge stock option plans (eg: hedging of shares subscribed upon exercise of options).

Members of the Board of Directors shall refrain from carrying out any transaction involving company's listed shares during the 31 days before the day following publication of annual or half-yearly accounts, and during the 16-day period before the day following publication of quarterly information. The same principle applies when they hold insider information, i.e. precise information concerning the company, which has not been made public and which, if it were made public, could have a marked impact on share price or on any financial instrument related to them.

10. Members of the Board of Directors shall attend Annual General Shareholders Meetings.
11. Members of the Board of Directors shall be remunerated by the payment of an annual fixed amount allocated at Annual General Shareholders Meetings. The said amount will be distributed by the Board of Directors to its members.

The Board of Directors may grant exceptional remuneration for assignments or offices conferred upon Directors.

12. Travelling expenses, notably including hotel and restaurant expenses, incurred by the members of the Board of Directors in relation to the performance of their duties, shall be borne by the company on presentation of supporting documents.
13. Members of the Board of Directors shall complete the on-boarding programme offered to them at the beginning of their first term.

Article 7 – Non-voting Directors

The non-voting Directors shall attend Board meetings in a consultative capacity.

They shall receive the same information as the other members of the Board. They may be appointed as members of committees, except for the Audit Committee.

They shall act in the interest of the company under all circumstances.

They shall be bound by the same general confidentiality obligation as the members of the Board of Directors and shall be subject to the same limitations regarding transactions involving the company's shares. Their remuneration shall be determined by the Board of Directors.

Article 8 – The committees of the Board of Directors

1. The committees created by the Board of Directors shall be as follows:
 - Governance and Remuneration Committee;
 - Audit and Risks Committee;
 - Human Resources and Corporate Social Responsibility Committee;
 - Investment Committee;
 - Digital Committee.
2. The role of these committees shall be to research and prepare certain matters to be considered by the Board of Directors. They shall make proposals, give recommendations and issue opinions, as appropriate, in their area of competence.

Created by virtue of Article 13 of the Articles of Association, they shall only have a consultative role and shall act under the authority of the Board of Directors.

3. The chairpersons and members of the committees shall be appointed by the Board of Directors. However, the Vice-Chairman Lead Director shall preside over the Governance and remuneration Committee. They shall be appointed in a personal capacity and may not be represented.

The terms of office of committee members shall coincide with their terms of office as members of the Board of Directors. The terms of office of committee members may be renewed.

As a matter of good governance and to the exclusion of the Governance and Remuneration Committee chaired by the Vice-Chairman Lead Director, committee chairs should be rotated and not exceed four-years for a given committee. The Board of Directors shall deliberate annually on the chairmanship of the concerned committee whenever such four-year limit is reached or exceeded.

4. Committees shall meet on the initiative of their chairperson or on request from the Chairman of the Board of Directors or the CEO.
5. The Chairman serving as CEO or the CEO shall be kept informed of committee meetings. He/she shall be in regular contact with committee chairmen.
6. Committee meetings shall be held at the company's registered offices or any other place decided upon by the chairperson of the committee with an agenda prepared by the latter. If necessary they may be held by audio or video conference.

Members of the Board of Directors may attend meetings of committees of which they are not a member. Only the members of the committee shall take part in the committee's discussions.

A secretary will prepare the minutes of the meetings, which shall be recorded in an ad hoc register specific to each committee by the secretary of the Board.

A report on each committee's activities shall be given by the committee's chairperson or one of its members at the next Board meeting. Minutes of committee meetings shall be provided for the members of the Board of Directors.

After referring the matter to the Chairman of the Board, every committee may request studies from external consultants. Every committee may invite any person of its choice to its meetings, as and when required.

7. Other than the permanent specialist committees that it has created, the Board of Directors may also decide to set up any ad hoc committees for specific operations or assignments.

1. Governance Report

Article 9 – The Audit and Risks Committee

1. Membership and operation of the Audit Committee

The Committee shall be comprised of at least three members, two-thirds of whom must be independent members of the Board of Directors. At least one of the members must possess special skills concerning matters of finance and accountancy and be independent with regard to specified, published criteria.

The Deputy CEO in charge of finance shall act as the Audit Committee's contact. The head of internal audit shall act as secretary to the Audit Committee.

The Committee shall meet at least five times a year. The chairperson of the Committee shall draw up agendas for meetings.

The meetings shall be attended by members of the finance department and of the company's internal audit department and, with respect to meetings devoted to examining accounts, by the statutory auditors. The Committee may invite any person it wishes to hear to its meetings. It may also require the CEO to provide any documents it deems to be useful.

Outside the presence of company representatives, the Committee shall regularly hear the statutory auditors and the head of the internal audit.

2. The duties of the Audit Committee

The Audit Committee monitors questions on drawing up and controlling accounting, financial and extra-financial information. It prepares the Board of Directors' decisions in these domains. It issues recommendations to the Board for the purpose of ensuring the integrity of the financial and extra-financial information and gives advices. For this purpose:

- It shall prepare for annual and half-yearly accounts to be approved by the Board and therefore, more particularly:
 - Checks the appropriateness and consistency of the accounting methods used for drawing up consolidated and corporate accounts, as well as checking that significant operations on Group level have been dealt with appropriately and that rules relating to the consolidation perimeter have been complied with;
 - Examines off-balance-sheet risks, including those of a social and environmental nature, and commitments as well as the cash situation;
 - Examines the process for drawing up financial and extra-financial information.
- It examines the draft annual report, which bears the status of Universal Registration Document and contains the information on internal control, the draft half-yearly report and, where applicable, any remarks made by the French Financial Market Authority (AMF) concerning these reports, as well as the other key financial information documents.
- It handles follow-up on legal control of annual and consolidated accounts made by statutory auditors, notably by examining the external audit plan and results of controls made by statutory auditors.
- After a consultation process, it shall suggest reappointing the existing statutory auditors or appointing new statutory auditors.
- It shall check the independence of statutory auditors, especially at the time of examining fees paid by the Group to their firm or their network, and by giving prior approval to any missions that are not strictly included in the scope of the statutory audit.
- It monitors the efficiency of internal control and risk management systems. For this purpose:
 - It shall examine the organization and resources used for internal audit, as well as its annual work program. It shall receive summaries of reports produced on audits on a quarterly basis. However, the chairperson of the Committee shall receive these reports in full;
 - The Committee shall examine operational risk-mapping and make sure that measures exist for preventing or minimizing risks;
 - It shall examine how to optimize risk coverage on the basis of reports requested from internal audit;
 - It shall examine Group internal control measures and look into the results of entities' self-assessments with respect to internal control. It shall ensure that a relevant process exists for identifying and processing incidents and anomalies;
 - It shall ascertain the existence of Group compliance policies notably concerning competition, anti-bribery, ethics and data protection and the measures implemented to ensure that these policies are circulated and applied.

The Audit Committee shall examine proposals for distribution as well as the amount of financial authorizations submitted for approval at Annual General Shareholders Meetings.

The Audit Committee reports to the Board on the implementation of Schneider Electric SE's Charter on the related party transactions and on the relevance of the criteria to qualify related party transactions as regulated agreements or not.

The Audit Committee shall examine all financial and accounting questions and questions related to risk-management submitted to it by the Board of Directors.

The Audit Committee reports to the Board on the findings of its works and how they contributed to the integrity of the financial and extra-financial information. It informs the Board of the follow-up actions that it proposes to take. The chairperson of the Audit Committee shall keep the Chairman and the Vice-Chairman Lead Director promptly informed of any difficulties encountered by the Committee.

Article 10 – Governance and Remuneration Committee

1. Membership and operation of the Governance and Remuneration Committee

The Committee shall be comprised of at least three members.

The Governance and remuneration Committee shall be presided by the Vice-Chairman Lead Director. Failing this, the Board shall appoint the chairperson of the Committee.

The secretary of the Board shall be the secretary of the Governance and remuneration Committee.

The Committee shall meet at the initiative of its chairperson. The agenda shall be drawn up by the chairperson of the Committee after consultation with the Chairman of the Board of Directors. The Committee shall meet at least three times a year.

In order to carry out its assignments, the Committee may hear any person it wishes.

2. The Governance and remuneration Committee's duties:

The Committee will formulate proposals to the Board of Directors in view of any appointment made:

(i) To the Board of Directors:

- Directors or non-voting Directors,
- Chairman of the Board of Directors, Vice-Chairman and Vice-Chairman Lead Director,
- Chairpersons and members of committees;

(ii) For general management of the company. The Committee will also give its opinion to the Board on nominations for any Deputy CEO's.

The Committee shall formulate proposals to the Board of Directors on the compensation policy of the executive Corporate Officers (Chairman of the Board of Directors and/or CEO, Deputy CEO), ensuring in particular its alignment with the corporate interest. The Committee shall prepare annual assessments of the persons concerned and make recommendations to the Board of Directors concerning the determination of the components of the compensation due to executive Corporate Officers in accordance with the compensation policy. To this end, it uses the works of the Human Resources and CSR Committee.

The Committee shall prepare the draft corporate governance report of the Board of Directors.

When the Committee reports to the Board on these matters, the Board of Directors debates and deliberates without the presence of the executive Corporate Officers.

The Committee shall propose measures to the Board of Directors that will reassure both shareholders and the market that the Board of Directors carries out its duties with all necessary independence and objectivity. For this purpose, it will organize for yearly assessments to be made of the Board of Directors. It shall make proposals to the Board of Directors on:

- Determining and reviewing Directors' independence criteria and Directors' qualifications with regard to these criteria;
- Missions carried out by the committees of the Board of Directors;
- The evolution, organization and operation of the Board of Directors and its committees;
- The company's use of national and international corporate governance practices;
- The total amount of Board members' remuneration proposed at Annual General Shareholders Meetings together with its allocation amongst them.

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Article 11 – Human Resources and Corporate Social Responsibility Committee

1. Membership and operation of the Human Resources and Corporate Social Responsibility Committee

The Committee shall be comprised of at least three members.

The Director of Human Resources for the Group shall be the secretary to the Human Resources and Corporate Social Responsibility Committee.

The Committee shall meet at the initiative of its chairperson. The agenda shall be drawn up by the chairperson of the Committee after consultation with the Chairman serving as CEO. The Committee shall meet at least three times a year.

In order to carry out its assignments, the Committee may hear any person it wishes.

2. The Committee's duties:

The Committee shall formulate proposals to the Board of Directors on setting up share subscription/purchase options plans and free/Performance Shares plans.

The Committee shall formulate projects on proposals made by general management on:

- Compensation of the members of the Executive Committee;
- Principles and criteria for determining the compensation of Group executives.

The Committee shall be informed of any nomination of members of the Executive Committee and of the main Group executives. It shall examine succession plans for key Group executives.

The Committee shall prepare the Board of Directors' deliberations on (i) expansion of employee shareholding, (ii) review by the Board on social and financial impacts of major re-organization projects and major human resource policies, (iii) monitoring risks management in relation to human resources and (iv) examining the different aspects of the "CSR" Group policy.

Article 12 – Investment Committee

1. Membership and operation of the Investment Committee

The Committee shall be comprised of at least three members.

The Director of Group Strategy will be secretary to the Investment Committee.

The Committee shall meet at the initiative of its chairperson. The agenda shall be drawn up by the chairperson of the Committee after consultation with the Chairman serving as CEO. The Committee shall meet three times a year, less or more depending on the circumstances.

In order to carry out its assignments, the Committee may hear any person it wishes and call upon the Group M&A Director.

2. The Investment Committee's duties:

The Committee prepares the Board of Directors' deliberations on investment policy. To this purpose, the Committee:

- Shall elaborate recommendations for the Board on major capital deployment decisions;
- Shall advise the management team on capital deployment strategies;
- May launch, at the Board's request, or suggest research projects leading to material investments for the company, typically for capital deployment decisions of €250million or above;
- May investigate matters of smaller scale, if the strategic significance warrants it or the Board/Chairman of the Board specifically requires it;
- Shall provide recommendations on major merger, alliances and acquisition projects;
- Shall pay special attention to reconfiguration or consolidation scenarios happening in the sectors the company is operating in or likely to operate in;
- Shall examine portfolio optimizations and divestment projects of financial or strategic significance;
- Shall support the management in the elaboration of investment policies linked to the long-term positioning of Schneider Electric, such as innovation and R&D strategies or any major organic growth investments;
- Shall present to the Board social and environmental aspects of the strategic projects submitted to it such as M&A projects.

Article 13 – Digital Committee

1. Membership and operation of the Digital Committee

The Committee shall be comprised of at least 3 members.

The Chief Digital Officer or the Chief Information Officer will be secretary to the Digital Committee.

The Committee shall meet at the initiative of its chairperson. The agenda shall be drawn up by the chairperson of the Committee after consulting with the Chairman & CEO. The Committee shall meet at least three times a year, including a joint review on Cybersecurity risks with the Audit and Risk Committee.

In order to carry out its assignments, the Committee may hear any person it wishes.

2. The Digital Committee's duties

The purpose of the Digital Committee is to assist the Board in digital matters in order to guide, support and control the Group in its digitization efforts. The Digital Committee prepares the Board of Directors' deliberations on digital matters.

For this purpose, the Digital Committee will review, appraise and follow-up projects and, generally, advise, inter alia on 7 areas:

1. Development and growth of the EcoStruxure digital business, including (i) enhancing Core Businesses with Connectivity & Analytics, (ii) building new digital offers & business models, (iii) establishing its contribution to and consistence with the overall strategy;
2. Improvement and transformation of the Group's Digital Customers & Partners Experience;
3. Improvement of Schneider Electric's Operational Efficiency through the effective use of Information Technology and digital automation capabilities;
4. Assessment of Cyber Risks and enhancement of the Group's Cybersecurity posture (jointly with the audit Committee);
5. Assessment of the contribution of potential M&A operations to the Group's Digital strategy;
6. Monitoring and analysis of the Digital landscape (competitors and disrupters, threats and opportunities);
7. Checking that the company is equipped with the right pool of talents for digital transformation.

Article 14 – Perimeter of internal regulations

The present internal regulations have been unanimously approved by the Board of Directors. A purely internal act, their objective is to complete the Articles of Association by stipulating the main conditions of organization and operation of the Board of Directors. Their purpose is not to replace the Articles of Association. They may not be relied upon by shareholders or third parties for use against members of the Board of Directors, the company, or any company in the Schneider Electric Group. They may be modified at any time solely by deliberation of the Board of Directors.

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1.2.4 Charter of the Vice-Chairman & Lead Independent Director

The Board of Directors adopted the Charter of the Vice-Chairman & Lead Independent Director which is reproduced hereafter and available on the Company's website, www.se.com.

1. The Board of Directors may appoint a Vice-Chairman. The Vice-Chairman shall be appointed for a period that may not be any longer than his term of office as a Director. The Vice-Chairman is eligible for re-election. The Vice-Chairman may be removed from office by the Board of Directors at any time.
2. The Vice-Chairman shall preside over Board meetings in the absence of the Chairman.

The Vice-Chairman shall be called upon to replace the Chairman of the Board of Directors in the event of any temporary inability of the latter to fulfill his functions or his death. In the event of the Chairman's inability to fulfill his functions, he will be replaced by the Vice-Chairman as long as his inability may last and, in the case of his death, until the election of a new Chairman.

3. In exception to 1 above, and in compliance with Article 12.2 of the Articles of Association, the appointment of a Vice-Chairman is compulsory if the roles of Chairman and CEO are combined. In this case, the Vice-Chairman also takes on the role of Lead Independent Director. In this respect:
 - the Vice-Chairman is kept informed of major events in Group life through regular contacts and monthly meetings with the Chairman serving as CEO;
 - the Vice-Chairman is consulted by the Chairman serving as CEO on the agenda and the sequence of events for every Board meeting as well as on the schedule for Board meetings;
 - the Vice-Chairman may convene executive sessions with non-executive members of the Board of Directors, over which he will preside. An executive session shall be included on the agenda of every Board meeting. It is the Vice-Chairman's responsibility to decide whether it should be held or not. It is therefore held as decided by the Vice-Chairman, either directly before or after each Board meeting. In addition, the Vice-Chairman may convene an executive session between 2 Board meetings. Any Director may ask the Vice-Chairman to convene an executive session;
 - the Vice-Chairman shall promptly report to the Chairman serving as CEO on the conclusions of executive sessions;
 - the Vice-Chairman shall draw the attention of the Chairman and of the Board of Directors to any possible conflicts of interest that he may have identified;
 - the Vice-Chairman is Chairman of the Governance Committee;
 - like any other member of the Board, the Vice-Chairman may attend any meetings of committees of which he is not a member;
 - in order to complement his knowledge, the Vice-Chairman may meet the Group's leading managers and visit company sites;
 - the Vice-Chairman carries out annual and biennial assessments of the Board of Directors and, in this context, assesses the actual contribution of every member of the Board to the Board's works;
 - the Vice-Chairman shall report on his actions at Annual General Shareholders' Meetings;
 - the Vice-Chairman shall meet any shareholder who wishes so and inform the Board of their concerns on governance matters.
4. The Vice-Chairman Lead Director must be an independent member of the Board, as defined in the criteria published by the company.

As a transitional measure, Article 12.2 of the Articles of Association provides for the first Vice-Chairman Lead Director to be the former Chairman of the supervisory board for the remaining duration of his term of office.

1.2.5 Information and training of the Board of Directors and its members

To ensure that the Board of Directors is well informed at all times, Schneider Electric SE applies the following rules: members of the Board have access, via a secure dedicated platform, in principle, ten days before every board meeting, to the agenda for the meeting and to the draft minutes of the last meeting and, four to five days before, to the Board's file. The documentation includes a quarterly activities report, presentations on items scheduled on the agenda or notes, and, as appropriate, draft statutory and consolidated financial information. A supplementary file may also be provided at the meeting.

Executive Committee members are invited, depending on the subject, to present the major issues within their areas of responsibility. Statutory auditors attend the portion of the Board's meetings at which the statutory and interim financial statements are reviewed.

Between each meeting of the Board of Directors, aside from meetings that they may have with the Chairman and CEO, Directors receive continuous information through periodic information letters, drafted exclusively for their attention, which keep them informed of developments in the Group, the competitive environment and developments in investor consensus and feedback. They also receive a weekly press review, all of the Company's press releases, relevant financial analysts' reports, and other documents.

Board members also have the opportunity to meet informally with key members of senior management between Board meetings.

Board of Director dinners are also organized in order to offer more opportunities to interact with investors, customers, experts, *etc.* These dinners are meant to provide the Board members with external views on the Group, to increase their understanding of the changes in its business environment, and to gain more insight on the needs and motivations of all stakeholders. In 2020, due to COVID-19 sanitary crisis, only one dinner was organized in February 2020 before the first lockdown in France.

On-boarding program of new Directors

A complete on-boarding program is provided to any new Director in order to help them to get a deep understanding of the business, the challenges and priorities of Schneider Electric as well as its governance and values. As such, new Directors are offered a training and information program on the Group's strategy and businesses designed around a common core which comprises of:

- a set of documents including, in particular, the last registration document and integrated report, the Company's Articles of Association, the internal regulations of the Board of Directors, the AFEP-MEDEF Corporate Governance Code, the compliance Code governing stock-market transactions (see below), the minutes of the Board's and committees' meetings for the period starting from the appointment back to the full year before, Directors' and officers' liability master policy and the last three periodic information letters;
- a summary relating to the Group organization;
- working meetings with the Chief Financial Officer and Executive Vice-presidents of Strategy, Energy Management, Industrial Automation, and other EVPs as the case may be;
- a work session with the secretary of the committee(s) he/she will join;
- concerning governance and values: work session with the Vice-Chairman & Lead Independent Director; the chief governance officer and secretary general, the secretary of the Board of Directors, as well as with the persons in charge of compliance and ethics and sustainable development;
- to know more about Schneider Electric's shareholding structure and shareholders' expectations, an interview with the senior Vice-president Investors Relations;
- training on the use of the secure dedicated platform on which all the board's files are filed and kept;
- the designation of a mentor for any new Director to facilitate his/her integration;
- as the case may be, visits to sites which are particularly illustrative of Schneider Electric's activities.

In addition, the Directors representing employees, Mrs. Rita Felix and Mr. Patrick Montier, benefit from a training program compliant with legal requirements and approved by the Board of Directors. In pursuance of new French regulations coming from law n°2019-486 of May 22, 2019 relating to companies' growth and transformation, known as PACTE law, the Director representing the employee shareholders, Mrs. Xiaoyun Ma, was offered a tailored training session to address her needs.

Compliance Code governing stock-market transactions

Schneider Electric has adopted a compliance Code governing stock-market transactions for members of the Board of Directors and Group employees designed to prevent insider trading. Under these provisions, both Directors and relevant employees are barred from trading in the Company shares and shares in companies for which they have inside information that has not yet been made public. In addition, they may not trade in Schneider Electric SE shares during the 31 days preceding the day following publication of the annual and interim financial statements, nor during the 16 days preceding the day following publication of a quarterly update, nor may they engage in any type of speculative trading involving Schneider Electric SE shares (including margin trading, purchasing, and selling shares in a period of less than four months). In addition, in accordance with the AFEP/ MEDEF Corporate Governance Code, Corporate Officers also undertake not to enter into hedges of shares resulting from exercise of options and of Performance Shares they are required to hold (see page 230). These restrictions supplement the prohibition against hedging unvested stock options and Performance Shares during their vesting period.

The compliance Code governing stock-market transactions was revised when the European "Market Abuse Regulation" No. 2014/596 of April 16, 2014 entered into force, and subsequently updated in December 2018. The regulation obliges companies to draw up insider lists, and market operators to put in place mechanisms aimed at preventing and detecting suspicious transactions, enabling them to report to the *Autorité des Marchés Financiers* those that seem to them to constitute insider dealing.

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1.2.6 Self-assessment of the Board of Directors

Pursuant to its internal regulations, Schneider Electric SE's Board of Directors annually reviews its composition, organization, and operations, as well as those of its committees. This yearly assessment is carried out through a written questionnaire sent to Board members or an interview with the Board member. The evaluation is conducted under the leadership of the Vice-Chairman & Lead Independent Director by the secretary of the Board of Directors. In addition, as per the AFEP-MEDEF Corporate Governance Code, the Board of Directors shall undertake at least once every three years, a formal self-assessment, which may be conducted with the assistance of an external consultant.

Formal self-assessment conducted in September and October 2020 (with the assistance of an independent and external expert)

In accordance with the three – year frequency recommended by the AFEP-MEDEF Code, a formal assessment of the activities of the Board of Directors and its specialized committees was performed at the end of 2020 with the assistance of an external service provider and under the responsibility of the Vice-Chairman & Lead Independent Director, who guaranteed the confidentiality of opinions expressed, the objectivity of analyses and the consultant's ability to freely express his recommendations.

To ensure independence and avoid any conflict of interest, it was decided to appoint a firm that was not otherwise involved in the recruitment of Directors on behalf of the Group. The assessment was therefore conducted by Russels Reynolds. For the purposes of the assessment, each Director was asked to complete a detailed questionnaire validated beforehand by the Lead Independent Director. The answers provided were used to prepare "interview guidelines" for meetings held with each Director to obtain, with complete anonymity, their comments and suggestions. The questions focused on the composition and activities of the Board of Directors and its Committees and enabled a self – assessment of the effective contribution of each Director. The Vice-Chairman & Lead Independent Director provided individual feedback on these assessments of the effective contribution of each Director.

A summary report was presented to the Governance & Remunerations Committee and to the Board of Directors on December 14, 2020 by the external consultant, analyzing the information gathered both through the questionnaires and the individual meetings. This report was discussed in detail.

Key findings

The 2020 external assessment of the Board of Directors concluded that Schneider Electric Board has:

- a leading edge in most governance and Board effectiveness aspects (future-oriented, well-functioning, effective best practices in corporate governance);
- a strong Board culture that is trust-based and open yet challenging with appropriate behaviors from all Board members;
- a good strategic, risk, and Environmental, Social and Governance alignment;
- a transparent relationship with the senior management team;
- a composition that was found to be particularly diverse and appropriate with the right set of skills, experiences, and geographies;
- a high consideration for actions and disclosures related to Environmental, Social and Governance issues that are considered to be at world class level.

The management of the Board meetings and processes were also praised.

Areas for improvement

No major short-term concerns were raised based on this external assessment. Nevertheless, the Company is undergoing significant transformation and it was recommended that continued emphasis was placed on the following few areas:

- Long-term Board composition and succession planning;
- Further improving Board materials, especially timelines and structure.

1.3 Board activities

The board held 12 meetings in 2020 (vs. 7 in 2019), four special meetings were dedicated to the COVID-19 crisis during the period of March to June 2020. The meetings lasted seven hours on average with a higher average participation rate of Directors than last year despite the increase in the number of meetings and the constraints due to the COVID-19 Crisis (97% in 2020 vs. 93% in 2019). Ten Directors have an attendance rate of 100% and none have an attendance rate less than 83% as shown in the table summarizing the Directors' individual attendance at board meetings. All absences were legitimate and excused.

The Board of Directors devoted most of its activities to the Company's business, strategy, corporate governance as detailed below:

Business and Financial results

- reviewed and approved the 2019 financial statements based on the Audit & Risks Committee's report and the report by the statutory auditors, who were present at the meeting;
- reviewed and approved the financial statements for the first half of 2020;
- reviewed the first and third quarterly business results and reports prepared by the senior management;
- reviewed the Group's 2020 guidance set in February as well as the suspension of this guidance and the new guidance issued in July and October 2020;
- decided to propose to the Annual Shareholders' Meeting that the dividend be set at €2.55 per share;
- was also informed, at each meeting, of the business situation;
- reviewed the update on the COVID-19 outbreak crisis response;
- heard a detailed presentation on the drawing-up and the findings of risk mapping and the Audit & Risks Committee's report on the works of the Group's internal audit and internal control teams;
- selected a new external statutory auditor;
- assessed the Group enterprise level business continuity plan;
- reviewed the principles and roadmap of the new performance management system;
- reviewed the Group Compliance System evolution;
- reviewed the Environmental, Social, and Governance (ESG) reporting;
- monitored the implementation of the share buyback;
- reviewed the debt and cash situation;
- authorized the issue of bonds and convertible sustainability linked bond;
- authorized the CEO to issue of sureties, endorsements, and guarantees.

Strategy

- conducted a thorough review of the Group strategy, as every year, as part of a meeting of 4 days named "Strategy session", held remotely in September 2020, specifically dedicated to the topic;
- focused, during this Strategy session, on an in-depth strategy review of Europe and France operations, as well as Energy Management, Industrial Automation, EcoStruxure™ and software;
- reviewed the Sustainability strategy;
- authorized or reviewed external growth operations: Larsen & Toubro's Electrical & Automation business, RIB Software, ProLeit, OSIsoft, Plannon, Etap;
- reviewed the portfolio;
- was informed about moves and changes concerning competitors of Schneider Electric.

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Corporate governance

- discussed the composition of its membership and that of its committees and the principle of balanced representation of men and women;
 - to this end, it pursued its efforts aiming at reinforcing the geographical diversity of its members, keeping strong skills in the field of strategic challenges such as digital and at strengthening the deep knowledge of the Group's key markets and proposed to the Annual Shareholders' Meeting to vote in favor of Mrs. Jill Lee as Director as well as in favor of the renewal of the term as a Director of Mr. Léo Apotheker, Mrs. Cécile Cabanis, Mr. Fred Kindle, and Mr. Willy Kissling,
 - the Board of Directors also deliberated on the composition of its committees. In this respect, it decided on February 19, 2020 and ratified on April 23, 2020, the appointments of Mrs. Jill Lee as a member of the Audit & Risks Committee and of Mr. Léo Apotheker as Chairman of the Investment Committee; on July 28, 2020 it appointed Mrs. Rita Felix as a member of the Human Resources & CSR Committee;
- discussed whether to maintain the unification of the functions of Chairman and CEO;
- examined the succession plan for the Corporate Officer;
- deliberated, at its meeting of October 21, 2020, on its formal external assessment;
- discussed and reviewed the principles and criteria relating to the compensation of the Corporate Officers and approved the compensation and benefits of all types that may be or have been granted;
- was informed of the meetings with major shareholders conducted by the Vice-Chairman & Lead Independent Director on governance topics;
- was informed of the salary review of members of the Executive Committee;
- was informed of the works done by the Human Resources & CSR Committee on the succession plan for members of the Executive Committee;
- decided on the implementation of the 2020 Long-term incentive plan;
- checked and recorded the calculation of the level of achievement of performance conditions applicable to Performance Share plans n°28, 29, 29bis, 30, 31, 31bis, 32, 33, 34, and 35;
- decided on capital increases reserved for employees;
- approved the corporate governance report as provided for in article L.225-37 of the French Commercial Code;
- approved the management report as provided for in article L.225-100 of the French Commercial Code;
- examined the regulated agreements and commitments;
- approved a new regulated agreement governing the conditions of the departure of Mr. Emmanuel Babeau;
- reviewed the assessment process relating to the qualification of the related party agreements as "current" or "regulated";
- reviewed the Company purpose;
- examined thoroughly as every year the succession planning of the Corporate Officers and top management. The succession planning is the result of a two-stage process that is followed at the end of each year:
 - the Human Resources & CSR Committee reviews by name the list of talents who could be considered for potential succession to the top management, studies the profiles of the new-comers and the assessment of every individual's performance, ascertains the quality and the diversity of the selected pool, and reports to the board thereon;
 - the Chairman and CEO presents to the Governance & Remunerations Committee the various internal options to address immediate, short-term and long-term needs with their respective pros and cons; the matter is then brought forward for discussion at the next "executive session" (held without the presence of the Chairman and CEO). In 2020, it has been reviewed in the course of the year at another "executive session".

2020 Annual Shareholders' Meeting

The Board approved the agenda and draft resolutions of the 2020 Annual Shareholders' Meeting, and its report to the shareholders at the meeting. It took note of the proxy-advisors' reports and was informed of the positions expressed by the shareholders met during the preparation of the Annual Shareholders' Meeting. It approved the responses to the written questions.

Due to the health context caused by the COVID-19 crisis and given the ban of collective assembly on the date of publication of the notice, the Annual Shareholders' Meeting was held, on an exceptional basis and in pursuance of the order No. 2020-321 of March 25, 2020, without the physical attendance of shareholders and other persons entitled to attend in closed session, at the Company's headquarter. It approved all resolutions supported by the management, including those relating to the composition of the Board of Directors, the compensation of the Corporate Officers and the renewal of financial authorizations.

In application of the provisions of Article 1.C.3 of the internal regulations, the Vice-Chairman convenes executive sessions of the Board of Directors (without the Corporate Officers) at the end of each board meeting. In 2020, the Board of Directors held three "executive sessions", same as in 2019.

In addition, when the Board debated and determined the compensation of the Chairman and CEO, the interested party was not present, as prescribed by Article 10.2 of the internal regulations, unless solicited to provide information on specific issues.

1.4 Board committees (composition, operating procedures and activities)

In its internal regulations, the Board defined the functions, missions, and resources of its five study committees: the Audit & Risks Committee, the Governance & Remunerations Committee, the Human Resources & CSR Committee, the Investment Committee and the Digital Committee.

Committee members are appointed by the Board of Directors on the proposal of the Governance & Remunerations Committee. Committees may open their meetings to the other Board members.

The Vice-Chairman & Lead Independent Director may attend any meetings of committees of which he is not a member. The committees may commission research from external consultants after having consulted with the Chairman of the Board of Directors. They may invite anybody they wish to meetings, as necessary. Secretaries of the Board committees organize and prepare the work of the committees. They draft the minutes for the meetings of the committees which, after their approval, are sent to all members of the Board of Directors. The secretaries of the committees are members of Group management teams and specialists in the subject matters of each committee.

1.4.1 Audit & Risks Committee

The members, operating procedures, and responsibilities of the Audit & Risks Committee are compliant with the recommendations included in the Audit & Risks Committee final report as updated by the AMF in July 2010.

8 

meetings in 2020*

4 

members

75% 

of independent Directors

100% 

average attendance rate

Composition as of December 31, 2020

The internal regulations and procedures of the Board of Directors stipulate that the Audit & Risks Committee must have at least three members.

Two-thirds of the members must be independent and at least one must have in-depth knowledge of accounting standards combined with hands-on experience in applying current accounting standards and producing financial statements.

| | | |
|------------------|-----------------------------|-----------------|
| • Cécile Cabanis | Chairwoman | Independent |
| • Willy Kissling | Member | Non-independent |
| • Jill Lee | Member since April 23, 2020 | Independent |
| • Fleur Pellerin | Member | Independent |

As demonstrated by their career records, summarized on pages 221 *et seq.* the Audit & Risks Committee members all have recognized expertise in finance, economics, and accounting. In addition to their in-depth financial and accounting knowledge, Mrs. Cécile Cabanis also brings her extensive knowledge of the challenges of a major French group in the CAC 40, Mr. Willy Kissling his knowledge of the building industry and Schneider Electric, Mrs. Jill Lee an in-depth knowledge of the Schneider Electric's activities and of the Asian markets, and Mrs. Fleur Pellerin her economic and financial skills in the field of technologies.

Changes in the composition in 2020

- Chairpersonship: no change.
- Membership: following her appointment as a Director by the Annual General Shareholders' Meeting of April 23, 2020, Mrs. Jill Lee was appointed as a member of the committee and Mr. Fred Kindle stepped down from his office as a member of the committee following his appointment as Vice-Chairman & Lead Independent Director on April 23, 2020.

Individual attendance rate in 2020

- Cécile Cabanis **100%**
- Willy Kissling **100%**
- Jill Lee **100%**
- Fleur Pellerin **100%**

* Including the joint meetings with the Governance & Remunerations Committee on questions received by Schneider's sales teams from utility companies in the US in relation to some software offer and with the Digital Committee relating to cybersecurity risk review.

1. Governance Report

Operating procedures

- The committee meets at the initiative of its Chairperson or at the request of the Chairman and CEO.
- At least five meetings are held during the year.
- The director of Internal Audit is the secretary of the Audit & Risks Committee.
- The committee may invite any person it wishes to hear to its meetings.
- The statutory auditors attend meetings at which financial statements are reviewed and, depending on the agenda, all or some of the other meetings.
- It may also require the CEO to provide any documents it deems to be useful.
- It may also commission studies from external consultants.
- The committee presents its findings and recommendations to the Board. The chairperson of the Audit and Risks Committee keeps the Chairman and the Vice-Chairman & Lead Independent Director promptly informed of any difficulties encountered.

Responsibilities

The Audit & Risks Committee is responsible for preparing the work of the Board of Directors by making recommendations on financial, extra-financial, accounting, internal control, internal audit, compliance and risk management issues. Accordingly, its missions are as follows:

| Items | Details of missions |
|---|--|
| Preparation for the annual and interim financial statements to be approved by the Board | <ul style="list-style-type: none"> • To check the appropriateness and consistency of the accounting methods used for drawing up consolidated and corporate accounts, as well as to check that significant operations on Group level have been dealt with appropriately and that rules relating to the scope of consolidation have been complied with • To examine off-balance sheet risks (including those of a social & environmental nature) and commitments as well as the cash situation • To examine the process for drawing up financial and extra-financial information • To review the Universal Registration Document as well as the reports on the interim financial statements and other main financial documents |
| Issues related to statutory auditors | <ul style="list-style-type: none"> • To make recommendations concerning the appointment or reappointment of the statutory auditors • To handle follow-up on legal control of consolidated and statutory accounts made by statutory auditors, notably by examining the external audit plan and results of controls made by statutory auditors • To verify the auditors' independence, in particular by reviewing fees paid by the Group to their firm and network and by giving prior approval for assignments that are not strictly included in the scope of the statutory audit |
| Following-up on the efficiency of internal control, risk management systems, and compliance program | <ul style="list-style-type: none"> • To examine the organization and resources used for internal audit, as well as its annual work program; to receive a quarterly summary report on the findings of the audits carried out • To review operational risks mapping and its year-on-year evolution; to ensure procedures are implemented to prevent and reduce them • To review risk mitigation and coverage optimization • To review the rollout of the Group's internal control system and to acknowledge the outcome of entities' self-assessment regarding internal control; to ensure that procedures are implemented to identify and handle anomalies • To ascertain the existence of Group compliance policies notably concerning competition, anti-bribery, ethics and data protection, and the measures implemented to ensure that these policies are circulated and applied • To report to the Board on the implementation of Schneider Electric SE's charter on related party transactions and on the relevance of the criteria to qualify related party transactions as regulated agreements or not • To examine all financial, accounting, and extra-financial questions and questions related to risk management, including those of a social and environmental nature, submitted to it by the Board of Directors |

Activity in 2020

The Audit & Risks Committee reported on its work at the Board's meetings of February 19, July 28, September 1-4 and December 14, 2020.

| Items | Details of missions |
|---|---|
| Financial statement and financial disclosures | <ul style="list-style-type: none"> • Review of the annual and interim financial statements and of the reports on the financial statements • Review of goodwill, the Group's tax position, provisions and pension obligations, or similar obligations • Review of investor relations' documents concerning the annual and interim financial statements • Review of the Group's scope of consolidation • Review of pension commitments |

| Items | Details of missions |
|---|---|
| Internal audit, internal control, risk management, and compliance | <ul style="list-style-type: none"> Review of the risk mapping Review of the 2021 audit and control missions plan Review of the main internal audits performed on compliance-related topics and internal audits performed between September and December 2019 and during H1 2020 Review of risks covered by insurance Update on the COVID-19 pandemic outbreak crisis response Status report on the assessment of the Group level business continuity plan Presentation of the principles and roadmap of the new performance management system Cybersecurity risk review (jointly with the Digital Committee) Review of the management report |
| Statutory auditors | <ul style="list-style-type: none"> Review of the fees paid to the statutory auditors and to their networks Review of the 2020 external audit program Selection of the new statutory auditor |
| Corporate governance | <ul style="list-style-type: none"> Recommended dividend for 2020 Review of the financial authorizations and proposition for their renewal by the Annual Shareholders' Meeting of April 23, 2020 |

1.4.2 Governance & Remunerations Committee

10 
meetings in 2020*

5 
members

60% 
of independent Directors

100% 
average attendance rate

Composition as of December 31, 2020

| | | | |
|---|--|-------------------------------|-----------------|
| <p>The Board of Directors' internal regulations and procedures provide that the Governance & Remunerations Committee must have at least three members.</p> <p>It is chaired by the Vice-Chairman & Lead Independent Director.</p> | <ul style="list-style-type: none"> Fred Kindle | Chairman since April 23, 2020 | Independent |
| | <ul style="list-style-type: none"> Léo Apotheker | Member | Non-independent |
| | <ul style="list-style-type: none"> Willy Kissling | Member | Non-independent |
| | <ul style="list-style-type: none"> Linda Knoll | Member | Independent |
| | <ul style="list-style-type: none"> Greg Spierkel | Member | Independent |

Changes in the composition in 2020

- Chairmanship: Mr. Fred Kindle was appointed as the Chairman of the Committee on April 23, 2020 as replacement for Mr. Léo Apotheker.
- Membership: no change.

Individual attendance rate in 2020

- Fred Kindle **100%**
- Léo Apotheker **100%**
- Willy Kissling **100%**
- Linda Knoll **100%**
- Greg Spierkel **100%**

Operating procedures

- The committee is chaired by the Vice-Chairman Lead Independent Director.
- The committee meets at the initiative of its Chairman or at the request of the Chairman and CEO.
- The agenda is drawn up by the Chairman, after consulting with the Chairman and CEO.
- The committee shall meet at least three times a year.
- The committee may seek advice from any person it feels will help it with its work.
- The secretary of the Board of Directors is the secretary of the Committee.

* Including the joint meetings with the Audit & Risks Committee on questions received by Schneider's sales teams from utility companies in the US in relation to some software offers and with the Human Resources & CSR Committee relating to the 2020 short-term incentive plan of the Corporate Officer.

1. Governance Report

Responsibilities

| Items | Details of missions |
|---|---|
| Appointments | <ul style="list-style-type: none"> To formulate proposals to the Board of Directors in view of any appointment made: <ol style="list-style-type: none"> within the Board of Directors as a Director or Observer, Chairman of the Board of Directors, Vice-Chairman or Vice-Chairman & Lead Independent Director, chairperson, or committee member at the Company's senior management; particularly, to advise the Board on proposals for the appointment of any Corporate Officer |
| Compensation of Corporate Officers | <ul style="list-style-type: none"> To formulate proposals to the Board of Directors on the compensation policy of executive Corporate Officers (Chairman of the Board of Directors and/or CEO, and Deputy CEOs if any) and of the Board members To make recommendations to the Board of Directors concerning the determination of the components of the compensation due to executive Corporate Officers in accordance with the compensation policy approved by the shareholders and based on the contribution of the concerned persons to the performance of the Group |
| Missions aiming at reassuring both shareholders and the market that the Board of Directors carries out its duties with all necessary independence and objectivity | <ul style="list-style-type: none"> To organize for yearly assessments to be made of the Board of Directors To make proposals to the Board of Directors on: <ul style="list-style-type: none"> determining and reviewing Directors' independence criteria and Directors' qualifications with regard to these criteria missions carried out by the committees of the Board of Directors the evolution of the organization and mode of operation of the Board of Directors the application by the Company of national and international corporate governance practices the total amount of Board members' remuneration proposed to the Annual Shareholders' Meetings together with its allocation rules the compensation of the Vice-Chairman & Lead Independent Director |

Activity in 2020

The Governance & Remunerations Committee reported on its work at the Board's meetings of February 19, April 22, July 28, October 21 and December 14, 2020.

| Items | Details of missions |
|---|---|
| Proposals to the Board of Directors | <ul style="list-style-type: none"> Composition of the Board of Directors and its committees Status of the members of the Board with regard to independence criteria Mode of exercising the functions of Chairman and CEO Compensation of Corporate Officers (amount and structure of 2020 compensation, 2020 objectives and level of achievement of 2019 objectives) and allocation to them of performance shares as part of the Long-term incentive plan Definition of the criteria for short-term (STIP) and long-term (LTIP) compensation of Corporate Officers (jointly with the Human Resources and CSR Committee) Presentation of "Say on Pay" 2019 and the principles and criteria proposed for 2020 to the Annual Shareholders' Meeting Directors' remuneration Training program of the Directors representing the employees for 2020 |
| Reports to the Board of Directors | <ul style="list-style-type: none"> Review of the succession plan for the Chairman and CEO Draft corporate governance report of the Board of Directors Review the Company purpose |
| Self-assessment of the Board of Directors | <ul style="list-style-type: none"> Leading of the formal self-assessment of the Board of Directors conducted with the assistance of an independent and external expert |
| Shareholder engagement | <ul style="list-style-type: none"> Reporting on the Vice-Chairman & Lead Independent Director's meetings with governance analysts within the main shareholders: 28 physical or phone meetings were held, covering about 40% of the voting rights. These meetings reflect the importance given by the Company to dialogue and the direct commitment of Directors towards shareholders (see "Report of the Vice-Chairman & Lead Independent Director of the Board of Directors", section 5, page 259) |

1.4.3 Human Resources & CSR Committee

5 

meetings in 2020*

6 

members

75% 

of independent Directors**

100% 

average attendance rate

Composition as of December 31, 2020

| | | | |
|---|------------------|----------------------------|-------------------|
| The Board of Directors' internal regulations and procedures provide that the Human Resources & CSR Committee must have at least three members | • Linda Knoll | Chairwoman | Independent |
| | • Rita Felix | Member since July 28, 2020 | Employee Director |
| | • Willy Kissling | Member | Non-independent |
| | • Xiaoyun Ma | Member | Employee Director |
| | • Fleur Pellerin | Member | Independent |
| | • Anders Runevad | Member | Independent |

Changes in the composition in 2020

- Chairmanship: no change.
- Membership: Mrs. Rita Felix was appointed as a new member of the Committee on July 28, 2020.

Individual attendance rate in 2020

- Linda Knoll **100%**
- Rita Felix **100%**
- Willy Kissling **100%**
- Xiaoyun Ma **100%**
- Fleur Pellerin **100%**
- Anders Runevad **100%**

Operating procedures

- The committee meets at the initiative of its Chairman or at the request of the Chairman and CEO.
- The agenda is drawn up by the Chairman, after consulting with the Chairman and CEO.
- The committee shall meet at least three times a year.
- The committee may seek advice from any person it feels will help it with its work.
- The Group human resources director, Mrs. Charise Le, is the secretary of the committee.

Responsibilities

| Items | Details of missions |
|--|---|
| Employee shareholding schemes and share allocation plans | <ul style="list-style-type: none"> • To formulate proposals to the Board of Directors on the implementation of employee shareholding schemes and allocation of free or Performance Shares, and on the volume of shares granted to all of the eligible Corporate Officers, including executive Corporate Officer(s) |
| Compensation of Group managers | <ul style="list-style-type: none"> • To formulate projects on proposals made by general management on: <ul style="list-style-type: none"> – compensation for members of the Executive Committee – principles and conditions for determining the compensation of Group executives – pay-equity ratio |
| Succession plan for key Group executives | <ul style="list-style-type: none"> • To examine succession plans for key Group executives • The committee shall be informed of any nomination of members of the Executive Committee and of main Group executives |
| Human resources & CSR policy | <ul style="list-style-type: none"> • To prepare for the Board of Directors' deliberations on: <ul style="list-style-type: none"> – employee shareholding development – reviews made by the Board on social and financial impacts of major re-organization projects and major Human Resources policies – monitoring management of risks related to human resources – examining the different aspects of the Group's CSR policy – diversity and inclusion policy, including the policy on the equal treatment of men and women |

* Including the joint meetings with the Governance & Remunerations Committee relating to the 2020 short-term incentive plan of the Corporate Officer.

** Employee Directors excluded as prescribed by the AFEP-MEDEF Corporate Governance Code.

1. Governance Report

Activity in 2020

The Human Resources & CSR Committee reported on its work at the Board's meetings of February 19, October 21 and December 14, 2020.

| Items | Details of missions |
|-------------------------------------|--|
| Proposals to the Board of Directors | <ul style="list-style-type: none"> 2020 annual Long-term incentive plan and implementation of specific Performance Share plans to support the recruitment and the retention policy Definition of the criteria for short-term (STIP) and long-term (LTIP) compensation of top managers and executive Corporate Officers (jointly with the Governance & Remunerations Committee) |
| Reports to the Board of Directors | <ul style="list-style-type: none"> Review of the compensation, performance, and succession plans of Executive Committee members 2021 Long-term incentive plan Review of equal opportunity, gender pay equity, and diversity & inclusion policy Review of the CSR strategy and performance and of the Group's positioning vs. its peers |

1.4.4 Investment Committee

5 

meetings in 2020

7 

members

80% 

of independent Directors*

100% 

average attendance rate

Composition as of December 31, 2020

| | | | |
|---|-------------------|-------------------------------|-------------------|
| The Board of Directors' internal regulations and procedures provide that the Investment Committee must have at least three members. | • Léo Apotheker | Chairman since April 23, 2020 | Non-independent |
| | • Fred Kindle | Member | Independent |
| | • Xiaoyun Ma | Member | Employee Director |
| | • Patrick Montier | Member | Employee Director |
| | • Anders Runevad | Member | Independent |
| | • Greg Spierkel | Member | Independent |
| | • Lip-Bu Tan | Member | Independent |

Changes in the composition in 2020

- Chairmanship: Mr. Léo Apotheker was appointed as the Chairman of the Committee on April 23, 2020 in replacement of Mr. Fred Kindle.
- Membership: Mr. Léo Apotheker was appointed as a member of the Committee on April 23, 2020.

Individual attendance rate in 2020

- Léo Apotheker **100%**
- Fred Kindle **100%**
- Xiaoyun Ma **100%**
- Patrick Montier **100%**
- Anders Runevad **100%**
- Greg Spierkel **100%**
- Lip-Bu Tan **100%**

Operating procedures

- The committee meets at the initiative of its Chairman or at the request of the Chairman and CEO.
- The agenda is drawn up by the Chairman, after consulting with the Chairman and CEO.
- The committee shall meet three times a year, less or more depending on the circumstances.
- In order to carry out its assignments, the committee may hear any person it wishes and call upon the strategy director.
- The strategy director, Mr. Olivier Blum, is the secretary of the committee.

* Employee Directors excluded as prescribed by the AFEP-MEDEF Corporate Governance Code.

Responsibilities

| Items | Details of missions |
|---|---|
| Preparation of the Board of Directors' deliberations on investment policy | <ul style="list-style-type: none"> • The committee: <ul style="list-style-type: none"> – Elaborates recommendations for the Board on major capital deployment decisions – Advises the management team on capital deployment strategies – Launches, at the Board's request, or suggests research projects leading to material investments for the Company, typically for capital deployment decisions of €250 million or above – Investigates matters of smaller scale, if the strategic significance warrants it or the Board/Chairman of the Board specifically requires it – Provides recommendations on major merger, alliances, and acquisition projects – Pays special attention to reconfiguration or consolidation scenarios happening in the sectors the Company is operating in or likely to operate in – Examines portfolio optimizations and divestment projects of financial or strategic significance – Supports the management in the elaboration of investment policies linked to the long-term positioning of Schneider Electric, such as innovation and R&D strategies or any major organic growth investments – Presents to the Board, social and environmental aspects of the strategic projects submitted to it such as M&A projects |

Activity in 2020

The Investment Committee reported on its work at the Board's meetings of February 19, May 26, July 28, October 21 and December 14, 2020 and during the Strategy Session.

| Items | Details of missions |
|-------------------------------------|---|
| Proposals to the Board of Directors | <ul style="list-style-type: none"> • Follow-up of investment projects and opportunities • Competitive landscape • Update on software consolidation strategy in Energy Management • Portfolio review |

1.4.5 Digital Committee

4 

meetings in 2020*

4 

members

75% 

of independent Directors**

100% 

average attendance rate

Composition as of December 31, 2020

| | | | |
|--|------------------|----------|-----------------|
| The Board of Directors' internal regulations and procedures provide that the Digital Committee must have at least three members. | • Greg Spierkel | Chairman | Independent |
| | • Léo Apotheker | Member | Non-independent |
| | • Fleur Pellerin | Member | Independent |
| | • Lip-Bu Tan | Member | Independent |

Changes in the composition in 2020

- Chairmanship: no change.
- Membership: no change.

Individual attendance rate in 2020

- Greg Spierkel **100%**
- Léo Apotheker **100%**
- Fleur Pellerin **100%**
- Lip-Bu Tan **100%**

* Including the joint meeting with the Audit and Risks Committee relating to cybersecurity risk review.

** Employee Directors excluded as prescribed by the AFEP-MEDEF Corporate Governance Code.

1. Governance Report

Operating procedures

- The committee meets at the initiative of its Chairman or at the request of the Chairman and CEO.
- The agenda is drawn up by the Chairman, after consulting with the Chairman and CEO.
- The committee shall meet at least three times a year, including the joint review of cybersecurity risks with the Audit and Risks Committee.
- In order to carry out its assignments, the committee may hear any person it wishes.
- The Chief Digital Officer, Mr. Peter Weckesser, is the secretary of the committee.

Responsibilities

| Purpose | Details of missions |
|--|---|
| <ul style="list-style-type: none"> • To assist the Board in digital matters in order to guide, support and control the Group in its digitization efforts • To prepare the Board of Directors' deliberations on digital matters | <ul style="list-style-type: none"> • For this purpose, the Digital Committee will review, appraise, and follow-up projects and, generally, advise, <i>inter alia</i> on seven areas: <ul style="list-style-type: none"> – Development and growth of the EcoStruxure™ digital business, including (i) enhancing Core Businesses with Connectivity & Analytics, (ii) building new digital offers and business models, and (iii) establishing its contribution to and consistency with the overall strategy – Improvement and transformation of the Group's Digital Customers & Partners Experience; – Improvement of Schneider Electric's Operational Efficiency through the effective use of Information Technology and digital automation capabilities; – Assessment of cyber risks and enhancement of the Group's cybersecurity posture (jointly with the Audit & Risks Committee); – Assessment of the contribution of potential M&A operations to the Group's Digital strategy; – Monitoring and analysis of the digital landscape (competitors and disrupters, threats, and opportunities); – Ensuring that the Company is equipped with the right pool of talents for digital transformation. |

Activity in 2020

The Digital Committee reported on its work at the Board's meetings of February 19, July 28, September 1-4 and December 14, 2020.

| Purpose | Details of missions |
|---|--|
| Proposals and reports to the Board of Directors | <ul style="list-style-type: none"> • EcoStruxure™ strategy • Overview of the digital performance • Update on digital customer experience • Update on digital supply chain • Joint review with the Audit and Risks Committee of the cybersecurity risks • General update on Schneider Digital • Digital Offer and Ecostruxure growth roadmap |

1.5 Report of the Vice-Chairman & Lead Independent Director of the Board of Directors

Mr. Fred Kindle hereby reports on the work he carried out in 2020 as part of his responsibilities as Vice-Chairman & Lead Independent Director. He was appointed as Vice-Chairman on April 23, 2020 in replacement of Mr. Léo Apotheker who lost his status of independent Director due the length of his tenure to the Board. In order to ensure a smooth transition between him and Mr. Fred Kindle, most of the engagement meetings held with shareholders in March ahead of the Annual General Meeting were done jointly by the former and the new Vice-Chairman & Lead Independent Director.

The Vice-Chairman & Lead Independent Director is appointed by the Board of Directors in pursuance of Article 12 of the Articles of Association, which provide for the appointment of a Vice-Chairman with the function of a Lead Independent Director if the roles of Chairman and CEO are combined. In compliance with Article 12 of the Articles of Association, the duties of the Vice-Chairman & Lead Independent Director are defined by the internal regulations of the Board of Directors. Those internal regulations and the charter for the Vice-Chairman & Lead Independent Director can be found on section 1.2.3 of Chapter 3 of this Universal Registration Document.

Information of the Vice-Chairman & Lead Independent Director

To be able to carry out his duties, the Vice-Chairman & Lead Independent Director must have excellent knowledge of the Group and be particularly well informed about its business performance.

As such, the Vice-Chairman is apprised of current events and the performance of the Group through weekly exchanges with the Chairman and CEO. He meets regularly all members of the Group Executive Committee and pursues regular interactions with managers and other employees of the Group in various sites of Schneider Electric.

He is continuously kept informed of the evolution of the competitive environment, technological breakthroughs and business opportunities. Besides he is also the Chairman of the Governance & Remunerations Committee and a member of the Investment Committee.

Participation in the preparation of the meetings of the Board

The Vice-Chairman & Lead Independent Director participated in the preparation for meetings of the Board of Directors. As a result, he has participated in all the "pre-Board" meetings. As a matter of fact, each meeting of the Board of Directors is preceded by one or two pre-Board meetings, in which the Chairman, the Vice-Chairman & Lead Independent Director, the Chief Financial Officer, the Secretary General and the Board Secretary review the topics and issues addressed by the committees, and establish the agenda prepared by the Chairman and the content of the meeting file.

Executive sessions

The Vice-Chairman & Lead Independent Director chairs the executive sessions (*i.e.* the meetings where Board members meet without the presence of the Corporate Officer), convened at the end of each Board meeting. The employee Directors are invited to attend all executive sessions following meetings of the Board at which they are present.

The Board of Directors held three executive sessions in 2020 during which its members expressed their views and observations on, among others, the Group's strategic options and the succession planning of the Corporate Officer. The Vice-Chairman & Lead Independent Director reported the conclusions thereof to the Chairman.

Interaction with shareholders

The Vice-Chairman & Lead Independent Director is the designated contact for the shareholders on matters pertaining to corporate governance. He carried out two shareholder engagement campaigns in 2020: one before the Shareholders' Meeting to present to those who so wished, the resolutions submitted to the shareholders' approval; the other one, in the fall semester, to freely exchange views on topical themes of corporate governance that do not materialize in resolutions submitted to the shareholders' approval and thus, are excluded from the usual dialog. On this occasion, the Vice-Chairman & Lead Independent Director explained to the investors' representatives the growing importance of social and environmental topics at the Board of Directors and their reflection in the Corporate Officers' compensation. Overall, these two campaigns comprised 28 face-to-face or phone meetings with analysts from a wide range of corporate governance cultures and covered around 40% of the share capital. The conclusions of these discussions have been reported in detail to the Governance & Remunerations Committee and contributed to its on-going thought process on governance matters. Report thereon was subsequently made to the Board.

Other duties

The Vice-Chairman & Lead Independent Director conducted the annual deliberation of the Board on its composition, organization and operations as well as those of its committees. In 2020, this self-assessment was carried out by an external independent firm. The conclusions of this assessment, which highlighted the quest for continuous improvement, are presented on section 1.2.6 of this Universal Registration Document.

The Vice-Chairman & Lead Independent Director has also had frequent contacts with each of the Directors. He ensured that there was no conflict of interest within the Board of Directors, which he would have been responsible for bringing to the attention of the Chairman.

1. Governance Report

1.6 Senior management

The senior management of Schneider Electric SE consists of the Chairman and Chief executive officer supported by the Executive Committee.

The Chairman and Chief executive officer

Mr. Jean-Pascal Tricoire is Chairman and Chief executive officer.

Extent and limitations of the powers of the Chairman and Chief executive officer

The Chairman and Chief executive officer represents the Company in its dealings with third parties. He is vested with the broadest authority to act in any and all circumstances in the name and on behalf of the Company. He exercises this authority within the limits of the corporate purpose, except for those matters that are reserved by law expressly to the Annual Shareholders' Meetings or the Board of Directors. In addition, the internal regulations of the Board of Directors provide that the Chairman and Chief executive officer must submit for approval to the board any acquisition transactions or disposal of assets amounting to more than €250 million as well as any strategic partnership agreement (see section 1.2.2 of Chapter 3 of this Universal Registration Document).

The Executive Committee

The operational organization of the senior management of the Group is supported by the Executive Committee, which is chaired by the Chairman and Chief executive officer. The Executive Committee meets every month to analyze and evaluate the financial performance of the Group's various businesses compared with the budget, strategic developments, and major events affecting the Group.

As of the date hereof, the Executive Committee comprises of the 16 following members. As per its Diversity & Inclusion policy, Schneider Electric pay a lot of attention to the composition of its Executive Committee to ensure a diversity of culture and gender in particular. Thus, 6 nationalities from 3 continents are part of the Executive Committee. According to the objective set in 2020 to comprise at least 30% of women, the Executive Committee's composition was reviewed in February 2020 and now includes 38% of women (vs. 27% previously).

| Name of Executive Committee Member | Gender | Age | Nationality | Responsibility |
|------------------------------------|--------|-----|-------------|---|
| Jean-Pascal Tricoire | M | 57 | French | Chairman & Chief executive officer |
| Olivier Blum | M | 50 | French | Chief Strategy & Sustainability Officer |
| Annette Clayton | W | 57 | American | Executive Vice-President North America Operations |
| Hervé Coureil | M | 50 | French | Chief Governance Officer & Secretary General |
| Philippe Delorme | M | 50 | French | Executive Vice-President Energy Management |
| Barbara Frei | W | 50 | Swiss | Executive Vice-President CEO Europe Operations |
| Peter Herweck | M | 54 | German | Executive Vice-President Industrial Automation |
| Christel Heydemann | W | 46 | French | Executive Vice-President France Operations |
| Emmanuel Lagarrigue | M | 51 | French | Chief Innovation Officer |
| Charise Le | W | 48 | Chinese | Chief Human Resources Officer |
| Chris Leong | W | 53 | Malaysian | Chief Marketing Officer |
| Hilary Maxson | W | 43 | American | Chief Financial Officer |
| Luc Rémont | M | 51 | French | Executive Vice-President International Operations |
| Mourad Tamoud | M | 49 | French | Executive Vice-President Global Supply Chain |
| Peter Weckesser | M | 52 | German | Executive Vice-President Chief Digital Officer |
| Zheng Yin | M | 49 | Chinese | Executive Vice-President China Operations |

The Top Pulse and Business Pulse communities

The Top Pulse Community and Business Pulse communities includes the Executive Committee Members and approximately 200 and 1,000 leaders of Schneider Electric's main functions and business operations respectively. Its responsibilities are to ensure cascading of the Group's objectives, help ensure rapid, responsive decision-making as well as smooth, efficient implementation of such decisions. The Top Pulse and the Business Pulse communities met digitally 6 times in total in 2020 to exchange on those matters.

1.7 Regulated agreements and commitments

1.7.1 Review of the Regulated Agreements and Commitments entered into by Schneider Electric SE

Agreements and commitments of the 2020 financial year to be approved at the 2021 Annual Shareholders' Meeting

None.

Agreements and commitments already approved at the Annual Shareholders' Meeting

Regulated Agreements and Commitments related to the Corporate Officers' status (Mr. Jean-Pascal Tricoire)

The severance indemnity and all commitments linked to an eventual departure of Corporate officer that were previously submitted to the regime of the regulated agreement according to article L. 225-42-1 of the French Commercial Code, are now approved in the framework of the compensation policy (see under pages 282 *et seq.* of this Universal Registration Document).

Regulated Agreements and Commitments related to the departure of Mr. Emmanuel Babeau

Schneider Electric executed on March 2, 2020 a specific regulated agreement, authorized by the Board of Directors on February 28, 2020, governing the conditions of the departure of Mr. Emmanuel Babeau, Deputy CEO, whose departure occurred on April 30, 2020.

The Board of Directors wanted to acknowledge Mr. Babeau's contribution for the 2020 financial year and the assistance he provided to ensure a smooth transition in the best conditions. It also felt it necessary to strengthen Mr. Babeau's post-mandate commitments in terms of non-compete and other restrictive covenants, which Mr. Babeau accepted.

The agreement provided for the following:

- Base salary for 2020 due on monthly instalments as per the 2019 policy providing for an annual amount of €680,000, representing an aggregate amount at the date of departure of €226,667;
- Annual incentive for 2020 awarded at the target level, *ie.* 100% of the base salary, and calculated *pro rata temporis* over the time of presence, representing therefore an accrued amount at the date of departure of €226,667;
- Corresponding complementary payments for pension building to be paid or awarded as per the 2019 policy in the same manner as the base salary and the annual incentive, representing therefore €51,100 for the fixed portion (based on an annual amount of €153,300) and €51,100 for the variable portion;
- Non-compete commitment replaced with a fresh one, with a scope extended, notably, to companies from the technology and engineering sectors and a term prolonged to two years (vs. 12 months previously);
- Restrictive covenants of non-solicitation, non-disparagement, confidentiality and cooperation in the context of legal or administrative proceedings involving the company, for a term of 2 years after the date of departure;
- Payment of non-compete indemnity at 60% of the total effective target cash compensation waived by Mr. Babeau;
- By way of derogation, waiver of the presence condition applicable to the unvested Performance Shares granted to Mr. Babeau in 2018 and 2019, which gives him the right to retain such unvested Performance Shares in proportion to his time of presence within the Group over the total vesting period of the plans. This corresponds to 18,056 Performance Shares granted in 2018 and 9,389 Performance Shares granted in 2019, which remain subject to the original performance conditions and other terms of the plans;

- Legal and tax support until the completion of the study relating to the consequences of him being based in the United-Kingdom from July 2014 to July 2018, the cost of which is capped at 15,000 euros.

This agreement was approved by the Annual Shareholders' Meeting of 23 April 2020 under the 5th resolution.

1.7.2 Procedure for assessing agreements relating to ordinary business operations concluded under normal conditions

The Board of Directors, at its meeting of December 11, 2019, established a procedure for regularly assessing whether agreements relating to ordinary business operations concluded under normal conditions meet these conditions. Any persons directly or indirectly concerned by any of these agreements shall not participate in its assessment.

The procedure is comprised of two phases:

- the assessment of the application of Schneider Electric SE's internal charter for regulated agreements approved by the Board of Directors on February 19, 2020, which results in an annual business report drawn up jointly by the legal department and the secretary of the board. This report is made available to the Audit & Risks Committee for preparing the evaluation report it draws up for the Board of Directors;
- the assessment by the Board of Directors of criteria for qualifying agreements relating to ordinary business operations concluded under normal conditions which deliberates on the basis of the above-mentioned assessment report drawn up by the Audit & Risks Committee.

According to this procedure, the Governance & Remunerations Committee reviewed at its meeting of December 10, 2020, the relevance of criteria for qualifying agreements relating to ordinary business operations concluded under normal conditions as defined by the procedure and decided not to amend it.

1. Governance Report

1.7.3 Statutory auditors' report on related party agreements

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby present to you our report on related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the relevance of these agreements prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*) of the continuation of the implementation, during the year, of the agreements previously approved by the Annual General Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

Agreements submitted for approval to the Annual General Meeting

We hereby inform you that we have not been notified of any agreements authorized during the year to be submitted to the Annual General Meeting for approval in accordance with Article R. 225-38 of the French Commercial Code (*Code de commerce*).

Agreements previously approved by the Annual General Meeting

Agreements approved in prior years

We hereby inform you that we have not been notified of any agreements previously approved by the Annual General Meeting, whose implementation continued during the year.

Agreements approved during the year

In addition, we have been notified of the implementation during the year of the following agreement which was approved by the Annual General Meeting of April 23, 2020 based on the statutory auditors' report on related party agreements dated March 10, 2020.

With Mr. Emmanuel Babeau (Deputy Chief Executive Officer in charge of Finance and Legal Affairs until his departure from the Group on April 30, 2020)

As part of his departure from the Schneider Electric group, Mr. Emmanuel Babeau benefited from a related party commitment setting out the terms and conditions for the termination of his duties, whose effects were as follows:

- **Fixed compensation for fiscal year 2020**

The amount of the fixed annual compensation of the Deputy Chief Executive Officer remained unchanged at 680,000 euros for fiscal year 2020. The fixed compensation paid to Mr. Emmanuel Babeau has been calculated prorata temporis until the term of his duties as Deputy Chief Executive Officer.

He has thus received 212,500 euros until April 30, 2020 as a fixed compensation, after waiving part of his compensation for the month of April 2020 in accordance with the decision of the Board of Directors held on April 6, 2020.

- **Variable compensation for fiscal year 2020**

The target level of 680,000 euros, corresponding to 100 % of the fixed compensation, has been granted to Mr. Emmanuel Babeau for fiscal year 2020. The variable compensation paid to Mr. Emmanuel Babeau has been calculated prorata temporis until the term of his duties as Deputy Chief Executive Officer.

He has thus received 226,667 euros until April 30, 2020 as a variable compensation.

- **Additional pension payments (cash benefit)**

Mr. Emmanuel Babeau has received the following amounts in respect of additional pension payments for 2020, calculated prorata temporis until the term of his duties as Deputy Chief executive Officer:

- a fixed part of 51,100 euros (calculated on an annual basis of 153,300 euros); and
- a variable part of 51,100 euros (calculated on an annual basis of 153,300 euros).

- **Application of a new non-compete agreement and of additional commitments**

With respect to his non-compete agreement and his other commitments in the context of his departure (non-solicitation, non-disparagement, confidentiality and cooperation in judicial or administrative proceedings involving the company) for a period of two years, Mr. Emmanuel Babeau retains, after applying the performance conditions related to the 2018 share plans, the benefit of a maximum of 27,117 performance shares as of December 31, 2020:

- 17,728 performance shares granted in 2018 which will be deemed vested on March 26, 2021, subject to the Deputy Chief Executive Officer's compliance with his commitments until that date; and
- a maximum of 9,389 performance shares granted in 2019 which will be deemed vested on March 28, 2022, subject to the Deputy Chief Executive Officer's compliance with his commitments until that date.

The final number of performance shares likely to be acquired by Mr. Emmanuel Babeau will be known at the end of the respective acquisition periods, subject to his continuous compliance with his commitments and, with respect to the shares granted in 2019, to the Board of Directors' decision on the achievement rate of the applicable performance conditions.

It is specified that the performance shares likely to be acquired by Mr. Emmanuel Babeau represent an individual value of 54.69 euros per performance share granted in 2018 and 53.84 euros per performance share granted in 2019.

The valuation of the performance shares was calculated in accordance with the Company's past practices and in accordance with the recommendations of the Afep-Medef Code. This valuation represents a total amount of 1,474,948.56 euros (969,454.19 euros for the preference shares granted in 2018 and 505,494.37 euros for the preference shares granted in 2019).

- **Legal and tax assistance**

Mr. Emmanuel Babeau benefits from legal and tax assistance until the completion of the study on the consequences of his expatriation to the United Kingdom from July 2014 to July 2018 for the purposes of the integration of Invensys Ltd. The maximum cost of this benefit is estimated at 15,000 euros.

The compensation allocated or paid to Mr. Emmanuel Babeau in connection with the termination of his duties as Deputy Chief Executive Officer of the Company represents a maximum amount of 2,031,315.56 euros as of December 31, 2020.

Signed in Courbevoie and Paris-La Défense on March 10, 2021

The Statutory Auditors
French original signed by

| | |
|-----------------|------------------------------------|
| MAZARS | ERNST & YOUNG et Autres |
| Loïc Wallaert | Jean-Yves Jégourel |
| Mathieu Mougard | Alexandre Resten |

2. Compensation Report

2. Compensation Report

2.1 Overview

Throughout 2020, the Board continued to discuss compensation policy and approach with many of Schneider Electric's largest shareholders, as well as investor representative bodies. The Vice-Chairman & Lead Independent Director met with 28 investors, representing ~40% of the share capital during two shareholders engagement campaigns dedicated to Governance, one in March ahead of the AGM and one in fall, and reported back to the Governance & Remunerations Committee and to the Board thereon. This dialogue will be pursued in 2021 to ensure that the Board took the feedback into account to determine the compensation of the Corporate Officers.

The 2020 policy received a very large support from the shareholders at the 2020 Annual Shareholders' meeting and the subsequent engagement with the shareholders thereon did not raise any concerns. After a previous year where the Compensation policy was largely reviewed to take into account the expectations expressed by the shareholders, for example, on the post-mandate benefits and the new LTIP criteria, the Board of Directors decided not to materially change the compensation policy for 2021 which appears balanced and provides market competitive pay, ensuring a strong link between pay and performance, strong alignment with both employees and shareholders, and long-term focus.

89%

of the shareholder votes cast supported 2019 compensation decisions for the Chairman and CEO

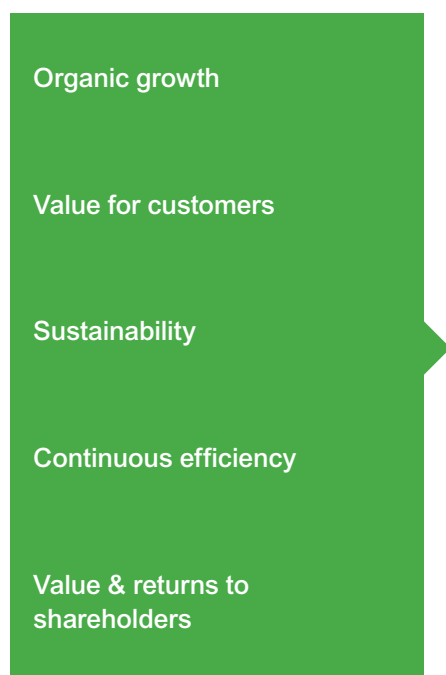
90%

approved the principles and criteria governing 2020 compensation for the Chairman and CEO

93%

of the shareholders supported the 2020 compensation report

Group's strategic priorities



How the strategy links to the Corporate Officers' variable compensation

Annual incentive plan

Delivering strong execution and creating value for customers and shareholders every year to contribute to Schneider Electric's long-term success, in line with the financial objectives communicated to the market

| Group organic sales growth | Group adjusted EBITA margin improvement | Group cash conversion rate | Schneider Sustainability Impact |
|----------------------------|---|----------------------------|---------------------------------|
| 40% | 30% | 10% | 20% |

Long-term incentive plan

Building an integrated and leading company with strong sustainability focus and attractive returns to shareholders

| Adjusted Earnings Per Share | Relative Total Shareholder Return | Relative Sustainability Index |
|-----------------------------|-----------------------------------|-------------------------------|
| 40% | 35% | 25% |

2020 performance highlights

Business performance

2020 was a signature year. Schneider Electric's financial performance was resilient, with intensive and agile execution ensuring a strong finish and demonstrating a step-change in sustainability.

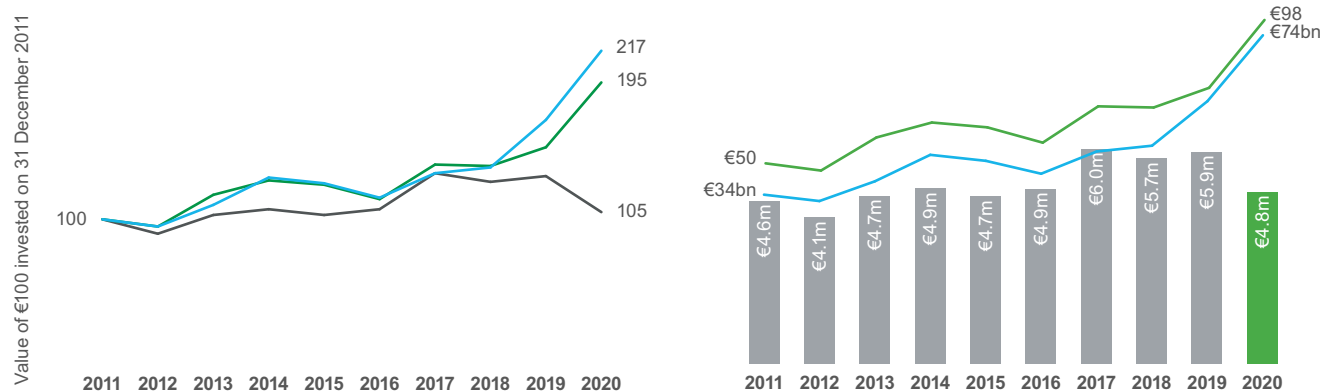
| | | | |
|----------------|--------------------------|------------------------|---|
| Revenue | Adjusted EBITA (organic) | Strong cash conversion | Progress on Schneider Sustainability Impact |
| €25.2bn | €3.9bn | 159% | 9.32 |

Note: Cash conversion was 159% in 2020 (before the impact of IFRS 16).

Positioning in relation to the Company's performance

CEO compensation vs. shareholder value creation – share price and enterprise value growth over 10 years

(re-based to 100)



- Total effective compensation after reduction (base salary + actual annual incentive + IFRS value of LTI granted in the year in reference multiplied by actual achievement rate)
- SE share price
- Enterprise value

Note: LTI grants for 2019 and 2020 are presented "at target".

Summary of the compensation realized during the year 2020

Jean-Pascal Tricoire, Chairman and CEO (Euros)

| | | | |
|--------------------------|--------------------------|--|-------------------------|
| 875,000 Salary | 1,048,775 STIP | 6,968,935⁽¹⁾ LTIP | 457,376 Other |
|--------------------------|--------------------------|--|-------------------------|

(1) LTIP represents realized value of shares vested in 2020 (LTIP 2018).

2. Compensation Report

2.2 General report on the compensation granted or paid out during the 2020 fiscal year (ex-post compensation)

2.2.1 Pillars and principles

The principles and criteria determining the 2020 compensation described in this section were overwhelmingly supported by the shareholders at the Annual Shareholders' Meeting on April 23, 2020. They are deemed to constitute the last policy approved by the shareholders in the meaning of Article L. 22-10-8 of the French Commercial Code and govern the entirety of the compensation granted by the Group to the Corporate Officers until the next policy is approved by the shareholders.

| Pillar | How It is reflected in the Group 2020 Compensation Policy | | | | | |
|---|--|---------------------------|-------------------------|---------------------------|---|---|
| Pay-for-performance | <p>Principle 1: Prevalence of variable components: circa 80% for CEO (at target).</p> <p>A prevalent part of the Corporate Officer target package shall be variable; the 2020 target package thus consist of approximately 80% variable pay component (excluding pension payments).</p> <p>Chairman and Chief executive officer: On target pay mix</p> <table border="1"> <tr> <td>Fixed 20%</td> <td>Annual incentive 21%</td> <td>Performance shares 59%</td> </tr> </table> <p>Principle 2: Performance evaluated via economic and measurable criteria.</p> <p>Performance is evaluated via criteria that are mainly economic (80% of variable cash compensation and 75% of multi-year Performance Shares) and measurable, which are selected based on KPIs used in the market communication and drivers of the Group's strategy. All criteria have measurable targets approved by the Board at the beginning of the performance period, ensuring targets are achievable but demanding.</p> <p>Principle 3: Financial and Sustainability objectives fairly balanced and distributed between short-term (annual incentive) and medium-term (long-term incentive) components.</p> <table border="0"> <tr> <td> 2020 Annual Incentive (80% financial): <ul style="list-style-type: none"> • 40% Group organic sales growth • 30% Adjusted EBITA margin (organic) improvement • 20% Schneider Sustainability Impact • 10% Group cash conversion rate </td> <td> 2020 Long-term incentive (75% financial and TSR): <ul style="list-style-type: none"> • 40% Adjusted EPS • 35% Relative Total Shareholder Return • 25% Schneider Sustainability Index </td> </tr> </table> | Fixed 20% | Annual incentive 21% | Performance shares 59% | 2020 Annual Incentive (80% financial): <ul style="list-style-type: none"> • 40% Group organic sales growth • 30% Adjusted EBITA margin (organic) improvement • 20% Schneider Sustainability Impact • 10% Group cash conversion rate | 2020 Long-term incentive (75% financial and TSR): <ul style="list-style-type: none"> • 40% Adjusted EPS • 35% Relative Total Shareholder Return • 25% Schneider Sustainability Index |
| Fixed 20% | Annual incentive 21% | Performance shares 59% | | | | |
| 2020 Annual Incentive (80% financial): <ul style="list-style-type: none"> • 40% Group organic sales growth • 30% Adjusted EBITA margin (organic) improvement • 20% Schneider Sustainability Impact • 10% Group cash conversion rate | 2020 Long-term incentive (75% financial and TSR): <ul style="list-style-type: none"> • 40% Adjusted EPS • 35% Relative Total Shareholder Return • 25% Schneider Sustainability Index | | | | | |
| Alignment with shareholders' interests | <p>Principle 4: Significant proportion of the total compensation delivered in shares.</p> <p>The Corporate Officer's target package consists of approximately 60% long-term share-based benefits, meaning their compensation is subject to the same share price volatility that shareholders experience.</p> <p>Principle 5: Performance conditions aligned to shareholders' expectations and Schneider Electric's strategic priorities.</p> <p>Performance criteria were selected from financial indicators that are most representative of Group performance and that are closely linked to shareholder value creation. Performance levels required to reach targets were set at the beginning of the year in line with the objectives disclosed to the market at the same time as the results of the previous fiscal year and were supplemented by factors that enable the Group to offer a long-term and satisfactory development outlook for all stakeholders in the Company's success.</p> | | | | | |

Competitiveness

Principle 6: To benchmark the Corporate Officers' compensation package "at target" in the median range of the Company's peer group.

Schneider Electric competes for talent in a global marketplace. Most of the Group's key competitors are headquartered outside France. To reflect this, the International Peer group consists of 24 French, European, and US companies that are comparable to Schneider Electric in size or industry sector, or that represent a potential source of recruitment or attrition. Compensation levels for Corporate Officers are reviewed annually and benchmarked by reference to the median of this peer group to ensure they remain reasonable and appropriately competitive. This benchmarking is primarily used to establish a frame of reference for what competitors are paying to comparable roles, rather than as the main factor for making compensation decisions.

The 2020 peer group which did not change compared to 2019 included European and US-based companies:

- Business competitors (in particular, those identified in the Long-term incentive plan as performance peers for TSR comparison purposes);
- Talent competitors for operational and functional roles; and
- "Acceptance" peers (*i.e.* groups of a similar size, business, or structure)

| Group 1: | Group 2: | Group 3: | Group 4: | Group 5: | Group 6: |
|--|--|---|---|---|--|
| European (Capital Goods) | European (Construction) | European (Technology Hardware & Software) | European (Industrial B2B) | US (Capital Goods) | US (Technology Hardware & Software) |
| ABB Atlas Copco Legrand Siemens CNH Industrial | ACS Lafarge Holcim Saint-Gobain Vinci | Dassault Systèmes Hexagon SAP TE Connectivity | Airbus Group Air Liquide Bayer Thyssenkrup | Eaton Emerson Honeywell Johnson Controls Rockwell Automation | Autodesk PTC |

Principle 7: To reference the CAC 40 third quartile and the Stoxx Europe 50 median.

The Board reviews Corporate Officer's compensation with reference to the upper quartile of the CAC 40 companies and the median of the Stoxx Europe 50 companies, in line with the Group's position within these panels.

Positioning of 2020 at target compensation of Schneider Electric's Corporate Officer relative to the market benchmarks



Total compensation includes base salary, annual incentive at target, and IFRS value of Performance Shares granted during the year.

2. Compensation Report

2.2.2 Chairman & CEO's compensation in relation to the 2020 fiscal year

At its meeting on February 10, 2021, after examining the suitability and fairness of the outcome of the 2020 compensation policy for the Corporate Officer and its alignment with the Group's performance, as well as hearing the report of the Governance & Remunerations Committee, the Board determined the Corporate Officer's compensation for 2020 in accordance with the principles and criteria previously approved by the shareholders in April 2020 at the Annual Shareholders' Meeting. The outcome is detailed and commented hereinafter along with the performance results for each component of the compensation.

Table summarizing the compensation paid or granted to the Chairman and CEO in 2020

The following table summarizes the compensation and benefits awarded or paid to the Chairman and CEO for the fiscal years 2020 and 2019, presented on a reported basis in accordance with AFEP-MEDEF guidelines as well as on a realized basis, *i.e.* where performance conditions assessment have ended in the reported fiscal year.

| Jean-Pascal Tricoire Chairman & Chief executive officer (Euro) | Compensation & benefits awarded for fiscal year | | Compensation & benefits realized in fiscal year | |
|--|--|--------------------------|--|--------------------------|
| | 2020 | 2019 | 2020 | 2019 |
| A – CASH COMPENSATION | | | | |
| Fixed compensation | 875,000 | 1,000,000 | 875,000 | 1,000,000 |
| Annual variable compensation ⁽¹⁾ | 1,048,775 | 1,717,300 | 1,048,775 | 1,171,300 |
| Compensation in relation to the Director's office | 0 | 0 | 0 | 0 |
| SUBTOTAL (A) (CASH) | 1,923,775 | 2,717,300 | 1,923,775 | 2,717,300 |
| B – LONG TERM INCENTIVE | | | | |
| Valuation of the Performance Shares | 2,897,700 ⁽²⁾ | 3,230,340 ⁽²⁾ | 6,968,935 ⁽³⁾ | 5,464,838 ⁽³⁾ |
| SUBTOTAL (B) LONG TERM INCENTIVE | 2,897,700 | 3,230,340 | 6,968,935 | 5,464,838 |
| C – PENSION CASH BENEFIT | | | | |
| Complementary payment for pension building (fixed) | 191,600 | 191,600 | 191,600 | 191,600 |
| Complementary payment for pension building (variable) | 229,652 | 329,035 | 229,652 | 329,035 |
| SUBTOTAL (C) PENSION CASH BENEFIT | 421,252 | 520,635 | 421,252 | 520,635 |
| D – OTHER BENEFITS | | | | |
| Other benefits ⁽⁴⁾ | 36,124 | 36,218 | 36,124 | 36,218 |
| SUBTOTAL (D) OTHER BENEFITS | 36,124 | 36,218 | 36,124 | 36,218 |
| TOTAL COMPENSATION AND BENEFITS (A)+(B)+(C)+(D) | 5,278,851 | 6,504,493 | 9,350,086 | 8,738,991 |

- (1) The annual incentive for the fiscal year 2019 was paid in 2020 after approval by the shareholders at the Annual Shareholders' Meeting of April 23, 2020 of the 7th resolution relating to the compensation paid, due, or awarded to Jean-Pascal Tricoire in respect of the 2019 fiscal year. Hence, the total compensation in cash actually paid in the fiscal year 2020 to Jean-Pascal Tricoire amounts to €3,112,935 (2020 fixed compensation + 2019 annual incentive + fixed portion of pension benefit for 2020 + variable portion of pension benefit for 2019). Likewise, in accordance with Article L.22-10-34 II of the French Commercial Code, the variable elements in cash awarded to Jean-Pascal Tricoire for the financial year 2020 will only be paid in 2021, subject to their prior approval by the shareholders at the Annual Shareholders' Meeting of April 28, 2021 under the 6th resolution.
- (2) **Value of Performance Shares granted during fiscal year** – As per AFEP-MEDEF Corporate governance code methodology, compensation is presented on a reported basis. Long-term incentives for the fiscal year include Performance Shares granted during the fiscal year, the performance period of which has not elapsed. The value of Performance Shares corresponds to the number of shares granted, before reduction on account of performance, multiplied by the share price determined in line with IFRS 2 accounting standards.
- (3) **Value of Performance Shares deemed vested during the fiscal year** – In order to facilitate the analyses, the Long-term incentives are also presented on realized value basis, where the value of Performance Shares corresponds to the actual number of shares (granted in previous years) deemed vested at the end of the fiscal year, after reduction for performance conditions, multiplied by the share price on December 31, 2019 or 2020, as the case may be.
- (4) **Other benefits** include company car, employer matching contributions to capital increase for employees or contributions to Employee Saving Plan and to collective Pension Saving Plan (PERCO) as well as benefits from French profit-sharing plan.

Say on pay table relating to the compensation paid or granted to the Chairman and CEO in 2020

The fixed, variable, and exceptional components of the total compensation and benefits paid in or awarded for the fiscal year 2020 to the Corporate Officer, as detailed below, will be submitted to the shareholders for approval at the 2021 Annual Shareholders' Meeting of April 28, 2021 under the 5th and 6th resolutions.

The tables below summarize the compensation paid during the past fiscal year and compensation awarded for the past fiscal year, along with a description of how each component was calculated in compliance with the compensation policy in force.

| Elements of compensation submitted to the vote | Amounts | Description | | | | | | | | | |
|--|---|--|------|-----|------|-----|------|----|------|-----|------|
| Fixed compensation | €875,000 (amount due for 2020 paid in 2020) <i>Reminder: €1,000,000 (amount due for 2019 paid in 2019)</i> | <p>Reminder of the 2020 compensation policy</p> <p>Theoretical gross annual fixed compensation of €1,000,000 for the fiscal year 2020 according to the compensation policy was set by the Board of Directors on February 19, 2020 upon recommendation from the Governance & Remunerations Committee and approved by the Annual Shareholders' Meeting of April 23, 2020.</p> <p>For 2020, the Board decided not to award a salary increase to the Corporate Officer. The fixed compensation is reviewed at long intervals by the Board in accordance with the AFEP-MEDEF Corporate governance code. It reflects the scale and complexity of the business and the level of responsibility attached to the role and is set reasonably competitive with the external market. Base salary element represents approximately 20% to 25% of total target compensation for Corporate Officer.</p> | | | | | | | | | |
| | | <p>Salary increase over the last 5 years</p> <table border="1"> <tr> <td>2020</td> <td>Nil</td> </tr> <tr> <td>2019</td> <td>Nil</td> </tr> <tr> <td>2018</td> <td>5%</td> </tr> <tr> <td>2017</td> <td>Nil</td> </tr> <tr> <td>2016</td> <td>Nil</td> </tr> </table> | 2020 | Nil | 2019 | Nil | 2018 | 5% | 2017 | Nil | 2016 |
| 2020 | Nil | | | | | | | | | | |
| 2019 | Nil | | | | | | | | | | |
| 2018 | 5% | | | | | | | | | | |
| 2017 | Nil | | | | | | | | | | |
| 2016 | Nil | | | | | | | | | | |
| Annual variable compensation | €1,048,775 (amount due for 2020 to be paid in 2021) <i>Reminder: €1,717,300 (amount due for 2019 paid in 2020)</i> | <p>Reminder of the 2020 compensation policy</p> <p>The annual variable compensation rewards achievement of the short-term financial, and sustainability (corporate and social responsibility) objectives of the Group.</p> <p>The pay-out opportunity is as follows:</p> <ul style="list-style-type: none"> at threshold performance: 0% of the fixed compensation; at target: 130% of the fixed compensation; at maximum over-performance: 260% of the fixed compensation. <p>The payment of the variable annual cash compensation is conditional upon approval by shareholders of the compensation granted to the concerned Corporate Officer.</p> <p>The structure of the 2020 Annual variable compensation focuses on what matters to Schneider Electric in delivering value to shareholders. 100% of the variable compensation depends on measurable objectives. As a reminder, in 2019, the annual variable compensation structure was simplified from eight performance criteria to four, with 80% financial and 20% sustainability based criteria, while removing the portion based on individual assessment by the Board.</p> <p>The financial criteria (organic sales growth (40%), adjusted EBITA margin (30%), and cash conversion (10%)) closely align pay outcomes for the Corporate Officer to Schneider Electric's financial performance. The significant part is subject to the Schneider Sustainability Impact (20%) highlighting the importance of sustainability on Schneider Electric's business agenda.</p> <p>The Board also ensured that more stringent targets were set for the annual variable compensation with maximum award only payable if a strong performance is delivered on each performance metric.</p> | | | | | | | | | |

2. Compensation Report

Annual variable compensation (continued)

Application of the 2020 compensation policy

In view of the worldwide COVID-19 crisis Mr. Jean-Pascal Tricoire decided voluntarily to donate 25% of his fixed compensation for six months to the Tomorrow Rising Fund. In consultation with him, the Board of Directors considered that the reduction to his fixed compensation in 2020 (due to the donation of 25% of his fixed remuneration over 6 months to the Tomorrow Rising Fund) should also be reflected in the basis of calculation of his annual variable compensation due for 2020. Therefore, the outcome of the variable compensation is applied on his actual fixed annual compensation of €875,000, instead of a normative annual compensation of €1,000,000.

The annual incentive due for 2020 was determined by the Board at the meeting of February 10, 2021, based on the attainment rate of the objectives set for fiscal year 2020 as reviewed by the Board of Directors at its July 28, 2020 meeting.

Indeed, the guidance announced at the beginning of 2020 was withdrawn in March 2020 due to the COVID-19 crisis. In July 2020, after assessing the first half of 2020 results, the Board issued a new 2020 guidance demonstrating the good resilience of the Group in a challenging year. At that time, for the 2020 annual variable compensation of the Chairman and CEO, the Board resolved to use the discretion clause provided in the existing compensation policy on the basis that:

- The COVID-19 crisis constitutes an exceptional circumstance external to the Group;
- The teams and the CEO had to work in a very challenging environment requiring them to be fully committed and to constantly adapt themselves to a situation changing daily;
- The Group's interest was to continue to incentivize, within a reasonable level, the Corporate Officer and all employees to drive the performance of the Company and keep all teams motivated to achieve the new guidance issued.

The Board therefore decided in July 2020 that:

- The use of the discretion clause shall ensure the payout outcome of the Corporate Officer is aligned with shareholders' experience and consistent with the approach applied to ~58,000 employees of the Group who participate in a similar annual variable plan with the same criteria as the one used for the Chairman & CEO;
- The use of the discretion clause will impact the Chairman & CEO's annual variable compensation for the two objectives linked to organic sales growth (40%) and adjusted EBITA margin improvement (30%) set at the beginning of the year and align them with the new targets published in July 2020 (Revenue between -7% to -10% organic, Adjusted EBITA margin between -0.5 pts to -0.8 pts organic);
- The use of the discretion clause would be fully disclosed in the 2020 Universal Registration Document and submitted to the shareholders' vote at the 2021 Annual Shareholders' Meeting;
- The outcome of the variable compensation will be reviewed to ensure that there is an alignment between pay and performance, taking into account the overall economic circumstances and the achievements of the Company compared to the market and its peers.

It is important to note that the discretion clause has not been applied to the Long Term Incentive Plans, hence there were no amendments to any LTIP targets and plans which remained unchanged.

At its meeting on February 10, 2021, the Board of Directors first assessed the two criteria not affected by the application of the discretion clause. These two criteria, *i.e.* the cash conversion rate and the Schneider Sustainability Impact, amounted to a 46.4% achievement rate.

| | Weight (%) | Performance range | | | Achievement | |
|---|------------|-------------------|--------|---------|--------------|-----------------------------|
| | | Threshold | Target | Maximum | 2020 results | Achievement rate (weighted) |
| 2020 performance criteria | | 0% | 100% | 200% | | |
| Cash conversion rate | 10% | 85% | 100% | 115% | 159% | 20.0% |
| Schneider Sustainability Impact (score) | 20% | 8 | 9 | 10 | 9.32 | 26.4% |
| Total | 30% | | | | | 46.4% |

- Efforts on cash management delivered excellent results, the free cash-flow was €3.67bn. Cash conversion was 159% (excluding IFRS 16) in 2020 on a normalized basis which represented a maximum achievement rate of 20% on this criterion.
- The Schneider Sustainability Impact (SSI), the Group's three-year (2018-2020) transformation plan which measures the progress towards its ambitious sustainability commitments reached a good result of 9.32/10, exceeding the target set for this criterion, representing an achievement rate of 26.4%.

Annual variable compensation (continued)

For the two other criteria (organic sales growth and Adjusted EBITA margin), considering the excellent resilience that the Company demonstrated in 2020 through the COVID-19 crisis and the exceptional total shareholders return achieved (Schneider Electric ranked 2nd of the CAC40 and 1st of its Peer group in 2020), the Board of Directors confirmed its decision to use the discretion clause.

The Board assessed the results achieved by the Group for these two criteria as follows:

- Despite the challenging circumstances the Group delivered organic sales growth of -4.7%, a level which clearly exceeded the guidance of -10% to -7% given in July, and also the revised guidance of -7% to -5% given in October;
- Adjusted EBITA margin increased organically by +0.2 pts thanks to a combination of tactical savings and productivity actions, a very strong performance that exceeded the guidance of July of -0.8 pts to -0.5 pts and also the one of October 2020 of -0.2 pts to +0.1 pts.

However, after careful consideration of the annual incentive potential outcomes for the Chairman and CEO, the Board decided not to use these revised targets as a reference for the annual variable compensation assessment as this would have resulted in an achievement rate close to 140% for these two performance criteria alone (organic sales growth and adjusted EBITA margin).

In view of this and the unprecedented circumstances in 2020, the Board carefully reviewed the options. Much emphasis was given to a strong alignment between pay and performance taking into account the particular challenges in this year, and the achievements of the Group compared to its market and peers. The Board acknowledged the excellent leadership in this exceptional period by the Chairman and CEO and the resilient results achieved by the Group.

The Board decided to award 45.8% achievement on the mentioned two criteria. This represents a reduced level as compared to "on target" (70%) and "maximum" (140%) but reflecting the various considerations. This resulted in a total annual achievement rate of 92.2%, slightly below target (taking into account the effect of the voluntary compensation reduction mentioned above, the actual achievement rate is 80.7% which can be compared to 132.1% in 2019).

The Board noted that the achievement rate of 92.2% of the Group objectives is consistent with the result for the Group part of the annual variable plan applicable to ~58,000 Schneider Electric's employees globally and that the average outcome for the participants of this programme was above 100% due to the individual part of the plan which does not apply to the Chairman and CEO (for more details, see section 4.6 of Chapter 2 of the Universal Registration Document).

When making this decision, the Board also took in consideration the following items:

- The Group did not benefit from significant grants established by the countries impacted by the pandemic, and chose not to resort to the exceptional liquidity support schemes proposed by the French state to overcome the crisis, nor the French special COVID-19 crisis scheme of partial unemployment;
- The response from the management of the Group to recognize the efforts demonstrated by all employees globally during the challenging year and complexities caused by COVID-19, including:
 - the special positive adjustment applied to the outcome of the annual incentive plan;
 - the reversal of COVID-19 pay reduction impact on calculation of the annual incentive pay-out – contrary to the approach taken for the Chairman and CEO;
 - a one-time payment to recognize the exceptional effort of Schneider Electric field employees.

As a result, the 2020 Annual variable compensation pay-out for the Corporate Officer was calculated on the base of his actual fixed compensation (including the pay-cut linked to the COVID-19 crisis) as follows:

| At Target pay-out | | Achievement rate | 2020 Actual pay-out | |
|-------------------|----------------------------|------------------|-----------------------------|--------------------|
| as a % of salary | Amount (€) | as a % of target | as a % of salary | Amount (€) |
| 130% | € 1,137,500 ⁽¹⁾ | 92.2% | 104.9%⁽²⁾ | € 1,048,775 |

(1) Considering the COVID-19 fixed pay reduction agreed by the Chairman and CEO, the target pay-out of the Annual variable compensation due for 2020 is €1,137,500 instead of €1,300,000 according to the Compensation policy approved by the shareholders at the Annual Shareholders' Meeting held on April 23, 2020.

(2) Calculated as % of the fixed compensation specified in the 2020 Policy, before reduction.

2. Compensation Report

Annual variable compensation (continued)

| | Weight (%) | Performance range | | | Achievement | |
|---|-------------|--------------------|----------------|-----------------|--------------|-----------------------------|
| | | Threshold 0% | Target 100% | Maximum 200% | 2020 results | Achievement rate (weighted) |
| 2020 performance criteria | | | | | | |
| Group financial indicators (80%) | | | | | | |
| Organic sales growth | 40% | BOARD'S DISCRETION | | | -4.7% | 45.8% |
| Adj. EBITA margin improvement (org.) | 30% | | | | +0.2pts | |
| Cash conversion rate | 10% | 85% | 100% | 115% | 159% | 20.0% |
| Sustainability (20%) | | | | | | |
| Schneider Sustainability Impact | 20% | 8 | 9 | 10 | 9.32 | 26.4% |
| Total | 100% | | | | | 92.2% |

In compliance with Article L.22-10-34 II of the French Commercial Code, the payment of this Annual variable compensation is subject to approval by the shareholders of the compensation granted to the Corporate Officer for the fiscal year 2020 (cf. 6th resolution to be submitted to the Annual Shareholders' Meeting of April 28, 2021).

As a reminder, an amount of €1,717,300 was paid in 2020 to Mr. Jean-Pascal Tricoire for the Annual variable compensation due for the fiscal year 2019 after the approval of the 7th resolution by the Annual Shareholders' Meeting on April 23, 2020 (cf. page 278 of the 2019 Universal Registration Document).

Long-term incentive (Performance shares)

60,000 Performance Shares granted in March 2020 (€2,897,700 according to IFRS valuation)

Reminder: 60,000 Performance Shares granted in March 2019 (€3,230,340 according to IFRS valuation)

Reminder of the 2020 compensation policy

The 2020 Compensation policy provided:

- a maximum annual award to the Chairman and CEO of 60,000 shares;
- a vesting period of three years with an additional mandatory one year holding period for 30% of shares granted under the plan reserved to the Corporate Officer;
- performance conditions as follows:

40% Improvement of Adjusted Earnings Per Share (EPS)

Average of the annual rates of achievement of Adjusted EPS improvement targets for the 2020 to 2022 fiscal years. Adjusted EPS performance is published in the external financial communications and its annual variance will be calculated using adjusted EBITA at constant FX from year N-1 to year N. Foreign exchange impacts below adjusted EBITA will be taken in full. Significant unforeseen scope impact could be restated from this calculation upon decision of the Board.

35% Relative TSR

17.5% vs. CAC 40 companies

- 0% below median
 - 50% at median (rank 20)
 - 100% at rank 10
 - 120% at ranks 1 to 4*
- linear between these points

17.5% vs. a panel of 11 peer companies

(ABB, Legrand, Siemens, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric, and Yokogawa)

- 0% at rank 8 and below
 - 100% at rank 4
 - 150% at ranks 1 to 3*
- linear between these points

25% Schneider Sustainability External & Relative Index (SSERI)

6.25% DJSIW

- 0%: not in World
- 50%: included in World
- 100%: sector leader

6.25% Euronext Vigeo

- 0%: out
- 50%: included in World 120 or Europe 120
- 100%: included in World 120 & Europe 120

6.25% FTSE4GOOD

- 0%: out
- 50%: included in Developed or Environmental Leaders Europe 40 indexes
- 100%: included in Developed & Environmental Leaders Europe 40 indexes

6.25% CDP Climate Change

- 0%: C score
- 50%: B score (25% at B-)
- 100%: A score (75% at A-)

* The over-achievement of relative TSR performance condition can off-set the under-achievement of the objectives under the adjusted EPS performance condition.

Long-term incentive (Performance shares) (continued)

Application of the 2020 compensation policy

The volume of the maximum annual award was set in consideration of:

- The market practice and competitive positioning of the Chairman and CEO's compensation package;
- The Group's resilient performance;
- The new structure of performance measurement governing the final acquisition of LTIP awards;
- The culture of ownership deeply rooted in Schneider Electric's DNA.

According to the authorization given by the Annual Shareholders' Meeting on April 25, 2019 in its 21st resolution, the Board of Directors, during its meeting of March 24, 2020 decided to grant Mr. Jean-Pascal Tricoire a total of 60,000 Performance Shares (representing 0.01% of Schneider Electric's share capital) subject to the performance criteria described above and measured over a period of three years:

- 18,000 Performance Shares under Plan n° 36 in his capacity as Chairman and CEO of Schneider Electric SE;
- 42,000 Performance Shares under Plan n° 37 in his capacity as Chairman of Schneider Electric Asia Pacific.

Pension benefits € 421,252

(amount due for 2020 (fixed portion of €191,600 paid in 2020 and variable portion of €229,652 to be paid in 2021))

Reminder: €520,635 (amount due for 2019 (fixed portion of €191,600 paid in 2019 and variable portion of €329,035 paid in 2020))

Reminder of the 2020 compensation policy

Complementary payments are intended to take account of the fact that, following the decision of the Board of Directors on February 18, 2015 to remove the benefit of the defined-benefit pension scheme (Article 39) for Corporate Officers, Mr. Jean-Pascal Tricoire is personally responsible for building up his pension. He undertook to redirect these complementary payments, net of taxes, to investment vehicles devoted to financing his additional pension. To determine this authorized complementary compensation, the Board of Directors sought the recommendation of an independent expert, namely the firm Willis Towers Watson, and ensured that the mechanism implemented therefore, was in line with shareholders' interests.

Accordingly, Mr. Jean-Pascal Tricoire is entitled to receive annually a complementary component, split into a fixed and variable portion as follows:

| Fixed portion | Target (% of Fixed) | Minimum | Variable portion | | Total at Target |
|---------------|---------------------|---------|------------------|----------|-----------------|
| | | | At target | Maximum | |
| €191,600 | 130% | €0 | €249,080 | €498,160 | €440,680 |

The variable part is dependent on performance criteria aligned with the variable annual compensation (see above).

Application of the 2020 compensation policy

At the meeting held on February 10, 2021, the annual complementary variable portion for 2020 to be paid after the Annual Shareholders' Meeting if the latter approves it, was set by the Board of Directors at 104.9% of the annual complementary fixed portion, *i.e.* an achievement rate of 92.2% on a 100 baseline.

For 2020, Mr. Jean-Pascal Tricoire is entitled to receive:

| Fixed amount | Target achievement rate | Variable amount ⁽¹⁾ | Total due for 2020 |
|--------------|-------------------------|--------------------------------|--------------------|
| €191,600 | 130% | € 229,652 | € 421,252 |

(1) Calculated by applying to the fixed compensation above the percentage of target achievement determined for the calculation of the 2020 annual variable compensation, *i.e.* 92.2%.

In compliance with applicable law, the payment of the variable amount will be subject to shareholders' approval (cf. 6th resolution submitted to the Annual Shareholders' Meeting of April 28, 2021).

Reminder: an amount of €329,035 was paid in 2020 to Mr. Jean-Pascal Tricoire for the variable portion of his pension due for the fiscal year 2019 after its approval by the Annual Shareholders' Meeting on April 23, 2020 (cf. page 279 of the 2019 Universal Registration Document).

2. Compensation Report

Other benefits

€36,124
received in
2020

Reminder:
€36,218 received
in 2019

Reminder of the 2020 compensation policy

The Compensation policy provides that the Chairman and CEO may benefit from:

- the employer matching contributions;
- the profit-sharing;
- a company car;
- supplementary Life & Disability scheme.

Application of the 2020 compensation policy

For the fiscal year 2020, the Chairman and CEO was eligible for profit-sharing and the employer matching contributions paid to Employee Saving Plan subscribers. In addition, he was eligible for the employer matching contributions paid to subscribers to the collective pension fund (PERCO) for the retirement of workers in France. The use of a company car in 2020 represented an equivalent cost of €26,345.

| Employer matching contributions to Employee Saving Plan | Employer matching contributions to collective pension saving plan (PERCO) | Profit-sharing | Company car | Total 2020 benefits |
|---|---|----------------|-------------|---------------------|
| €1,404 | €800 | €7,575 | €26,345 | €36,124 |

The Chairman and CEO is eligible for (i) the collective welfare plan applicable to employees of Schneider Electric SE and Schneider Electric Industries SAS covering the risks of illness, incapacity, disability, and death and (ii) additional coverages conditional on the fulfilment of some conditions as described in the compensation policy (cf. chapter 3, section 2.3.1 of the Universal Registration Document).

Termination benefits

No payment

Involuntary Severance Pay

The Chairman and CEO is entitled to involuntary termination benefits in case of change of control or strategy and taking into account the non-compete compensation described below, is capped at twice the arithmetical average of his annual fixed and variable compensation paid over the last three years. (cf. chapter 3, section 2.3.1 of the Universal Registration Document).

Non-compete compensation

The Chairman and CEO is entitled to non-compete compensation for a period of one year capped at 6/10ths of his average gross compensation (*i.e.* including annual complementary payments – fixed and target variable) over the last 12 months of service. (cf. chapter 3, section 2.3.1 of the Universal Registration Document).

For 2020, Mr. Jean-Pascal Tricoire was not awarded nor did he benefit from multi-annual variable compensation, exceptional compensation, stock options, welcome bonus, or Directors' fees.

Employer social contributions paid by the Group's companies in respect of Mr. Jean-Pascal Tricoire's compensation amounted to €390,857 in 2020.

Mr. Jean-Pascal Tricoire is granted 30% of his cash compensation described above (fixed compensation, annual variable compensation and pension complementary payments) in consideration for his duties as a Corporate Officer (Chairman and CEO) of Schneider Electric SE exclusively. The remainder is granted to him for the discharge of his operational duties as Chairman of Schneider Electric Asia Pacific and executive Director of Schneider Electric USA Inc.

Details relating to the 2018 Long-term Incentive Plan realized in 2020

The performance period for shares granted in 2018 finished on December 31, 2020 and shares under the Plans n° 30 and 31 are therefore deemed vested. Their final acquisition is, however, still subject to the satisfaction of the presence condition at the delivery date.

At its meeting of February 10, 2021, the Board assessed the achievement rate of the performance criteria based on the Group's performance over the three-year period 2018 – 2020 and set the final rate of achievement at 98.18%, *i.e.* a reduction of 1.82% in relation to the number of shares originally granted.

The Chairman and CEO has conditionally been granted 18,000 shares under Plan n° 30 and 42,000 shares under Plan n° 31. After applying the reduction for performance not achieved, the resulting outcomes were as follows:

| Corporate Officer | Number of Shares (Plan n° 30) ⁽¹⁾ | Number of Shares (Plan n° 31) | Number of shares deemed vested | No of shares lapsed | Value of deemed vested shares ⁽²⁾ |
|----------------------|--|-------------------------------|--------------------------------|---------------------|--|
| Jean-Pascal Tricoire | 18,000 | 42,000 | 58,909 | 1,091 | 6,968,935 |
| Vesting date | March 26, 2021 | March 26, 2021 | | | |

(1) Plan n° 30 – Performance Shares granted under this plan to Corporate Officer is subject to one-year holding period following vesting, therefore shares will only become unrestricted on March 26, 2022.

(2) Vested shares are valued at the closing share price of December 31, 2020, *i.e.* €118.3.

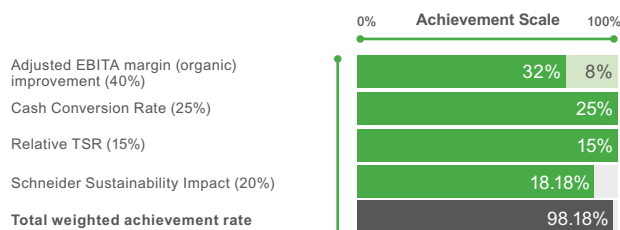
Shares granted under the 2018 LTIP were subjected to performance conditions as follows:

| | | | |
|--|---|---|---|
| <p>40%</p> <p>Adjusted EBITA</p> <p>Average achievement rate for 2018, 2019 & 2020</p> <p>2018 Actual result: +0.5pts Achievement rate: 100%</p> <p>2019 Actual result: +0.7pts Achievement rate: 100%</p> <p>2020 Actual result: +0.2 pts Achievement rate: 40%</p> <p>Weighted rate: 32%</p> | <p>25%</p> <p>Cash conversion rate</p> <p>Average achievement rate for 2018, 2019 & 2020</p> <p>2018 Actual result: 90%</p> <p>2019 Actual result: 121%</p> <p>2020 Actual result: 159%</p> <p>Weighted rate: 37.5%⁽¹⁾</p> | <p>20%</p> <p>Schneider Sustainability Impact</p> <p>Index between 8 and 10 at year end 2020</p> <p>2020 Actual result: 9.32</p> <p>Weighted rate: 18.18%</p> | <p>15%</p> <p>Relative TSR</p> <p>Ranking vs. peer group in December 2020 Actual result: Rank 1st</p> <p>Weighted rate: 22.5%⁽¹⁾</p> |
|--|---|---|---|

(1) The good level of cash conversion exceeded the initial target and the over-performance of the relative TSR condition off-set the under-performance of the adjusted EBITA condition (for 8%).

2020 was the final year of performance measurement for the LTIP 2018. Schneider Electric ranked 1st on relative TSR, delivering c. 75% return to shareholders over the same three-year period, demonstrating a strong value creation for the shareholders. Schneider Electric delivered robust organic adjusted EBITA margin improvement year-on-year, largely beating initial targets, exceeding the cash conversion rate three-year target, and demonstrating consistent progress on the Group's sustainability targets which are at the heart of the Group's strategy. These strong results across the range of performance criteria led to a vesting outcome of 98.18% out of 100%.

LTIP 2018 Performance criteria achievement



- **Organic adjusted EBITA margin improvement (40%)** – During the 3 years plan, the adjusted EBITA organic margin improved by more than +0.45 pts on average, reflecting the successful execution of the strategy combining top line growth, positive net pricing, better mix, industrial productivity, and better efficiency to reduce SFCs. Despite of the COVID-19 crisis, the adjusted EBITA margin increased organically by +0.2 pts in 2020 thanks to a combination of tactical savings and productivity actions. Overall, the achievement rate for this criterion was 32% (out of 40%).
- **Cash conversion (25%)** – Our efforts on cash management delivered outstanding results consistently over the three-year period with an average cash conversion rate c. 123%, outperforming the target of 100% average cash conversion. 2020 was particularly remarkable with a 159% cash conversion rate. The achievement rate for this criterion was set at 37.5%, including the over-performance of 12.5%, which contributed to the offsetting of the non-achievement of the adjusted EBITA margin criterion.
- **Relative TSR (15%)** – The Group's performance was acknowledged by the market and reflected in the stock price increase, which, combined with a robust dividend distribution policy and consistent share buy-back program to balance the dilution coming from allocation of Performance Shares and employee shareholding schemes, generated strong returns to shareholders over the period. Schneider Electric's TSR was ranked 1st versus the selected peers (ABB, Legrand, Siemens, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric, and Yokogawa). The achievement rate for this criterion was set at 22.5%, including the over-performance of 7.5%, which contributed to the offsetting of the non-achievement of the adjusted EBITA margin criterion.
- **Planet & Society Barometer/Schneider Sustainability Impact (SSI) (20%)** – The barometer provides, on a scoring scale of 10, an overall measure of the Group's progress on sustainability issues. Over the last three years, Schneider Electric demonstrated strong delivery and continuous improvement on its suitability programs. The barometer reached a score of 9.32 out of 10 versus the ambitious target of 10.0 set by the Board for this criterion, which resulted in an achievement rate of 79.6% for 2020 with overall 18.18% shares vesting out of 20% allocated to this criterion.

Historical vesting of the Corporate Officers' Performance Share plans:

| | | | | | |
|----------------------------|----------------------------|----------------------------|-------------------------|-------------------------|--------------------------|
| LTIP 2018 98.18% | LTIP 2017 99.54% | LTIP 2016 91.46% | LTIP 2015 71% | LTIP 2014 78% | LTIP 2013 100% |
|----------------------------|----------------------------|----------------------------|-------------------------|-------------------------|--------------------------|

2. Compensation Report

2.2.3 Former Deputy CEO's compensation in relation to the 2020 fiscal year

Mr. Emmanuel Babeau, former Deputy CEO of Schneider Electric, left the Group on April 30, 2020. The Board of Directors, at the meeting on February 28, 2020, based on the recommendation of the Governance & Remunerations Committee, authorized the Company to enter into an agreement with Mr. Babeau which was executed on March 2, 2020 in accordance with the procedure of the regulated agreements of Article L. 225-38 of the French Commercial Code. The Annual Shareholders' Meeting held on April 23, 2020 approved this agreement both under the regulated agreements' procedure (5th resolution) and the compensation policy applicable in 2020 to Mr. Emmanuel Babeau as part of his departure (10th resolution). The components of the compensation thus approved has already be paid to him.

Table summarizing the compensation paid or granted to the former Deputy CEO in 2020

The following table summarizes the compensation and benefits awarded or paid to the former Deputy CEO for the fiscal years 2020 and 2019, presented on a reported basis in accordance with AFEP-MEDEF guidelines as well as on a realized basis, *i.e.* where performance metrics assessment have ended in the reported fiscal year:

| Emmanuel Babeau Former Deputy Chief executive officer and CFO (Euro) | Compensation & benefits awarded for fiscal year | | Compensation & benefits realized in fiscal year | |
|--|--|------------------|--|--------------------------|
| | 2020 | 2019 | 2020 | 2019 |
| A – CASH COMPENSATION | | | | |
| Fixed compensation | 212,500 | 680,000 | 212,500 | 680,000 |
| Annual incentive ⁽¹⁾ | 226,667 | 898,280 | 226,667 | 898,280 |
| Compensation in relation to the Director's office | 0 | 0 | 0 | 0 |
| SUBTOTAL (A) (CASH) | 439,167 | 1,579,290 | 439,167 | 1,579,290 |
| B – LONG TERM INCENTIVE | | | | |
| Valuation of the Performance Shares | 0 ⁽²⁾ | 1,399,814 | 2,097,222 ⁽³⁾ | 2,368,203 ⁽³⁾ |
| SUBTOTAL (B) LONG TERM INCENTIVE | 0 | 1,399,814 | 2,097,222 | 2,368,203 |
| C – PENSION CASH BENEFIT | | | | |
| Complementary payment for pension building (fixed) | 51,100 | 153,300 | 51,100 | 153,300 |
| Complementary payment for pension building (variable) | 51,100 | 202,509 | 51,100 | 202,509 |
| SUBTOTAL (C) PENSION CASH BENEFIT | 102,200 | 355,809 | 102,200 | 355,809 |
| D – OTHER BENEFITS | | | | |
| Other benefits ⁽⁴⁾ | 9,154 | 13,944 | 9,154 | 13,944 |
| SUBTOTAL (D) OTHER BENEFITS | 9,154 | 13,944 | 9,154 | 13,944 |
| TOTAL COMPENSATION AND BENEFITS (A)+(B)+(C)+(D) | 550,521 | 3,347,847 | 2,647,743 | 4,316,236 |

(1) The annual variable compensation for the fiscal year 2019 and 2020 was paid in 2020 after approval by the shareholders at the Annual Shareholders' Meeting of April 23, 2020 of the 8th and 10th resolutions relating to the compensation paid, due, or awarded to Emmanuel Babeau in respect of the 2019 and 2020 fiscal year. Hence, the total compensation in cash actually paid in the fiscal year 2020 to Emmanuel Babeau amounts to €1,642,156 (2020 fixed compensation + 2020 annual variable compensation + 2019 annual variable compensation + fixed portion of pension benefit for 2020 + variable portion of pension benefit for 2020 + variable portion of pension benefit for 2019).

(2) **Value of Performance Shares granted during fiscal year** – No Performance Shares were granted to Mr. Babeau in 2020, as he has left the Group on April 30, 2020.

(3) **Value of Performance Shares deemed vested during the fiscal year** – The Long-term incentives are also presented on realized value basis, where the value of Performance Shares corresponds to the actual number of shares (granted in previous years) deemed vested at the end of the fiscal year, after reduction for performance conditions, multiplied by the share price on December 31, 2019 or 2020, as the case may be.

(4) **Other benefits** include company car, contributions to collective Pension Saving Plan (PERCO) as well as benefits from French profit sharing plan.

Details of the compensation paid or granted to the former Deputy CEO in 2020

| Elements of compensation submitted to the vote | Amounts | Description |
|---|--|---|
| Fixed compensation | <p>€212,500 (amount due for 2020 paid in 2020)</p> <p><i>Reminder: €680,000 (amount due for 2019 paid in 2019)</i></p> | <p>The amount of the annual base salary of the former Deputy CEO remained unchanged for 2020, <i>i.e.</i> €680,000 for a full year.</p> <p>The base salary paid to Mr. Emmanuel Babeau was calculated on a <i>pro rata temporis</i> basis until the termination date of his term of office as Deputy CEO, <i>i.e.</i> an amount of €226,667 until April 30, 2020 as base salary.</p> <p>As announced on April 8, 2020 and as a practical expression of solidarity with the Group's employees affected by the COVID-19 crisis, Mr. Emmanuel Babeau volunteered to contribute 25% of his fixed compensation until the end of his term (one month) to the Tomorrow Rising Fund which purpose is described in chapter 2, section 5 of the Universal Registration Document. Hence, his fixed compensation paid during and for the fiscal year 2020 amounted to €212,500 instead of €226,667.</p> |
| Annual variable compensation | <p>€226,667 (amount due for 2020 paid in 2020)</p> <p><i>Reminder: €898,280 (amount due for 2019 paid in 2020)</i></p> | <p>The Board acknowledged Mr. Emmanuel Babeau's contribution for the 2020 fiscal year and the assistance he provided to ensure a smooth transition in the best conditions. As a result, the target level (<i>i.e.</i> 100% of the fixed compensation) – and not the maximum (<i>i.e.</i> 200%) – of the annual incentive of €680,000 set forth for the 2020 fiscal year, was deemed reached for the former Deputy CEO and applied on a <i>pro rata temporis</i> basis until the termination date of his term of office as Deputy CEO. The portion of the annual incentive due for the 2020 fiscal year was thus €226,667.</p> |
| Long-term incentive (Performance shares) | <p>No Performance Shares granted in 2020</p> <p><i>Reminder: 26,000 Performance Shares granted in March 2019 (€1,399,814 according to IFRS valuation)</i></p> | <p>Mr. Emmanuel Babeau was not granted any Performance Shares under the 2020 Long-term incentive plan.</p> |
| Pension benefits | <p>€102,200 (amount due for 2020 (fixed portion of €51,100 and variable portion of €51,100 paid in 2020))</p> <p><i>Reminder: €355,809 (amount due for 2019 (fixed portion of €153,300 paid in 2019 and variable portion of €202,509 paid in 2020))</i></p> | <p>Mr. Emmanuel Babeau received as, complementary cash payment for pension building for 2020, the following amounts, calculated on a <i>pro rata temporis</i> basis until the termination date of his term of office as Deputy CEO:</p> <ul style="list-style-type: none"> fixed portion: €51,100 (based on an annual amount of €153,300); and variable portion (at target): €51,100 (based on an annual amount of €153,300 for a variable portion equal to 100% of the fixed portion if the target level is deemed reached for the 2020 fiscal year). |

2. Compensation Report

Other benefits

€9,154
received in
2020

*Reminder:
€14,743 received
in 2019*

For the fiscal year 2020, Mr. Emmanuel Babeau received benefits related to Profit-sharing and use of a company car in 2020, which represented an equivalent cost of €1,579.

| Employer matching contributions to capital increase for employees | Employer matching contributions to collective pension saving plan (PERCO) | Profit-sharing | Company car | Total 2020 benefits |
|---|---|----------------|-------------|---------------------|
| €0 | €0 | €7,575 | €1,579 | €9,154 |

For the duration of his mandate in 2020, Mr. Emmanuel Babeau was eligible for (i) the collective welfare plan applicable to employees of Schneider Electric SE and Schneider Electric Industries SAS covering the risks of illness, incapacity, disability, and death, and (ii) additional coverages conditional on the fulfilment of some conditions as described in the compensation policy (cf. chapter 3, section 2.3.1 of the Universal Registration Document).

Termination benefits

Involuntary Severance Pay

Mr. Emmanuel Babeau was entitled to involuntary termination benefits in case of change of control or strategy and taking into account the non-compete compensation described below, amounting to twice the arithmetical average of his annual fixed and variable compensation (*i.e.* inclusive of compensation and complementary payments) paid over the last three years (cf. page 273 of the 2019 Universal Registration Document).

Non-compete compensation

The Board of Directors reviewed the contractual conditions currently applicable to the Corporate Officers as part of their status, which was amended for the last time on February 14, 2018 and approved under the procedure of the regulated agreements and commitments at the Annual Shareholders' Meeting of April 24, 2018.

The Board of Directors, during its meeting of February 28, 2020, after hearing the report of the Governance & Remunerations Committee and deliberating thereon, decided to modify the term of the previous non-compete agreement in order to further protect the Company and Group's interests after the departure of the former Deputy CEO, which was subsequently approved by the Shareholders at the Annual Shareholders' Meeting of April 23, 2020.

The terms of this new agreement were as follows:

- scope extended to positions as employee, executive, and non-executive officer (and in particular, any participation in a governance body) and to any activity providing services or consultancy within or to the companies already covered by the initial non-compete agreement as well as companies in the engineering and industrial software sector;
- term of the non-compete commitment extended to two years (instead of 12 months under the previous commitment);
- additional restrictive covenants of: (i) non-solicitation, (ii) non-disparagement, (iii) confidentiality, and (iv) cooperation in the context of legal or administrative proceedings involving the Company, all binding Mr. Emmanuel Babeau for a period of two years.

Subject to compliance with the terms of all these commitments and covenants, Mr. Emmanuel Babeau was entitled to retain the unvested Performance Shares granted to him in 2018 and 2019, in proportion to the time of his presence over the vesting period of the Performance Share plans concerned and subject to the original performance conditions applicable to those shares and the plan rules.

For 2020, Mr. Emmanuel Babeau was not awarded nor did he benefit from multi-annual variable compensation, exceptional compensation, stock options, welcome bonus, or Directors' fees.

Employer social contributions paid by the Group's companies in respect of Mr. Emmanuel Babeau's compensation amounted to €612,335 in 2020.

Details relating the 2018 Long-term Incentive Plan realized in 2020

The performance period for shares granted in 2018 finished on December 31, 2020 and shares under the Plans n° 30 and 31 are therefore deemed vested.

At the meeting of February 10, 2021, the Board assessed the achievement rate of performance criteria based on the Group's performance over the three-year period 2018-2020 and set the final rate of achievement at 98.18%, *i.e.* a reduction of 1.82% in relation to the number of shares originally granted (chapter 3, section 2.2.2, of this Universal Registration Document for the detail of the achievement of the Performance conditions).

The former Deputy CEO has conditionally been granted 5,417 shares under Plan n° 30 and 12,639 shares under Plan n° 31 (reduced in proportion to the time of his presence over the vesting period as described in the 2019 Universal Registration Document). After applying the reduction for performance not achieved, the resulting outcomes are as follows:

| Former Corporate Officer | Number of Shares (Plan n° 30) ⁽¹⁾ | Number of Shares (Plan n° 31) | Number of shares deemed vested | No of shares lapsed | Value of deemed vested shares ⁽²⁾ |
|--------------------------|---|----------------------------------|-----------------------------------|---------------------|---|
| Emmanuel Babeau | 5,417 | 12,639 | 17,728 | 328 | 2,097,222 |
| Vesting date | March 26, 2021 | March 26, 2021 | | | |

(1) Plan n° 30 – Performance Shares granted under this plan to Corporate Officers are subject to one-year holding period following vesting, therefore shares will only become unrestricted on March 26, 2022.

(2) Vested shares are valued at the closing share price of December 31, 2020, *i.e.* €118.3.

2.2.4 Non-executive Directors' compensation in relation to the 2020 fiscal year

Amounts granted to non-executive Directors are determined by taking into account the Board member's responsibilities, the expected commitment for the role and the competitive market rates among international peers. Besides the fixed base amount, Directors' compensation mostly depends upon the said Directors' attendance at Board and committee meetings.

Upon the recommendation from the Governance & Remunerations Committee, the Board of Directors is responsible for setting the allocation of the Directors' fees among Board members accordingly with the maximum annual amount of Directors' fees that can be paid to the Board members is set at €2,500,000 by the Annual Shareholders' Meeting held on April 25, 2019; and the 2020 compensation policy approved by the Annual Shareholders' Meeting held on April 23, 2020 which provides that the allocation rules of the fees to the non-executive Directors are as follows:

- Non-executive Directors are paid:
 - a fixed basic amount of €25,000 for membership of the Board;
 - an amount of €7,000 per Board meeting attended;
 - an amount of €4,000 per Committee meeting attended;
 - an amount of €5,000 (for intercontinental travel) or €3,000 (for intra-continental travels) per Board session physically attended.
- Additional annual payments are made to non-executive Directors who chair a Committee to reflect the additional responsibilities and workload:
 - Audit & Risks Committee: €20,000;
 - Human Resources & CSR Committee, Digital Committee, and Investment Committee: €15,000; and
 - Vice-Chairman and Lead Independent Director, who is also the Chairman of the Governance & Remunerations Committee: €250,000.
- For an observer, an annual fixed payment of €20,000 is paid, unless they become a non-executive Director at the next General Meeting. In this case, they will receive the same fees for attending the Board and committee meetings as non-executive Directors.
- All payments are pro-rated for time served during the year and are paid in cash.

2. Compensation Report

Directors' compensation earned in 2019 and 2020 was as follows, noting that Jean-Pascal Tricoire, Chairman of the Board, and Xiaoyun Ma who represents the employee shareholders, waived the payments of the compensation they were entitled to as members of the Board:

| | Directors' compensation (in euros) | | Other compensation & benefits (in euros) | | Total (in euros) | |
|--|------------------------------------|---------------------|--|---------------------|---------------------|---------------------|
| | 2020 ⁽¹⁾ | 2019 ⁽²⁾ | 2020 ⁽¹⁾ | 2019 ⁽²⁾ | 2020 ⁽¹⁾ | 2019 ⁽²⁾ |
| Léo Apotheker | 272,479 | 379,000 | – | – | 272,479 | 379,000 |
| Betsy Atkins ⁽³⁾ | – | 41,877 | – | – | – | 41,877 |
| Cécile Cabanis | 147,000 | 107,000 | – | – | 147,000 | 107,000 |
| Rita Felix ⁽⁴⁾ | 47,753 | – | – | – | 47,753 | – |
| Carolina Dybeck Happe ⁽³⁾ | – | 57,726 | – | – | – | 57,726 |
| Antoine Gosset-Grainville ⁽³⁾ | – | 32,877 | – | – | – | 32,877 |
| Fred Kindle | 353,973 | 163,000 | – | – | 353,973 | 163,000 |
| Willy Kissling | 192,000 | 156,000 | – | – | 192,000 | 156,000 |
| Linda Knoll | 174,000 | 152,000 | – | – | 174,000 | 152,000 |
| Jill Lee | 133,000 | – | – | – | 133,000 | – |
| Xiaoyun Ma ⁽⁴⁾⁽⁵⁾ | – | – | – | – | – | – |
| Xuezheng (Mary) Ma ⁽³⁾ | – | 12,767 | – | – | – | 12,767 |
| Patrick Montier ⁽⁴⁾ | 129,000 | 92,000 | – | – | 129,000 | 92,000 |
| Fleur Pellerin | 166,000 | 125,000 | – | – | 166,000 | 125,000 |
| Anders Runevad | 152,000 | 113,000 | – | – | 152,000 | 113,000 |
| Gregory Spierkel | 205,000 | 156,000 | – | – | 205,000 | 156,000 |
| Lip-Bu Tan | 150,000 | 106,000 | – | – | 150,000 | 106,000 |
| Total | 2,122,205 | 1,694,247 | | | 2,122,205 | 1,694,247 |

(1) Awarded for the fiscal year 2020 and paid in 2021.

(2) Awarded for the fiscal year 2019 and paid in 2020.

(3) Board members whose term of office ended in 2019.

(4) Employee Directors are separately entitled to the compensation granted to them for the performance of their duties as an employee, such compensation is not affected by their office as a Director and is not disclosed.

(5) Xiaoyun Ma waived the payment of the sum of €149,000 she was entitled to.

The total amount awarded to the Board members for 2020 was €2,122,205 compared to €1,694,247 for 2019 due to an increased number of meetings in 2020. Excluding the special fee paid to the Vice-Chairman & Lead Independent Director, the amount is composed of approximately 20% fixed compensation and 80% variable.

2.2.5 Pay Equity ratio

Employees experience at Schneider Electric

Delivery of the strategy, both short term and long term, depends upon Schneider Electric's success in attracting and engaging a highly talented workforce, and on equipping people with the skills for the future. The Group is committed to fair pay, which is at the forefront of the Group's and executives' agenda, ensuring that all Schneider Electric employees are appropriately and fairly rewarded for their contribution. The progress is monitored via the Schneider Sustainability Impact Indicators. More information can be found in the Sustainability section of this report, page 144.

| Pay Equity | Living wage | Recognition | Well-being | Engagement |
|--|---|--|---|--|
| <p>Since 2015, as part of its HeForShe commitments, the Group has developed and implemented a pay equity framework; proactive actions have been taken to not only close existing gender pay gaps but also to prevent gaps from being created in the first place. Furthermore, the pay equity adjustment is fully integrated into the annual global salary review and its principles leveraged during the promotion and hiring processes.</p> | <p>Schneider Electric believes earning a decent wage is a basic human right and is committed to paying employees in the lower salary ranges at or above the living wage to meet their family's basic needs. By basic needs, the Group considers food, housing, sanitation, education, and healthcare, plus discretionary income for a given local standard of living.</p> | <p>Schneider Electric is committed to creating a culture where employees receive regular feedback and coaching from their managers and colleagues, celebrating people who constantly demonstrate the Company's Core Values and go above and beyond – using global recognition portal "Step Up" and encouraging the recognition of small and big achievements by simply saying "Thank you".</p> | <p>Health and well-being are embedded in the Schneider Electric strategic people priorities and contribute to its core sustainability mission. The Company has a commitment to strive, at a minimum, that 90% of Schneider Electric's employees have access to a comprehensive well-being at work program translated into dual standard of access to healthcare and well-being training programs further detailed in the "Well-being in our DNA", subsection 4.2.4 of this Universal Registration Document.</p> | <p>The Group listens to employees through a number of different channels, both formally and informally. Two of the Board directors are employees of the Company, appointed through a formal designation process; the Group runs OneVoice internal survey designed to measure employee satisfaction and engagement; the Group also recognizes the importance of dialog and engages with the local work councils on compensation matters on a regular basis.</p> |

Pay Equity Ratio

Equity pay ratio measures the ratio between the level of compensation of the Chairman and CEO, and former Deputy CEO and CFO, and the average and median compensation of the employees, as required by Article L.22-10-9-3 6° and 7° of the French Commercial Code.

Calculation methodology

The compensation comparisons and pay ratios set out below were calculated based on the fixed and variable compensation paid and relevant benefits during the fiscal years indicated, including IFRS value of the Performance Shares granted during the same periods.

Scope

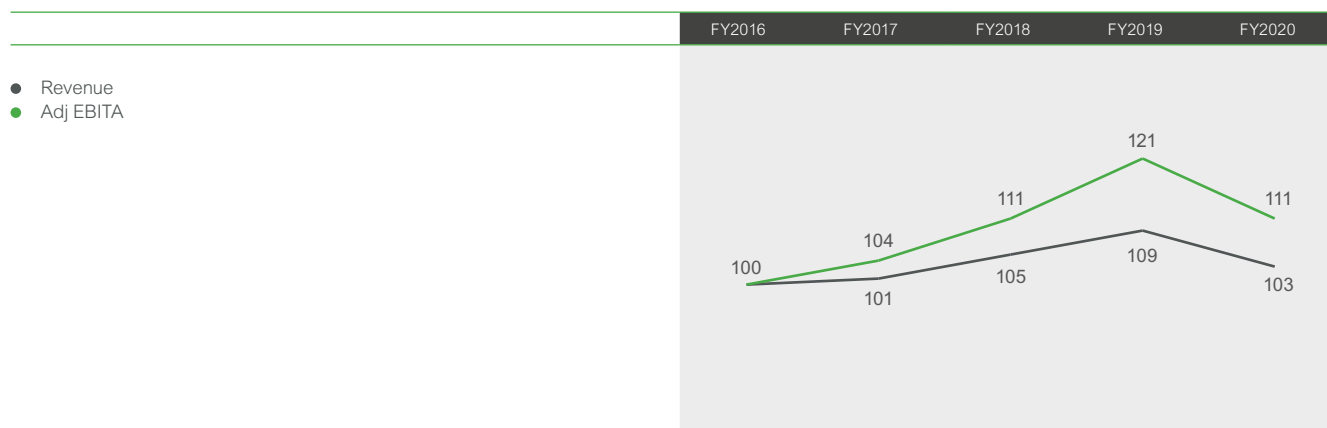
The legal scope, the issuer, comprises of only one employee, therefore, an alternate "relevant scope" was defined to reflect a larger representative employee population as prescribed by article 26.2 of AFEP-MEDEF code. It is based on the French holding entity Schneider Electric Société Européenne (SESE) (the issuer) as well as all employees in France of the operational company Schneider Electric Industries (SAS). This group of employees is employed on comparable terms to the Corporate Officers and represents more than 4,000 employees in France on a full time equivalent basis (FTE).

The ratios between the compensation paid to the Corporate Officers, Jean-Pascal Tricoire, Chairman and Chief executive officer, and Emmanuel Babeau, former Deputy CEO and CFO, and the average and median compensation received by Schneider Electric employees are presented in the table below.

The former Deputy CEO and CFO's compensation was calculated on a like-for-like basis to the Chairman and Chief executive officer as if Mr. Babeau would have continued to be a Deputy CEO and CFO of the company for the full fiscal year, *i.e.* it was annualized for the full fiscal year, including the same 25% reduction in fixed compensation as for the Chairman and CEO, excluding Performance Shares as Mr. Babeau was not granted any Performance Shares in 2020.

2. Compensation Report

Evolution of the Corporate Officer and former Corporate Officer and employees' compensation, pay ratios, and Group's performance over five years



Chairman and Chief executive officer

| | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Mr. Tricoire total compensation paid in FY | 4,760,778 | 5,789,994 | 6,184,007 | 5,754,154 | 5,525,324 |
| % change in total compensation | -21% | +22% | +7% | -7% | -4% |
| Pay ratio – Average compensation | 57 | 65 | 68 | 64 | 60 |
| % change in average pay ratio | -22% | +14% | +5% | -6% | -6% |
| Pay ratio – Median compensation | 71 | 81 | 84 | 78 | 73 |
| % change in employment average compensation | -23% | +14% | +4% | -7% | -6% |

Former Deputy CEO and CFO

| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Mr. Babeau total compensation paid in FY | 2,283,831 | 2,804,775 | 3,041,321 | 2,871,633 | 1,505,592 |
| % change in total compensation | -20% | +23% | +8% | -6% | -48% |
| Pay ratio – Average compensation | 27 | 32 | 33 | 32 | 16 |
| % change in average pay ratio | -21% | +19% | +3% | -3% | -50% |
| Pay ratio – Median compensation | 34 | 39 | 41 | 39 | 20 |
| % change in median compensation | -22% | +15% | +5% | -5% | -49% |

Employee average compensation

| | | | | | |
|---|--------|--------|--------|--------|--------|
| Employee average compensation | 83,829 | 88,551 | 91,127 | 90,369 | 92,861 |
| % change in employee average compensation | +1% | +6% | +3% | -1% | +3% |

Note: Mr. Babeau left office on April 30, 2020.

2.3 Compensation policy for the 2021 fiscal year

The compensation policy intention is to provide a clear link between delivery of Schneider Electric's strategy and Corporate Officers' compensation, while reflecting outcomes for shareholders. Set out below is the Corporate Officers and non-executive Directors' compensation policy for 2021. It will be submitted to the shareholders at the 2021 Annual Shareholders' Meeting (7th and 8th resolutions) and, subject to shareholders approval, will remain in force until the next policy is approved by the shareholders.

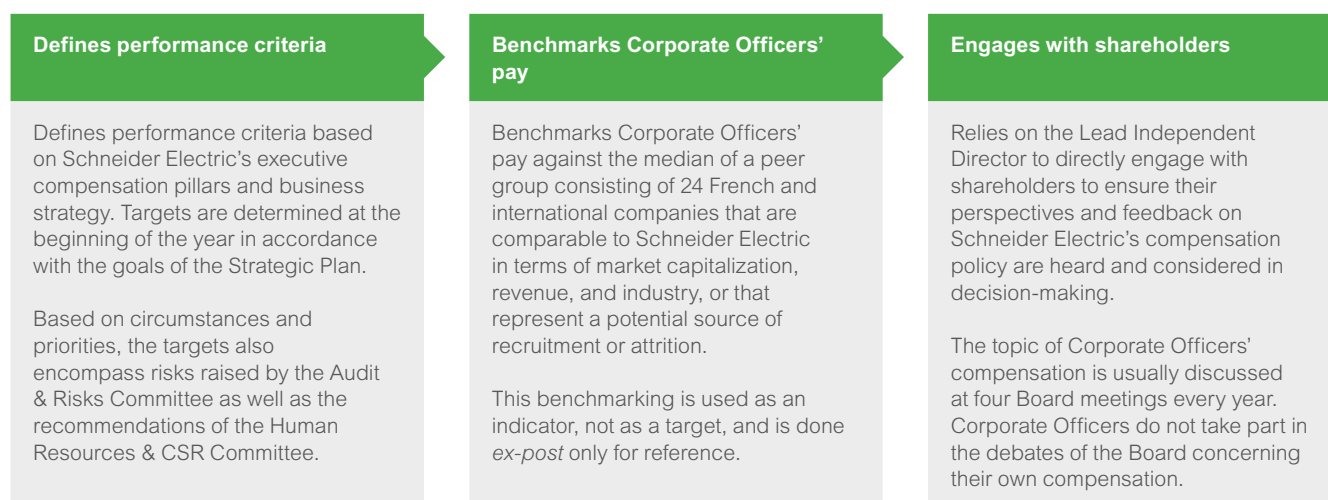
2.3.1 Executive Compensation policy

Schneider Electric follows a rigorous process for determining executive compensation, under the leadership of committed and independent Directors.

Role of the Governance & Remunerations Committee

The general principles and criteria forming part of the compensation policy for Corporate Officers, and their individual compensation packages are prepared and reviewed by the Governance & Remunerations Committee which makes recommendations to the Board of Directors for decision. The Board also hears the report and recommendations from the Human Resources & CSR Committee on the incentive structure and performance criteria (annual variable compensation and Long-term incentive plan) applied to the members of the Executive Committee (see below chapter 3, paragraph 2.4 of the Universal Registration Document), as well as the Group's other employees. To help the Board in the decision process, the Governance & Remunerations Committee and the Human Resources & CSR Committee are authorized to call upon external experts for specific topics, benchmarking data and analyses. The Committees hold at least one joint meeting every year to discuss the compensation structure applicable to Corporate Officers and other employees of the Group. These joint committee meetings are attended by one of the two employee Directors and the Director representing the employee shareholders who are members of the Human Resources & CSR Committee. In 2020, there was one joint meeting between Governance & Remuneration Committee and the Human Resources & CSR Committee to review the annual variable compensation plan applicable to the Corporate Officers, members of the Executive Committee, as well as the Group's other employees.

As part of its preparatory work for its proposals to the Board, the Committee:



This process ensures consistency and alignment between the compensation policy applied to the other executives and employees and the compensation policy applied to Corporate Officers. They share the same objectives and priorities and their rewards are aligned with the Group's performance and shareholder value creation.

Use of discretion

In determining executive compensation, the use of discretion is limited, and an appropriate disclosure on the use of discretion will be provided, if any, so that shareholders understand the basis for the Board's decisions. This discretion is available to the Board to ensure successful execution of the policy and to reflect the fact that there are no qualitative objectives in Corporate Officers' compensation:

- Flexibility to take account of unexpected changes in the industry environment and in compensation practice generally, this allows to respond to changes in circumstances, for example in modifying the benchmarking peer groups.
- Exercise discretion, upwards or downwards, to adjust the formulaic outcome for annual or long-term incentive awards resulting from the strict application of the approved policy, where a qualitative assessment of performance is required to ensure that the awarded compensation is fair in light of the Corporate Officers' actual contribution to the Company's overall performance, its positioning vs. competition, and the outcomes for shareholders and employees.

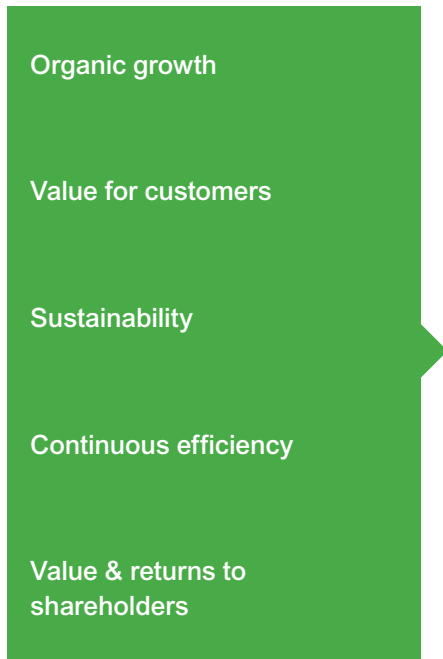
No major changes in the 2021 Compensation policy

The Committee has reviewed the existing policy and concluded that the pillars and principles formulated in 2018 continue to provide market competitive pay, ensuring a strong link between pay and performance, strong alignment with both employees and shareholders, and long-term focus. Therefore, based on the Committee's analyses and recommendations, the Board decided at its meeting of February 10, 2021 to maintain the executive compensation pillars, namely, Pay-for-Performance, Alignment with Shareholders' Interests, and Competitiveness, and the seven principles that they translate into.

The Committee has also reassessed the compensation elements and criteria considering these principles and the shareholders' feedback received during the shareholder engagement process described above. Relying on the recommendations of the Governance & Remunerations Committee, the Board, at its meeting of February 10, 2021, decided that the overall compensation structure of the Corporate Officers should remain the same as in 2020 as it satisfies the objectives of pay-for-performance and alignment with shareholders' interests.

2. Compensation Report

Group's strategic priorities



How the strategy links to the Chairman and CEO's variable compensation

| Annual variable compensation | | | |
|--|---|-------------------------------|---------------------------------|
| Delivering strong execution and creating value for customers and shareholders every year to contribute to Schneider Electric's long-term success | | | |
| Group organic sales growth | Group adjusted EBITA margin improvement (organic) | Group cash conversion rate | Schneider Sustainability Impact |
| 40% | 30% | 10% | 20% |
| Long-term incentive plan | | | |
| Building an integrated and leading company with strong sustainability focus and attractive returns to shareholders | | | |
| Adjusted Earnings Per Share | Relative Total Shareholder Return | Relative Sustainability Index | |
| 40% | 35% | 25% | |

How are performance criteria linked to Schneider Electric strategic priorities?

Variable pay is linked to performance metrics designed to deliver Schneider Electric strategy. At the start of each year, the Board reviews the measures, targets, and weightings to ensure they remain consistent with the annual priorities and Group strategy. For the annual variable compensation and the Performance Shares, the approach to performance measurement is intended to provide a balance of measures to assess performance focusing on execution of the Group's strategic priorities.

Considerations of wider workforce compensation and shareholders' views

The Board monitors and reviews the effectiveness of the compensation policy for Corporate Officers and senior management and has regard to its impact and consistency with compensation policies in the wider workforce. During the year, the Board is provided with information and context on pay in the wider workforce and various HR initiatives to enable its decision-making. This includes the approach to gender pay gap and living wage programs rolled out globally, the annual variable compensation results, and the total cost of LTIP awards.

The Board is committed to an open and transparent dialogue with Schneider Electric's shareholders through the Vice-Chairman & Lead Independent Director. Where appropriate, Schneider Electric actively engages with shareholders and shareholder representative bodies, taking their views into account when making any decisions about the Corporate Officers' compensation. The Vice-Chairman & Lead Independent Director is also available to answer questions at the Annual Shareholders' Meeting.

2021 Compensation Pillars and Principles

| Pay for Performance | Alignment with shareholders' interest | Competitiveness |
|---|--|--|
| <ul style="list-style-type: none"> Principle 1: Prevalence of variable components: <i>circa</i> 80% for CEO (at target). Principle 2: Performance is evaluated via economic and measurable criteria. Principle 3: Financial and Sustainability objectives are fairly balanced and distributed between short-term (annual variable compensation) and medium-term (long-term incentive) components. | <ul style="list-style-type: none"> Principle 4: Significant proportion of the total compensation delivered in shares. Principle 5: Performance conditions support Schneider Electric's strategic priorities and are aligned with shareholders' expectations. | <ul style="list-style-type: none"> Principle 6: To benchmark the Corporate Officer's compensation package "at target" in the median range of the Company's updated peer group. Principle 7: To reference the CAC 40 third quartile and the Stoxx Europe 50 median. |

Fixed compensation

The fixed compensation reflects the scale and complexity of the business and the level of responsibility attached to the role of a Chairman and CEO.

The fixed compensation is reviewed at long intervals by the Board in accordance with the AFEP-MEDEF Corporate governance code, unless there are specific circumstances that would warrant a salary increase, for example a major change in the duties. The Board ensures that the Chairman and CEO's salary is set reasonably compared to similar roles in the market.

Considering the positioning of the Corporate Officer's salary on the relevant markets, the Company performance, and also pay conditions for other employees, the Board decided that there were no special circumstances that would call for a salary increase in 2021.

Jean-Pascal Tricoire

| | |
|------|-----|
| 2021 | Nil |
| 2020 | Nil |
| 2019 | Nil |
| 2018 | 5% |
| 2017 | Nil |

| Corporate Officer | FY 2021 (January 1, 2021) | FY 2020 (January 1, 2020) | % Change |
|--|------------------------------|------------------------------|----------|
| Jean-Pascal Tricoire, Chairman and CEO | €1,000,000 | €1,000,000 | 0% |

Annual variable compensation

Annual variable compensation provides variable cash compensation which rewards achievement of the short-term financial and sustainability targets of the Group.

At the start of the fiscal year, financial and sustainability performance criteria, weightings, and annual targets are reviewed in detail by the Committee and recommended to the Board for approval. Outcomes will be determined based on performance against each of those targets. The Board has the flexibility to review targets during the year to ensure continuous alignment with shareholders' interests.

The payment of the annual variable compensation is conditional upon approval by shareholders of the compensation granted to the Chairman and CEO. The Company does not operate a clawback policy.

The pay-out opportunity at threshold performance is 0%, with 50% of maximum annual variable compensation payable for achieving target. The maximum annual variable compensation will only be earned where a strong performance is delivered on each performance metric. Pay-outs between threshold and target, and between target and maximum, are determined on a straight-line basis.

Schneider Electric does not operate a deferral program.

2021 Annual variable compensation opportunity at target and maximum:

| Minimum | At target | Maximum |
|--------------------------|----------------------------|----------------------------|
| 0% of fixed compensation | 130% of fixed compensation | 260% of fixed compensation |
| Nil | €1,300,000 | €2,600,000 |

For 2021, the Board proposes that the measurable financial performance criteria determine 80% and sustainability criteria, 20% of the variable cash compensation of Mr. Jean-Pascal Tricoire as follows:

| Performance criteria | Description and link to strategy |
|---|--|
| 40% Group organic sales growth | Fostering organic growth through deployment of strategic priorities in key markets |
| 30% Adjusted EBITA organic margin improvement | Enabling shareholder value creation through continuous efficiency |
| 20% Schneider Sustainability Impact | Promoting continuous progress towards more sustainability and value for customers |
| 10% Group cash conversion | Enabling returns to shareholders |

For business confidentiality reasons, the targets cannot be disclosed; however, the targets have been set precisely by the Board at the meeting of February 10, 2021 and will be communicated retrospectively.

2. Compensation Report

Performance shares (Long-term incentive plan – LTIP)

LTIP links the largest part of the Chairman and CEO's compensation with the long-term performance of the Group and the actual outcome varies with performance against criteria linked directly to strategic priorities.

Shares granted are subject to a vesting period of three years with an additional mandatory one year holding period for 30% of shares which are granted under the Plan reserved to the Corporate Officers.

For threshold performance, 0% of shares granted will vest, for maximum, 100% will vest. Vesting will normally operate on a straight-line basis between these points.

In 2018, the Board has undertaken a robust review of the performance criteria and target setting approach to ensure LTIP performance criteria reflect a holistic assessment of the Group's performance, continue to reinforce Schneider Electric's strategy, encourage management to deliver steady and sustainable growth, and have a strong alignment with shareholders.

The 2021 LTIP criteria will remain the same as in 2020, in line with the proposals approved by shareholders under the LTIP resolution at the 2019 Annual Shareholders' Meeting on April 25, 2019 (21st resolution).

In order to align the interests of the Group's executives to those of the shareholders, in 2021, the Board will allocate Performance Shares to more than 2,000 Group executives and Senior Management, leaders, and key talents (Plans n° 38 and 39). For Group Senior Management, 100% of shares allocated will be subject to performance conditions measured over three years.

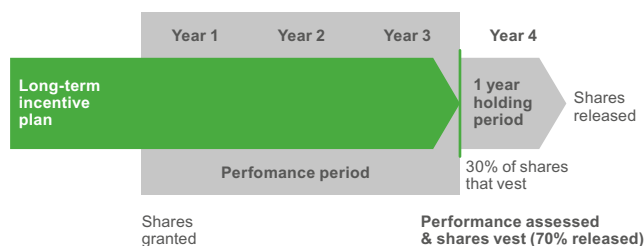
The maximum annual award to the Chairman and CEO for 2021 remains the same as in 2020 – 60,000 shares. However, the Board may decide to award a different number of shares, provided it does not exceed the existing policy maximum. Under no circumstances, including in case of overachievement of all targets, may the number of shares acquired exceed the number of shares defined as policy maximum.

The volume of the maximum annual award was set in consideration of:

- The market practice and competitive positioning of the Chairman and CEO's compensation package;
- The Group's performance in 2020, acknowledged by the market;
- The performance criteria applicable to the final acquisition of LTIP awards;
- The culture of ownership deeply rooted in Schneider Electric's DNA.

In the context described above, the Board decided that the number of shares granted to the Chairman and CEO continues to be reasonable in terms of quantum and market practice for comparable roles; it rewards the Company's resilient performance in a challenging year and supports the culture of ownership strongly promoted by Schneider Electric.

LTIP time horizon



Performance conditions

100% measurable and quantifiable criteria

75% Financial & TSR and 25% Sustainability

Performance conditions and weightings applicable to the 2021 LTIP:

- 40%, improvement of **Adjusted Earning per share**;
- 35%, **relative TSR** performance of Schneider Electric:
 - 17.5% measured vs. a bespoke panel of 11 companies: ABB, Legrand, Siemens, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric, and Yokogawa,
 - 17.5% measured vs. CAC 40 companies;
- 25%, based on **Schneider Sustainability External & Relative Index (SSERI)**.

- **Adjusted EPS (40%)**

Adjusted EPS (earning per share) is a key long-term performance metric which promotes the execution of Schneider Electric's strategy to deliver profitable growth, thus reinforcing alignment with shareholders. The criterion is defined as the average of the annual rates of achievement of Adjusted EPS improvement targets for the 2021 to 2023 fiscal years. Adjusted EPS performance is published in the external financial communications and its annual variance will be calculated using adjusted EBITA at constant FX from year N-1 to year N. Foreign exchange impacts below adjusted EBITA will be taken in full. Significant unforeseen scope impact could be restated from this calculation upon decision of the Board.

- **Relative TSR (35%)**

This criterion strengthen the alignment between the shareholders' interests and compensation of the Chairman and CEO.

- For 17.5% of the shares, Schneider Electric TSR will be compared to a bespoke industry panel of 11 companies (ABB, Legrand, Siemens, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric and Yokogawa) with a vesting scale as follows: 0% at rank 8 and below, 100% at rank 4, 150% for ranks 1 to 3, and linear between these points, as was already introduced in 2019 LTIP
- For the remaining 17.5%, Schneider Electric TSR will be compared with the TSR of the companies in CAC 40 index to reflect the macro-economic and stock-market specific trends which influence the performance of the share and in turn, the return to shareholders with a vesting scale as follows: 0% below median, 50% at median (rank 20), 100% at rank 10, 120% in ranks 1 to 4, and linear between these points.

In case of over-performance, if Schneider Electric's TSR is ranked within the top quartile of the bespoke industry panel or within top 10% of the CAC 40 companies, this criterion may compensate the under-performance under the Adjusted EPS criterion up to the same number of shares. If the Schneider Electric TSR is closely clustered with that of other companies in the panel, then the Board of Directors will apply its judgment to decide whether Schneider Electric's TSR shall be deemed to be ranked in the same position as those companies.

- **Schneider Sustainability External and Relative Index (SSERI) (25%)**

The Schneider Sustainability External and Relative Index measures the long-term sustainability performance of the Group in terms of relative performance, through a combination of external indices which cover a range of environmental, social, and governance indicators wider than and different from the Schneider Sustainability Impact. Using external indices will also ensure that the sustainability priorities governing the assessment of the long-term sustainability performance of the Group are at all times those which matter the most to the stakeholders.

For the 2021-2023 plans, the Board has selected some of the most challenging external indices (DJSI World, Euronext Vigeo, Ecovadis and CDP Climate Change) which are objective, recognized, and independent, covering main geographies in line with the Group's global footprint and which complement each other as they cover different sustainability dimensions. From 2021 the FTSE4GOOD index has been replaced by Ecovadis index, due to the decommissioning of one of the two FTSE4GOOD indices. Ecovadis is a robust evidence-based index which will supplement the SSERI. Using external and relative indices for performance assessment encourages permanent progress as their content is dynamic and includes new and more relevant topics as they emerge, forcing participants to constantly anticipate the most demanding trends in global sustainability. In line with Schneider Electric's sustainability strategy, external indices stand at the forefront of new academic research of sustainability practices (e.g. IPCC 1.5°C report, TCFD recommendations, UN Global Compact SDGs) and continuously raise the bar to deliver stronger impacts.

| DJSI | Euronext Vigeo | Ecovadis | CDP Climate Change |
|---|--|--|--|
| Covers three dimensions: economic, environmental, and social. | Covers environment, community involvement, business behavior, human rights, corporate governance, and human resources. | Covers four dimensions: environment, labor and human rights, sustainable procurement and ethics. | Covers climate change, water, and forests and represents a major reference for climate change leadership globally. |

2. Compensation Report

| Criteria | Weight (%) | Sustainability Index | Threshold | Mid-point | Target/Maximum |
|---|------------|----------------------|----------------------|---|--|
| Pay-out % | | | 0% | 50% | 100% |
| Schneider Sustainability External and Relative Index (SSERI) (25%) | 25% | DJSIW | Not in World | Included in World | Sector Leader (#1) |
| | 25% | Euronext Vigeo | Out | Included in World 120 or Europe 120 index | Included in World 120 and Europe 120 index |
| | 25% | Ecovadis | Silver medal or less | Gold medal | Platinum medal |
| | 25% | CDP Climate Change | ≤C score | B score (25% payout at B- score) | A score (75% payout at A- score) |

The target values and performance rates achievement for each of these performance criteria will be detailed in the Board's report to the Annual Shareholders' Meeting once the performance period has finished.

Pension benefits

The Chairman and CEO receives complementary cash payments in lieu of participation in the defined benefit pension scheme (Article 39) ("Top Hat"), which was discontinued for Corporate Officers following the decision of the Board of Directors on February 18, 2015.

The purpose of the pension cash payments is to provide a competitive retirement benefit in a way that is cost effective to the Company and that allows the Chairman and CEO to continue building his retirement benefits independently. The cash payments are a combination of fixed and variable payments that are considered "other benefits" to ensure consistency and comparability with other French or international companies. The maximum annual Complementary Pension Cash Benefit for 2021 remains unchanged and is detailed in the table below. Variable portion is subject to the same performance criteria and targets as the annual variable compensation. The Chairman and CEO has committed to depositing these additional payments, after taxes, into investment vehicles dedicated to the supplementary financing of their pensions.

| Corporate Officer | Fixed portion | Variable portion | | | | Total at target |
|--|---------------|----------------------------------|---------|-----------|----------|-----------------|
| | | Target (% of fixed compensation) | Minimum | At target | Maximum | |
| Jean-Pascal Tricoire, Chairman and CEO | €191,600 | 130% | €0 | €249,080 | €498,160 | €440,680 |

Other benefits

Schneider Electric aims to provide an appropriate level of benefits considering market practice and the level of benefits provided for other employees in the Group. The benefits currently provided are described below, but may also include, for example, relocation assistance if required and subject to the Board's decision.

Employer Matching Contributions and Profit-Sharing

The Chairman and CEO is eligible for profit-sharing and the employer matching contribution paid to subscribers to the capital increase reserved for employees. He is also eligible for the employer matching contribution paid to subscribers to the collective pension fund (PERCO), for the retirement of employees in France.

Company Car

The Corporate Officer may use the cars made available to Group Senior Management with or without chauffeur services. In addition, the Chairman and CEO is provided with a company car.

Health, Life and Disability schemes

The Corporate Officer is eligible for:

- i. The collective welfare plan applicable to employees of Schneider Electric SE and Schneider Electric Industries SAS covering the risks of illness, incapacity, disability, and death;
- ii. Additional coverage of the Group's French executives for risks of illness, incapacity, disability, and death. The main features of this coverage are:
 - 1) In case of illness or accident resulting in a temporary stoppage or incapacity (of any category), the Corporate Officer shall be entitled to continue to receive 18 months' worth of his compensation (fixed and target variable) authorized by the Board,
 - 2) In case of death, the policyholder's beneficiaries shall be entitled to the compensation (fixed and target variable) authorized by the Board of Directors for the current month, along with a death benefit equal to 6 months of the average compensation authorized by the Board of Directors (monthly average of the fixed and variable compensation paid during the last 12 months of employment);
- iii. The entitlement to a life annuity pension paid to the surviving spouse in the event of death before his retirement, or if he left the Company after the age of 55 without returning to work, equal to 60% of 25% of the average of compensation paid during the three years before the date of death, with a deduction made from the theoretical pension payment that may be obtained under insurance conditions from the additional payments that will have been made;
- iv. In the event of disability causing the Corporate Officer to completely stop working, the right to pension payments (payable to the surviving spouse at a rate of 60%) beginning from his retirement equal to 25% of the average of the total cash compensation paid over the three years preceding the date of disability minus 1.25% per quarter of absence so as to obtain a full rate of pension and minus the amount of additional compensation that may be obtained under insurance conditions at the time the disability occurred;
- v. In the event of an accident, the Group insurance covering the executive's accident risk, stipulating the payment of a benefit the sum of which may be up to four times the annual compensation based on the type and circumstances of the accident.

Eligibility for benefits (ii) through (v) above is conditional on the fulfilment of one of the following conditions:

- the average of the net income of the last five fiscal years preceding the event is positive;
- the average of the free cash flow of the last five fiscal years preceding the event is positive.

Director's fee

The Chairman and CEO has waived the attendance fees to which he is entitled in his capacity of Board member.

Extraordinary awards

The Compensation policy does not include any provisions for extraordinary payments. The Board decided to maintain the prohibition of one-off payments that are not provided for in the compensation policy approved by the shareholders.

Post-mandate benefits

Listening carefully to the concerns raised by the shareholders and taking their feedback into account, the Board changed in the 2020 Compensation policy the Chairman and CEO's post-mandate benefits:

- Complementary payments for pension are now excluded from the severance indemnity calculation;
- A resignation may qualify as a forced departure only if the resignation was requested, which may include reasons such as change in strategy, voluntary resignation does not qualify as a forced departure;
- *Prorata* rule now applies as a principle to determine the Chairman and CEO's right to keep unvested shares after their constraint departure.

2. Compensation Report

The table below presents a summary of the benefits that could be granted to the Chairman and CEO on leaving office depending on the terms of the departure. The information provided in this summary is without prejudice to any decisions that may be made by the Board. In determining overall termination arrangements, the Board will ensure that termination benefits shall be granted only in case of forced departure and regardless of the form of the departure. In any case, Involuntary Severance Pay will not be paid if the resignation is a consequence of wrongful or gross misconduct.

| | Voluntary resignation/ Removal from office for wrongful or gross misconduct | Forced departure | Retirement or change of assignment within the Group |
|---|---|---|---|
| Involuntary Severance Pay | Not applicable | Maximum Amount = twice the arithmetical average of the Corporate Officer's annual fixed and variable cash compensation, to the exclusion of complementary pension payments, paid over the last 3 years taking into account the non-compete compensation, if any, and subject to the attainment of performance conditions. | Not applicable |
| Non-compete indemnity | If not waived by the Board, 60% of annual fixed and target variable compensation (excluding pension payments) | | Not applicable |
| Retention of unvested share awards | Forfeited in full | Rights retained on <i>pro rata</i> basis to presence within Schneider Electric | Rights retained in full |

- The termination benefits only become payable if the departure of the Chairman and CEO is forced, including requested resignation, in the following cases:
 - Dismissal, non-renewal or requested resignation of the Chairman and CEO, within the six months following a material change in Schneider Electric's shareholder structure that could change the membership of the Board of Directors;
 - Dismissal, non-renewal or requested resignation of the Corporate Officer, in the event of a reorientation of the strategy pursued and promoted by the Chairman and CEO until that time, whether or not in connection with a change in shareholder structure as described above; and
 - Dismissal, non-renewal or requested resignation of the Chairman and CEO, although, on average, two-thirds of the Group performance criteria have been achieved for the last four fiscal years from the day of departure.
- Payment of the Involuntary Severance Pay is subject to fulfilment of the following performance conditions based on the average rate of achievement of the Group's performance criteria used in the annual variable compensation for the last three fiscal years preceding the date of the Board's decision:

| Group criteria achievement | Severance payment |
|----------------------------|---|
| < 66% | No payment |
| 66%–100% | 75% – 100% of the Maximum Amount, calculated on a straight line basis |
| >100% | 100% of the Maximum Amount |

- The aggregate amount of the Involuntary Severance Pay and the non-compete compensation, if any, shall not exceed the Maximum Amount.
- Non-compete: the Chairman and CEO is bound by a non-compete agreement in case of departure. The one-year agreement calls for compensation to be paid at 60% of annual fixed and target variable parts (excluding complementary payments). In line with the recommendations of the AFEP-MEDEF Corporate governance code, the Board will determine whether to apply the non-compete clause at the time of departure of the Corporate Officer.
- If the Chairman and CEO leaves the Group in circumstances of a forced departure, he will be entitled to retain unvested Performance Shares, which would typically vest at the end of the relevant vesting period, subject to the applicable performance conditions, and which will be pro-rated for the time the Corporate Officer remained with the Group in any capacity during the vesting period. In case of retirement or change of assignment within the Group, the Chairman and CEO will keep his right to the unvested Performance Shares granted to him previously, subject to the applicable performance conditions and without any *pro rata*.

In conformity with the recommendations of the AFEP-MEDEF Corporate governance code:

- The entitlement to involuntary severance pay is subject to strict performance conditions, assessed over a period not lesser than two years;
- Only circumstances of a forced departure, regardless of the form of the departure, could trigger the entitlement to involuntary severance pay;
- Together with the non-compete indemnity, if any, the involuntary severance pay could not exceed twice the average of the Corporate Officer's annual compensation (fixed and variable part, to the exclusion of the pension benefits);
- The Board shall determine unilaterally whether or not to apply the non-compete clause at the time of the departure of the Corporate Officer;
- The Corporate Officer shall not be entitled to Involuntary Severance Pay in the case that he is entitled to benefit from his/her pension rights.

| Corporate Officer | Employment contract | Top-Hat pension benefits | Payments or benefits that may be due in the event of termination of assignment | Payments in relation to a non-compete agreement |
|--|---------------------|--------------------------|--|---|
| Jean-Pascal Tricoire, Chairman and CEO | NO | NO ⁽¹⁾ | YES | YES |

(1) The Board of Directors of February 18, 2015, decided to put an end to the benefits of the top-hat pension plan for Corporate Officers.

Recruitment policy

On appointment of a new Corporate Officer, the Board expects any new Corporate Officer to be engaged on terms that are consistent with, and in no case more favorable than the policy approved by the shareholders at the last Annual Shareholders' Meeting, until the next policy is approved. However, it is recognized that all circumstances in which Corporate Officer may be appointed cannot be anticipated. The Board will aim to set compensation that is appropriate to attract, motivate, retain, and reward an individual of the quality required to run the Group successfully, while avoiding paying more than is necessary. If the Board determines that it is in the best interests of the Company and shareholders to secure the services of a particular individual not promoted within the Group, it may require considering the terms of that individual's existing employment and/ or their personal circumstances.

The table below summarizes the policy on appointment of a new Corporate Officer.

| | |
|-------------------------------------|---|
| Fixed compensation | Salaries are set by the Board, taking into consideration a number of factors including the current pay for other Corporate Officers, the experience, skill and current pay level of the individual, and external market forces. The Board may choose to set the salary below that of the market or the other Corporate Officers with the intention of applying staged increases as the individual gains experience in the role. |
| Annual variable compensation | Annual variable compensation will be awarded within the parameters of the policy in force. |
| Pension | The Board would set the pension cash supplementary payments at the appropriate level based on an individual's circumstances. |
| Other benefits | The Board would expect any new Corporate Officer to participate in the benefit schemes that are open to other senior employees (where appropriate, referencing the candidate's home country) but would take into account the individual's existing arrangements, market norms, and their status as a Corporate Officer. |
| Buy-out awards | The Board may offer compensatory payments or buy-out awards where an individual forfeits outstanding variable pay opportunities or contractual rights as a result of their appointment. The specifics of any buy-out awards would be dependent on the individual circumstances of recruitment and would be determined on a case-by-case basis. On assessing such awards, the Board will seek to make awards on a like-for-like basis to ensure that the value awarded would be no greater than the value forfeited by the individual. The Board may choose to apply performance conditions to these awards. |
| Relocation | Where an individual is relocating in order to take up the role, the Board may approve certain one-off benefits such as reasonable relocation expenses, accommodation for a defined period following appointment, assistance with visa applications or other immigration issues, and ongoing arrangements such as tax equalization, annual flights home, and a housing allowance. |
| Internal promotion | Where an existing employee is appointed to the Board, he/she will be required to resign from his/her employment contract and the Board will consider all existing contractual commitments including any outstanding share awards or pension entitlements. |

In making any decision on the compensation of a new Corporate Officer, the Board would balance shareholder expectations, current best practice and the circumstances of any new Corporate Officer. It would strive not to pay more than is necessary to recruit the right candidate and would give full details in the next remuneration report.

2. Compensation Report

2.3.2 Non-executive Directors compensation policy

At the 2019 Annual Shareholders' Meeting, the shareholders approved under the 13th resolution the maximum total amount of the annual compensation that can be paid to the members of the Board which since then stands at €2,500,000. It is proposed:

- To maintain the cap of annual total compensation payable to the members of the Board at €2,500,000; and
- To keep the allocation rules unchanged and as detailed below.

The table below shows the allocation rules of the fixed payments allocated to the non-executive Directors and implemented during the 2020 fiscal year.

Director's individual compensation

- Non-executive Directors are paid:
 - a fixed basic amount of €25,000 for membership of the Board;
 - an amount of €7,000 per Board meeting attended;
 - an amount of €4,000 per Committee meeting attended;
 - An amount of €5,000 (for intercontinental travel) or €3,000 (for intra-continental travels) per Board session physically attended.
 - Additional annual payments are made to non-executive Directors who chair a Committee to reflect the additional responsibilities and workload:
 - Audit & Risks Committee: €20,000;
 - Human Resources & CSR Committee, Digital Committee, and Investment Committee: €15,000; and
 - Lead Independent Director, who is also the Chairman of the Governance and Remunerations Committee: €250,000.
 - For an observer, an annual fixed payment of €20,000 is paid, unless they become non-executive Director at the next General Meeting. In this case, they will receive the same fees for attending the Board and committee meetings as non-executive Directors.
 - All payments are *prorated* for time served during the year and are paid in cash.
-

2.4 Compensation of Group Senior Management (excluding Corporate Officers)

Scope of Senior Management in 2020

On December 31, 2020, Group Senior Management is composed of 15 Executive Committee members. The Executive Committee is chaired by the Chairman and CEO and includes:

- Executive Vice-Presidents of Corporate Functions: Supply Chain, Digital, Strategy & Sustainability, Innovation, Governance, Marketing, Human Resources, Finance;
- Executive Vice-Presidents of Operations: North America Operations, China Operations, France Operations, Europe Operations, International Operations;
- Executive Vice-Presidents of Activities: Industry Automation, Energy Management.

With the appointments of the new Group CHRO (in April 2020) and Group CFO (May 2020) to the Executive Committee, 38% of the Group Senior Management (including Chairman and CEO) is composed of women (versus 27% in 2019).

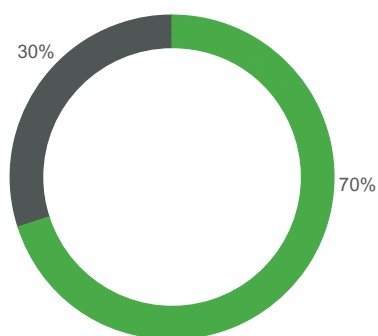
Compensation policy

The compensation principles of Group Senior Management (excluding the Corporate Officer) and their individual analyses are reviewed by the Human Resources & CSR Committee for information and consultation with the Board of Directors. The Human Resources & CSR Committee may consult external experts for specific analyses.

The compensation policy of the Group Senior Management follows the principles of competitiveness, pay-for-performance, and alignment with shareholders' long-term interests, aligned with the principles applicable to the Corporate Officers as described in this report, with the following variations:

- The competitiveness of the Group Senior Management compensation is considered using a relevant geographical panel and the scope of responsibilities as prepared by the consultancy firm Willis Towers Watson;
- The proportion of variable components within their on target compensation package is around 75% versus around 80% for the Corporate Officer.

On target compensation pay mix



- Variable Part
- Fixed Part

Compensation paid in 2020

Gross compensation, including benefits in kind, paid by Group companies in 2020 to the members of Group Senior Management other than Corporate Officers, amounted to €28.1m, including €7.6m in variable compensation paid in the 2020 fiscal year.

The performance objectives for the annual incentive for the fiscal year 2020 were:

- Group organic sales growth;
- Improvement of Group adjusted EBITA margin (organic);
- Group cash conversion rate;
- Schneider Sustainability Impact.

Long-term incentive plans

Performance shares were granted in 2020 to the Group Senior Management. As of December 31, 2020, as part of the Long-term incentive plan, Group Senior Management, other than Corporate Officers, held:

- 741,000 conditional performance shares;
- 0 options;
- 0 Stock Appreciation Rights (SARs).

Pension benefits

Schneider Electric policy concerning pension benefits states that:

- the Group's Senior Management who are not subject to the French Social Security System are covered by pension plan arrangements in line with local practices in their respective countries;
- the Group's Senior Management subject to the French Social Security system, with the exception of Corporate Officers, are covered by the additional defined-contribution pension (Article 83) plans for employees, and/or Group Senior Management. Their defined-benefit pension plan (Article 39) was canceled on March 22, 2016.

2. Compensation Report

2.5 Long-term incentive plans (stock options & Performance Shares)

Grant policy

As part of its overall staff pay policy, Schneider Electric sets up a Long-term incentive plan every year. These plans allow the Group to ensure the competitiveness of the compensation offered by the Group, in dynamic and competitive international markets, and in sectors where the ability to attract talent is a key factor to success. These plans also aim at mobilizing Schneider Electric's management for the achievement of the Group's long-term objectives and align their interest with those of our shareholders.

The Long-term incentive plans are based on an allocation of Performance Shares. No stock options or SARs have been granted since 2009 and the last plan of stock options implemented expired on December 31, 2019.

These plans are granted by the Board of Directors, based on the recommendation from the Human Resources & CSR Committee.

Beneficiaries include members of Group Senior Management, top managers, high-potential managers and employees in all countries whose performance was judged remarkable. There were 2,728 beneficiaries in the 2019 Long-term incentive plan and 3,100 in the 2020 Long-term incentive plan. Allocations to Group Senior Management, including Corporate Officers, represent 14.5% of the total attributions in the framework of the 2020 Long-term incentive plan, similar to the proportion prevalent (13.9%) in the framework of the 2019 Long-term incentive plan.

Corporate Officers formally undertake, for each grant of shares, not to engage in hedging transactions until the end of their duties as executive Officers.

Past share plans (as of December 31, 2020)

| | LTIP 2016 | LTIP 2017 | LTIP 2018 | LTIP 2019 | LTIP 2020 |
|---|---------------|---|---|---|--|
| Plan number | Plan 24, 26 | Plan 28, 29, 29bis | Plan 30, 31, 31bis | Plan 32, 33, 34, 35 | Plan 36, 37, 37bis |
| Date of Annual Shareholders' Meeting | Apr. 25, 2013 | Apr. 25, 2016 | Apr. 25, 2016 | Apr. 25, 2016 | Apr. 25, 2019 |
| Date of the grant by the Board | Mar. 23, 2016 | Mar. 24, 2017 Oct. 25, 2017 | Mar. 26, 2018 Oct. 24, 2018 | Mar. 26, 2019 Jul. 24, 2019 Oct. 23, 2019 | Mar. 24, 2020 Oct. 21, 2020 |
| Number of shares at grant of which: | 2,318,242 | 2,463,420 | 2,371,940 | 2,444,010 | 2,216,791 |
| – Jean-Pascal Tricoire | 42,000 | 60,000 | 60,000 | 60,000 | 60,000 |
| – Top ten employee beneficiaries | 208,542 | 217,400 | 228,000 | 237,190 | 239,500 |
| Vesting/delivery date | Mar. 23, 2020 | Mar. 24, 2020 Oct. 25, 2020 | Mar. 26, 2021 Oct. 25, 2021 | Mar. 28, 2022 Jul. 25, 2022 Oct. 24, 2022 | Mar. 24, 2023 Oct. 23, 2023 |
| End of holding period | N/A | Mar. 23, 2021 for Plan 28 (only for 25,800 shares of which 18,000 shares granted to Jean-Pascal Tricoire) | Mar. 25, 2022 for Plan 30 (only for 25,800 shares of which 18,000 shares granted to Jean-Pascal Tricoire) | Mar. 27, 2023 for Plan 32 (only for 25,800 shares of which 18,000 shares granted to Jean-Pascal Tricoire) | Mar. 24, 2024 for Plan 36 (only for 18,000 shares granted to Jean-Pascal Tricoire) |
| Number of rights outstanding as of Dec. 31, 2019 | 1,787,324 | 2,212,470 | 2,248,790 | 2,420,150 | N/A |
| Number of rights granted in 2020 | N/A | N/A | N/A | N/A | 2,216,791 |
| Number of shares delivered in 2020 | 1,769,009 | 2,180,101 | 3,400 | 2,900 | 0 |
| Number of rights canceled⁽¹⁾ in 2020 | 18,315 | 32,369 | 107,334 | 109,481 | 26,940 |
| Number of rights outstanding as of Dec. 31, 2020 | 0 | 0 | 2,138,056 | 2,307,769 | 2,189,851 |
| Total number of rights outstanding as of Dec. 31, 2020 | | | 6,635,676 | | |

LTIP 2016

| Plan number | Plan 24 | Plan 26 |
|--|--------------------------|---|
| Date of Annual Shareholders' Meeting | Apr. 25, 2013 | Apr. 25, 2013 |
| Date of the grant by the Board | Mar. 23, 2016 | Mar. 23, 2016 |
| Number of shares at grant of which: – Jean-Pascal Tricoire | 27,042 | 2,291,200 42,000 |
| Number of rights outstanding as of Dec. 31, 2019 | 27,042 | 1,760,282 |
| Number of shares delivered in 2020 | 27,042 | 1,741,967 |
| Number of rights canceled in 2020 | 0 | 18,315 |
| Number of rights outstanding as of Dec. 31, 2020 | 0 | 0 |
| Vesting date/vesting period | Mar. 23, 2020 4 years | |
| End of holding period | N/A | N/A |
| Presence condition | Yes | Yes |
| Performance conditions | No | <ul style="list-style-type: none"> • Yes for 50% of the shares/100% for the Corporate Officers and Executive Committee members • 2016, 2017, 2018 adjusted EBITA average achievement rate (40%) • 2016, 2017, 2018 cash conversion rate average (25%) • TSR ranking at the end of 2018 (15%) • Planet & Society barometer index at the end of 2018 (20%) |
| % achievement of the Performance conditions | N/A | 91.46% |

Detailed achievement of the Performance conditions

At its meeting of February 13, 2019, the Board of Directors assessed the achievement rate of performance criteria for Plan n° 26 granted in 2016 based on the Group's performance over the three-year period 2016-2018 and set the final rate of achievement at 91.46%, *i.e.* a reduction of 8.54% in relation to the number of shares originally granted.

| Performance conditions | Reference period | Weight (%) | Actual achievement | Pay-out rate | Weighted pay-out rate |
|--|------------------|------------|--------------------|--------------|-----------------------|
| Group organic adjusted EBITA achievement rate | 2016 | 13.3% | +0.4 pt | 100% | 40.00% |
| | 2017 | 13.3% | +0.9 pt | 100% | |
| | 2018 | 13.3% | +0.5 pt | 100% | |
| Group cash conversion average rate | 2016-2018 | 25% | 104.3% | 110.8%* | 27.71%* |
| Relative TSR | 2016-2018 | 15% | Rank 7 | 25% | 3.75% |
| Planet & Society barometer/ Schneider Sustainability Impact | 2016-2018 | 20% | >9 | 100% | 20.00% |
| Total | | | | 100% | 91.46% |

* The good level of cash conversion exceeded the initial ambition, resulting in overperformance partially setting-off the under-achievement of the objectives under the relative TSR performance condition.

2. Compensation Report

LTIP 2017

| Plan number | Plan 28 | Plan 29 | Plan 29bis |
|---|---|--------------------------|--------------------------|
| Date of Annual Shareholders' Meeting | Apr. 25, 2016 | Apr. 25, 2016 | Apr. 25, 2016 |
| Date of the grant by the Board | Mar. 24, 2017 | Mar. 24, 2017 | Oct. 25, 2017 |
| Number of shares at grant of which: | 25,800 | 2,405,220 | 32,400 |
| – Jean-Pascal Tricoire | 18,000 | 42,000 | |
| Number of rights outstanding as of Dec. 31, 2019 | 25,800 | 2,154,870 | 31,800 |
| Number of shares delivered in 2020 | 25,683 | 2,125,107 | 29,311 |
| Number of rights canceled in 2020 | 117 | 29,763 | 2,489 |
| Number of rights outstanding as of Dec. 31, 2020 | 0 | 0 | 0 |
| Vesting date/vesting period | Mar. 24, 2020 3 years | Mar. 24, 2020 3 years | Oct. 25, 2020 3 years |
| End of holding period | Mar. 23, 2021 | N/A | N/A |
| Presence condition | Yes | | |
| Performance conditions | <ul style="list-style-type: none"> • Yes for 70% of the shares/100% for the Corporate Officers and Executive Committee members • 2017, 2018, 2019 adjusted EBITA average achievement rate (40%) • 2017, 2018, 2019 cash conversion rate average (25%) • TSR ranking at end of 2019 (15%) • 2017, 2018, 2019 Planet & Society barometer index (20%) | | |
| % achievement of the Performance conditions | 99.54% | | |

Detailed achievement of the Performance conditions At its meeting of February 19, 2020, the Board of Directors assessed the achievement rate of performance criteria for Plans n° 28, 29 and 29bis granted in 2017 based on the Group's performance over the three-year period 2017- 2019 and set the final rate of achievement at 99.54%, *i.e.* a reduction of 0.46% in relation to the number of shares originally granted.

| Performance conditions | Reference period | Weight (%) | Actual achievement | Pay-out rate | Weighted pay-out rate |
|--|------------------|-------------|--------------------|--------------|-----------------------|
| Group organic adjusted EBITA achievement rate | 2017 | 13.3% | +0.9 pt | 100% | 40.00% |
| | 2018 | 13.3% | +0.5 pt | 100% | |
| | 2019 | 13.3% | +0.7 pt | 100% | |
| Group cash conversion average rate | 2017-2019 | 25% | 109.6% | 124% | 25.00% |
| Relative TSR* | 2017-2019 | 15% | Rank 2* | 150% | 15.00% |
| Planet & Society barometer/ Schneider Sustainability Impact | 2017 | 6.6% | 9.5 | 100% | 19.54% |
| | 2018 | 6.6% | 6.1 | 100% | |
| | 2019 | 6.6% | 7.77 | 93.1% | |
| Total | | 100% | | | 99.54% |

* If Schneider Electric TSR performance result is within 3% of the nearest peer company, the rank will be rounded up, Schneider Electric ranks 2 but qualifies for an adjustment to be ranked 1.

LTIP 2018

| Plan number | Plan 30 | Plan 31 | Plan 31bis |
|---|---|--------------------------|--------------------------|
| Date of Annual Shareholders' Meeting | Apr. 25, 2016 | Apr. 25, 2016 | Apr. 25, 2016 |
| Date of the grant by the Board | Mar. 26, 2018 | Mar. 26, 2018 | Oct. 24, 2018 |
| Number of shares at grant of which: | 25,800 | 2,318,140 | 28,000 |
| – Jean-Pascal Tricoire | 18,000 | 42,000 | |
| Number of rights outstanding as of Dec. 31, 2019 | 25,800 | 2,194,990 | 28,000 |
| Number of shares delivered in 2020 | 0 | 3,400 | 0 |
| Number of rights canceled in 2020 | 2,383 | 104,951 | 0 |
| Number of rights outstanding as of Dec. 31, 2020 | 23,417 | 2,086,639 | 28,000 |
| Vesting date/vesting period | Mar. 26, 2021 3 years | Mar. 26, 2021 3 years | Oct. 25, 2021 3 years |
| End of holding period | Mar. 25, 2022 | N/A | N/A |
| Presence condition | Yes | | |
| Performance conditions | <ul style="list-style-type: none"> • Yes for 70% of the shares/100% for the Corporate Officers and Executive Committee members • 2018, 2019, 2020 adjusted EBITA average achievement rate (40%) • 2018, 2019, 2020 cash conversion rate average (25%) • TSR ranking at end of 2020 (15%) • 2018, 2019, 2020 Planet & Society barometer index (20%) | | |

% achievement of the Performance conditions 98.18%

Detailed achievement of the Performance conditions

At its meeting of February 10, 2021, the Board of Directors assessed the achievement rate of performance criteria for Plans n° 30, 31 and 31bis granted in 2018 based on the Group's performance over the three-year period 2018- 2020 and set the final rate of achievement at 98.18%, *i.e.* a reduction of 1.82% in relation to the number of shares originally granted.

| Performance conditions | Reference period | Weight (%) | Actual achievement | Pay-out rate | Weighted pay-out rate |
|--|------------------|-------------|--------------------|--------------|-----------------------|
| Group organic adjusted EBITA achievement rate | 2018 | 13.3% | +0.5 pts | 100% | 32% |
| | 2019 | 13.3% | +0.7 pts | 100% | |
| | 2020 | 13.3% | +0.2 pts | 40% | |
| Group cash conversion average rate | 2018-2020 | 25% | 123.3% | 150%* | 37.50%* |
| Relative TSR | 2018-2020 | 15% | 1st | 150%* | 22.50%* |
| Planet & Society barometer/ Schneider Sustainability Impact | 2018 | 6.6% | 6.10 | 100% | 18.18% |
| | 2019 | 6.6% | 7.77 | 93.10% | |
| | 2020 | 6.6% | 9.32 | 79.60% | |
| Total | | 100% | | | 98.18% |

* The good level of cash conversion exceeded the initial ambition and the over-performance of the relative TSR performance condition off-set the under-performance of the adjusted EBITA condition (for 8%).

2. Compensation Report

LTIP 2019

| Plan number | Plan 32 | Plan 33 | Plan 34 | Plan 35 |
|---|---|--------------------------|--------------------------|--------------------------|
| Date of Annual Shareholders' Meeting | Apr. 25, 2016 | Apr. 25, 2016 | N/A* | N/A* |
| Date of the grant by the Board | Mar. 26, 2019 | Mar. 26, 2019 | Jul. 24, 2019 | Oct. 23, 2019 |
| Number of shares at grant of which: | 25,800 | 2,313,650 | 87,110 | 17,450 |
| – Jean-Pascal Tricoire | 18,000 | 42,000 | | |
| Number of rights outstanding as of Dec. 31, 2019 | 25,800 | 2,290,580 | 86,320 | 17,450 |
| Number of shares delivered in 2020 | 0 | 2,900 | 0 | 0 |
| Number of rights canceled in 2020 | 4,983 | 102,258 | 2,240 | 0 |
| Number of rights outstanding as of Dec. 31, 2020 | 20,817 | 2,185,422 | 84,080 | 17,450 |
| Vesting date/vesting period | Mar. 28, 2022 3 years | Mar. 28, 2022 3 years | Jul. 25, 2022 3 years | Oct. 24, 2022 3 years |
| End of holding period | Mar. 27, 2023 | N/A | N/A | N/A |
| Presence condition | Yes | | | |
| Performance conditions | <ul style="list-style-type: none"> • Yes for 70% of the shares/100% for the Corporate Officers and Executive Committee members • 2019, 2020, 2021 adjusted EBITA average achievement rate (40%) • 2019, 2020, 2021 cash conversion rate average (25%) • TSR ranking at end of 2021 (15%) • 2019, 2020, 2021 Planet & Society barometer index (20%) <ul style="list-style-type: none"> • Yes for 70% of the shares/100% for the Corporate Officers and Executive Committee members • 2020, 2021 Adjusted EPS improvement average achievement rate (40%) • TSR ranking at end of 2021 vs bespoke peer group and CAC 40 (35%) • 2019, 2020, 2021 Schneider Sustainability External and Relative Index (25%)** | | | |
| Achievement of the Performance conditions | To be assessed by the Board of Directors in February 2022 | | | |

* Plan n° 34 and 35 have not been granted under the legal framework of the Performance Shares provided by Article L. 225-197-1 of the French Commercial Code. Consequently, the shares to be delivered will be only existing shares acquired through the buy-back program.

** Plan rules n° 34 and 35 have been modified to replace FTSE4GOOD which is decommissioned by Ecovadis for 2021.

LTIP 2020

| Plan number | Plan 36 | Plan 37 | Plan 37bis |
|---|--|--------------------------|--------------------------|
| Date of Annual Shareholders' Meeting | Apr. 25, 2019 | Apr. 25, 2019 | Apr. 25, 2019 |
| Date of the grant by the Board | Mar. 24, 2020 | Mar. 24, 2020 | Oct. 21, 2020 |
| Number of shares at grant of which: | 18,000 | 2,095,740 | 103,051 |
| – Jean-Pascal Tricoire | 18,000 | 42,000 | |
| Number of rights outstanding as of Dec. 31, 2019 | N/A | N/A | N/A |
| Number of shares granted in 2020 | 18,000 | 2,095,740 | 103,051 |
| Number of shares delivered in 2020 | 0 | 0 | 0 |
| Number of rights canceled in 2020 | 0 | 26,750 | 190 |
| Number of rights outstanding as of Dec. 31, 2020 | 18,000 | 2,068,990 | 102,861 |
| Vesting date/vesting period | Mar. 24, 2023 3 years | Mar. 24, 2023 3 years | Oct. 23, 2023 3 years |
| End of holding period | Mar. 24, 2024 | N/A | N/A |
| Presence condition | Yes | | |
| Performance conditions | <ul style="list-style-type: none"> • Yes for 70% of the shares/100% for the Corporate officers and Executive Committee • 2020, 2021, 2022 Adjusted EPS improvement average achievement rate (40%) • TSR ranking at end of 2022 vs bespoke peer group and CAC 40 (35%) • 2020, 2021, 2022 Schneider Sustainability External and Relative Index (25%)* | | |
| Achievement of the Performance conditions | To be assessed by the Board of directors in February 2023 | | |

* Plan rules n° 36, 37 and 37bis have been modified to replace FTSE4GOOD which is decommissioned by Ecovadis for 2021 and 2022.



Nemours Children's Hospital's consistently high quality of care depends on resilient power enabled by EcoStruxure™ from Schneider Electric.



4

Consolidated financial statements at December 31, 2020

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1. Consolidated statement of income

1. Consolidated statement of income

| <i>(in millions of euros except for earnings per share)</i> | Note | Full Year 2020 | Full Year 2019 |
|--|------|----------------|----------------|
| Revenue | 3 | 25,159 | 27,158 |
| Cost of sales | | (15,003) | (16,423) |
| Gross profit | | 10,156 | 10,735 |
| Research and development | 4 | (718) | (657) |
| Selling, general and administrative expenses | | (5,512) | (5,840) |
| Adjusted EBITA* | 3 | 3,926 | 4,238 |
| Other operating income and expenses | 6 | (210) | (411) |
| Restructuring costs | | (421) | (255) |
| EBITA** | | 3,295 | 3,572 |
| Amortization and impairment of purchase accounting intangibles | 5 | (207) | (173) |
| Operating income | | 3,088 | 3,399 |
| Interest income | | 14 | 39 |
| Interest expense | | (126) | (168) |
| Finance costs, net | | (112) | (129) |
| Other financial income and expense | 7 | (166) | (132) |
| Net financial income/(loss) | | (278) | (261) |
| Profit from continuing operations before income tax | | 2,810 | 3,138 |
| Income tax expense | 8 | (638) | (690) |
| Income of discontinued operations, net of income tax | 1 | – | (3) |
| Share of profit/(loss) of associates | 12 | 66 | 78 |
| PROFIT FOR THE PERIOD | | 2,238 | 2,523 |
| <i>attributable to owners of the parent</i> | | 2,126 | 2,413 |
| <i>attributable to non controlling interests</i> | | 112 | 110 |
| Basic earnings (attributable to owners of the parent) per share (in euros per share) | 19 | 3.84 | 4.38 |
| Diluted earnings (attributable to owners of the parent) per share (in euros per share) | 19 | 3.81 | 4.33 |

* Adjusted EBITA (Earnings Before Interest, Taxes, Amortization of Purchase Accounting Intangibles). Adjusted EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets, before goodwill impairment, other operating income and expenses and restructuring costs.

** EBITA (Earnings Before Interest, Taxes and Amortization of Purchase Accounting Intangibles). EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets and before goodwill impairment.

The accompanying notes are an integral part of the consolidated financial statements.

Other Comprehensive Income

| <i>(in millions of euros)</i> | Note | Full Year 2020 | Full Year 2019 |
|--|-------------|-----------------------|----------------|
| Profit for the year | | 2,238 | 2,523 |
| Other comprehensive income: | | | |
| Translation adjustment | | (1,649) | 333 |
| Cash-flow hedges | | (125) | 26 |
| Income tax effect of cash flow hedges | 19 | (18) | (7) |
| Net gains/(losses) on financial assets | | (5) | (4) |
| Income tax effect of gains/(losses) on financial assets | 19 | 1 | – |
| Actuarial gains/(losses) on defined benefit plans | 20 | (123) | (408) |
| Income tax effect of actuarial gains/(losses) on defined benefit plans | 19 | 21 | 82 |
| Other comprehensive income for the year, net of tax | | (1,898) | 22 |
| <i>of which to be recycled in income statement</i> | | (1,792) | 352 |
| <i>of which not to be recycled in income statement</i> | | (106) | (330) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 340 | 2,545 |
| <i>attributable to owners of the parent</i> | | 271 | 2,400 |
| <i>attributable to non controlling interests</i> | | 69 | 145 |

The accompanying notes are an integral part of the consolidated financial statements.

2. Consolidated statement of cash flows

2. Consolidated statement of cash flows

| <i>(in millions of euros)</i> | Note | Full Year 2020 | Full Year 2019 |
|--|------|----------------|----------------|
| Profit for the year | | 2,238 | 2,523 |
| Losses/(gains) from discontinued operations | | – | 3 |
| Share of (profit)/losses of associates | | (66) | (78) |
| Income and expenses with no effect on cash flow: | | | |
| <i>Depreciation of property, plant and equipment</i> | 11 | 698 | 701 |
| <i>Amortization of intangible assets other than goodwill</i> | 10 | 512 | 474 |
| <i>Impairment losses on non-current assets</i> | | 54 | 63 |
| <i>Increase/(decrease) in provisions</i> | 21 | 266 | 56 |
| <i>Losses/(gains) on disposals of assets</i> | | (10) | 206 |
| <i>Difference between tax paid and tax expense</i> | | (137) | (2) |
| <i>Other non-cash adjustments</i> | | 96 | 66 |
| Net cash provided by operating activities | | 3,651 | 4,012 |
| Decrease/(increase) in accounts receivables | | 326 | 22 |
| Decrease/(increase) in inventories and work in progress | | (153) | 209 |
| (Decrease)/increase in accounts payable | | 344 | (41) |
| Decrease/(increase) in other current assets and liabilities | | 267 | 80 |
| Change in working capital requirement | | 784 | 270 |
| TOTAL I – CASH FLOWS FROM OPERATING ACTIVITIES | | 4,435 | 4,282 |
| Purchases of property, plant and equipment | 11 | (485) | (506) |
| Proceeds from disposals of property, plant and equipment | | 55 | 38 |
| Purchases of intangible assets | 10 | (332) | (338) |
| Net cash used by investment in operating assets | | (762) | (806) |
| Acquisitions and disposals of businesses, net of cash acquired & disposed | 2 | (2,393) | (79) |
| Other long-term investments | | 11 | 59 |
| Increase in long-term pension assets | | (106) | (90) |
| Sub-total | | (2,488) | (110) |
| TOTAL II – CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES | | (3,250) | (916) |
| Issuance of bonds | 22 | 2,444 | 964 |
| Repayment of bonds | 22 | (500) | (500) |
| Sale/(purchase) of own shares | | (50) | (266) |
| Increase/(decrease) in other financial debt | | 1,032 | (1,078) |
| Increase/(decrease) of share capital | 19 | 43 | 168 |
| Transaction with non-controlling interests* | 2 | 1,141 | – |
| Dividends paid to Schneider Electric's shareholders | 19 | (1,413) | (1,296) |
| Dividends paid to non-controlling interests | | (112) | (117) |
| TOTAL III – CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES | | 2,585 | (2,125) |
| TOTAL IV – NET FOREIGN EXCHANGE DIFFERENCE | | (403) | (18) |
| TOTAL V – EFFECT OF DISCONTINUED OPERATIONS | | – | (59) |
| INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS: I +II +III +IV +V | | 3,367 | 1,164 |
| Net cash and cash equivalents, beginning of the period | 18 | 3,395 | 2,231 |
| Increase/(decrease) in cash and cash equivalents | | 3,367 | 1,164 |
| NET CASH AND CASH EQUIVALENTS, END OF THE PERIOD | 18 | 6,762 | 3,395 |

* In 2020, the Group received EUR 1,141 million of cash from AVEVA's minority interests, following the increase of capital realized by the latter, to finance the on-going acquisition of OSISoft (Note 2).

The accompanying notes are an integral part of the consolidated financial statements.

3. Consolidated balance sheet

3. Consolidated balance sheet

Assets

| <i>(in millions of euros)</i> | Note | Dec. 31, 2020 | Dec. 31, 2019 |
|--|------|---------------|---------------|
| NON-CURRENT ASSETS: | | | |
| Goodwill, net | 9 | 19,956 | 18,719 |
| Intangible assets, net | 10 | 5,033 | 4,647 |
| Property, plant and equipment, net | 11 | 3,619 | 3,680 |
| Investments in associates and joint ventures | 12 | 598 | 533 |
| Non-current financial assets | 13 | 776 | 645 |
| Deferred tax assets | 14 | 1,984 | 2,004 |
| TOTAL NON-CURRENT ASSETS | | 31,966 | 30,228 |
| CURRENT ASSETS: | | | |
| Inventories and work in progress | 15 | 2,883 | 2,841 |
| Trade and other operating receivables | 16 | 5,626 | 5,953 |
| Other receivables and prepaid expenses | 17 | 2,094 | 2,087 |
| Current financial assets | | 18 | 19 |
| Cash and cash equivalents | 18 | 6,895 | 3,592 |
| TOTAL CURRENT ASSETS | | 17,516 | 14,492 |
| Assets held for sale & discontinued operations | | – | 283 |
| TOTAL ASSETS | | 49,482 | 45,003 |

The accompanying notes are an integral part of the consolidated financial statements.

3. Consolidated balance sheet

Liabilities

| <i>(in millions of euros)</i> | Note | Dec. 31, 2020 | Dec. 31, 2019 |
|--|-------------|----------------------|---------------|
| EQUITY: | 19 | | |
| Share capital | | 2,268 | 2,328 |
| Additional paid in capital | | 2,248 | 3,134 |
| Retained earnings | | 17,648 | 16,034 |
| Translation reserve | | (1,541) | 65 |
| Equity attributable to owners of the parent | | 20,623 | 21,561 |
| Non-controlling interests | | 3,104 | 1,579 |
| TOTAL EQUITY | | 23,727 | 23,140 |
| NON-CURRENT LIABILITIES: | | | |
| Pensions and other post-employment benefit obligations | 20 | 1,708 | 1,806 |
| Other non-current provisions | 21 | 930 | 940 |
| Non-current financial liabilities | 22 | 8,196 | 6,405 |
| Deferred tax liabilities | 14 | 917 | 1,021 |
| Other non-current liabilities | | 1,109 | 883 |
| TOTAL NON-CURRENT LIABILITIES | | 12,860 | 11,055 |
| CURRENT LIABILITIES: | | | |
| Trade and other operating payables | | 4,664 | 4,215 |
| Accrued taxes and payroll costs | | 3,413 | 3,147 |
| Current provisions | 21 | 1,000 | 794 |
| Other current liabilities | | 1,558 | 1,428 |
| Current debt | 22 | 2,260 | 979 |
| TOTAL CURRENT LIABILITIES | | 12,895 | 10,563 |
| Liabilities held for sale & discontinued operations | | – | 245 |
| TOTAL EQUITY AND LIABILITIES | | 49,482 | 45,003 |

The accompanying notes are an integral part of the consolidated financial statements.

4. Consolidated statement of changes in equity

4. Consolidated statement of changes in equity

| (in millions of euros) | Number of shares (thousands) | Capital | Additional paid-in capital | Treasury Shares | Retained earnings | Translation Reserve | Equity attributable to owners of the parent | Non-controlling interests | Total |
|--|------------------------------|--------------|----------------------------|-----------------|-------------------|---------------------|---|---------------------------|---------------|
| Dec. 31, 2018 | 579,169 | 2,317 | 2,977 | (2,982) | 18,703 | (233) | 20,782 | 1,482 | 22,264 |
| IFRIC 23 impact | | | | | (223) | | (223) | | (223) |
| Jan. 1, 2019 | 579,169 | 2,317 | 2,977 | (2,982) | 18,480 | (233) | 20,559 | 1,482 | 22,041 |
| Profit for the year | | | | | 2,413 | | 2,413 | 110 | 2,523 |
| Other comprehensive income | | | | | (311) | 298 | (13) | 35 | 22 |
| Comprehensive income for the year | – | – | – | – | 2,102 | 298 | 2,400 | 145 | 2,545 |
| Capital increase | 2,676 | 10 | 151 | | | | 161 | | 161 |
| Exercise of performance shares | 224 | 1 | 6 | | | | 7 | | 7 |
| Dividends | | | | | (1,296) | | (1,296) | (117) | (1,413) |
| Change in treasury shares | | | | (266) | | | (266) | | (266) |
| Share-based compensation expense | | | | | 148 | | 148 | 6 | 154 |
| Other | | | | | (152) | | (152) | 63 | (89) |
| Dec. 31, 2019 | 582,069 | 2,328 | 3,134 | (3,248) | 19,282 | 65 | 21,561 | 1,579 | 23,140 |
| Profit for the year | | | | | 2,126 | | 2,126 | 112 | 2,238 |
| Other comprehensive income | | | | | (249) | (1,606) | (1,855) | (43) | (1,898) |
| Comprehensive income for the year | – | – | – | – | 1,877 | (1,606) | 271 | 69 | 340 |
| Capital increase | | | 43 | | | | 43 | | 43 |
| Exercise of performance shares | | | | | | | – | | – |
| Dividends | | | | | (1,413) | | (1,413) | (112) | (1,525) |
| Change in treasury shares | (15,000) | (60) | (929) | (50) | 989 | | (50) | | (50) |
| Share-based compensation expense | | | | | 140 | | 140 | 5 | 145 |
| Other | | | | | 71 | | 71 | 1,563 | 1,634 |
| Dec. 31, 2020 | 567,069 | 2,268 | 2,248 | (3,298) | 20,946 | (1,541) | 20,623 | 3,104 | 23,727 |

The accompanying notes are an integral part of the consolidated financial statements.

5. Notes to the consolidated financial statements

5. Notes to the consolidated financial statements

| Note | | Note | |
|-----------|---|------|--|
| 1 | Accounting policies | 310 | 15 Inventories and work in progress |
| 2 | Changes in the scope of consolidation | 320 | 16 Trade accounts receivable |
| 3 | Segment information | 321 | 17 Other receivables and prepaid expenses |
| 4 | Research and development | 322 | 18 Cash and cash equivalents |
| 5 | Impairment losses, depreciation and amortization expenses | 323 | 19 Shareholder's equity |
| 6 | Other operating income and expenses | 323 | 20 Pensions and other post-employment benefit obligations |
| 7 | Other financial income and expenses | 323 | 21 Provisions for contingencies and charges |
| 8 | Income tax expenses | 323 | 22 Total current and non-current financial liabilities |
| 9 | Goodwill | 324 | 23 Classification of financial instruments |
| 10 | Intangibles assets | 325 | 24 Employees |
| 11 | Property, plant and equipment | 326 | 25 Related parties transactions |
| 12 | Investments in associates and joint ventures | 328 | 26 Commitments and contingent liabilities |
| 13 | Non-current financial assets | 328 | 27 Subsequent events |
| 14 | Deferred taxes by Nature | 329 | 28 Statutory Auditors' fees |
| | | | 29 Consolidated companies |

Please note

All amounts are in millions of euros unless otherwise indicated.

The following notes are an integral part of the consolidated financial statements.

The Schneider Electric Group's consolidated financial statements for the financial year ended December 31, 2020 were authorized for issue by the Board of Directors on February 10, 2021. They will be submitted to shareholders for approval at the Annual General Meeting of April 28, 2021.

The Group's main businesses are described in Chapter 1 of the Universal Registration Document.

COVID-19 pandemic

Impact of the spread of the COVID-19 and Strategy of the Group

The COVID-19 pandemic and the actions taken in response to its spread have resulted in disturbances to the Group's business operations, and supply chain in the course of the year.

In this context, the Group has been coordinating its teams globally, regionally and locally to ensure business continuity and focused on the following key elements: health, business continuity, cash & costs, rebound with customers, taking care of communities through the launch of "Tomorrow Rising Fund".

While the first initiatives included ensuring the health and safety of its employees, the Group also adapted some facilities to assist in the production of essential medical equipment. The supply chain organization instituted a global management team that has been tracking evolution of the situation in real time. The Group focused on enhancing the digital customer experience, while establishing communities and partnerships, and provided multiple digital interactions and trainings to customers across the world. The Group also accelerated its medium-term cost efficiency plan, and implemented specific tactical savings across the organization, leveraging its multi-local model.

Government grants

The Group did not benefit from significant grants established by the countries impacted by the pandemic and chose not to resort to the exceptional liquidity support schemes proposed by the French state to overcome the crisis. The Group however benefited from deferral of payment of various tax and social charges across the world, generating temporary positive cash impact that will be compensated in 2021.

Risks and uncertainties

The Group demonstrated the agility and resilience of its global supply chain while coordinating and regionally managing supply chain organization to enable quick decision making and flexibility. The crisis did not reveal new risks factors for the Group.

Liquidity and balance sheet position

At December 31, 2020, the Group has a total liquidity of around EUR 10.7 billion, including cash & cash equivalents and undrawn available committed credit lines. The Group has sufficient liquidity for debt repayments, funding acquisitions that have been already announced, and its operations for at least the year to come. The Group working capital was assessed with the same accounting policies, principles and methodologies used for the full year 2019 consolidated financial statements. There was no material impairment booked in the income statement as at December 31, 2020.

Impairment of assets

The Group expects to emerge strong from the crisis and recover its sales & margin level in the near perspective and has therefore restated its adjusted EBITA margin ambition for 2022.

The Group performed the annual impairment test of all the Cash Generating Units (CGUs) using the same methodology as the one used on previous periods and described in note 1.11. Following the performance of these tests, the Group concluded that there was no risk of impairment at December 31, 2020. The respective headrooms have not been significantly impacted by the crisis.

5. Notes to the consolidated financial statements

Note 1: Accounting policies

1.1 Accounting standards

The consolidated financial statements have been prepared in compliance with the international accounting standards (IFRS) as adopted by the European Union as of December 31, 2020. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2019.

The following standards and interpretations that were applicable during the period did not have a material impact on the consolidated financial statements as of December 31, 2020:

- amendments to IFRS 16 – *Leases COVID-19-Related Rent Concessions*;
- amendments to IFRS 3 – *Business Combinations*;
- amendments to IFRS 9, IAS 39 and IFRS 7 – *Interest Rate Benchmark Reform*;
- amendments to IAS 1 and IAS 8 – *Definition of Material*;
- annual improvements to References to the Conceptual Framework in IFRS Standards.

The Group did not apply the following standards and interpretations for which mandatory application is subsequent to December 31, 2020:

- standards adopted by the European Union:
 - amendments to IFRS 4 – *Contracts – Deferral of IFRS 9*;
 - amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – *Interest Rate Benchmark Reform – Phase 2*.
- standards not yet adopted by the European Union:
 - IFRS 17 – *Insurance Contracts*
 - amendments to IAS 1 – *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of effective date*;
 - amendments to IFRS 3 – *Business Combinations*;
 - amendments to IAS 16 – *Property, Plant and Equipment*;
 - amendments to IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*;
 - Annual Improvements 2018-2020.

The Group is currently assessing the potential effect on the Group's consolidated financial statements of the standards not yet applicable as of December 31, 2020. At this stage of analysis, the Group does not expect any material impact on its consolidated financial statements.

Effects of IFRS 16

Leases COVID-19-Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions – amendment to IFRS 16 – *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient authorized by the amendment, Schneider Electric elected, for the concessions that meet the amendment's criteria, not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The amendment applies to annual reporting periods beginning on or after 1 January 2020. This amendment had no significant impact on the consolidated financial statements of the Group and the total incentives provided by lessors for the Group amount to around 2 million euros.

IFRIC decision – Lease term and useful life of non-removable leasehold improvements

The November 2019 IFRIC decision has been applied by the Group as of December 2020 with retroactive effect. For this purpose, remaining useful life of leasehold improvements have been compared to the duration defined for IFRS 16 on a case by case basis. Furthermore, all contracts classified as short-term leases because considered as not enforceable beyond 12 months were reviewed, to ensure that the most probable duration was considered as the IFRS 16 duration. Any deviation identified has been adjusted and the total impact of those corrections is not significant for the Group.

1.2 Basis of presentation

The financial statements have been prepared on a historical cost basis, except for derivative instruments and certain financial assets, which are measured at fair value. Financial liabilities are measured using the amortized cost model. The book value of hedged assets and liabilities, under fair-value hedge, corresponds to their fair value, for the part corresponding to the hedged risk.

1.3 Use of estimates and assumptions

The preparation of financial statements requires Group and subsidiary management to make estimates and assumptions that are reflected in the amounts of assets and liabilities reported in the consolidated balance sheet, the revenues and expenses in the statement of income and the commitments created during the reporting period. Actual results may differ.

These assumptions mainly concern:

- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (Note 1.8 and Note 1.9) and the measurement of impairment losses (Note 1.11);
- the measurement of the recoverable amount of non-current financial assets (Note 1.12 and Note 13);
- the realizable value of inventories and work in progress (Note 1.13);
- the recoverable amount of trade and other operating receivables (Note 1.14);
- the valuation of share-based payments (Note 1.20);
- the calculation of provisions or risk contingencies (Note 1.21);
- the measurement of pension and other post-employment benefit obligations (Note 1.19 and Note 20);
- the recoverability of deferred tax assets related to tax loss carryforward (Note 14).

1.4 Consolidation principles

Subsidiaries, over which the Group exercises exclusive control, either directly or indirectly, are fully consolidated.

Group investments in entities controlled jointly with a limited number of partners, such as joint ventures and companies over which the Group has significant influence ("associates") are accounted for by the equity method. Significant influence is presumed to exist when more than 20% of voting rights are held by the Group.

Companies acquired or sold during the year are included in or removed from the consolidated financial statements as of the date when effective control is acquired or relinquished.

Intra-group balances and transactions are eliminated.

The list of consolidated main subsidiaries, joint ventures and associates can be found in Note 29.

The reporting date for all companies included in the scope of consolidation is December 31, with the exception of certain immaterial associates accounted for by the equity method. For the latter however, financial statements up to September 30 of the financial year have been used (maximum difference of three months in line with the standards).

1.5 Business combinations

Business combinations are accounted for using the acquisition method, in accordance with IFRS 3 – *Business Combinations*. Acquisition costs are presented under "Other operating income and expenses" in the statement of income.

All acquired assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date, the fair value can be adjusted during a measurement period that can last for up to 12 months from the date of acquisition.

The excess of the cost of acquisition over the Group's share in the fair value of assets and liabilities at the date of acquisition is recognized in goodwill. Where the cost of acquisition is lower than the fair value of the identified assets and liabilities acquired, the badwill is immediately recognized in the statement of income.

Goodwill is not amortized but tested for impairment at least annually and whenever there is an indication that it may be impaired (see Note 1.11 below). Any impairment losses are recognized under "Amortization expenses and impairment losses of purchase accounting intangible assets".

1.6 Translation of the financial statements of foreign subsidiaries

The consolidated financial statements are prepared in euros.

The financial statements of subsidiaries that use another functional currency are translated into euros as follows:

- assets and liabilities are translated at the official closing rates;
- income statement, backlog and cash flow items are translated at average annual exchange rates.

Gains or losses on translation are recorded in consolidated equity under "Cumulative translation reserve".

The Group applies IAS 29 – *Financial Reporting in Hyperinflationary Economies* to the Group's subsidiaries in hyperinflation countries (Venezuela and Argentina). The impacts are not significant for the Group in 2020.

5. Notes to the consolidated financial statements

1.7 Foreign currency transactions

Foreign currency transactions are recorded using the exchange rate in effect at the transaction date or at the hedging rate. At the balance sheet date, monetary items in foreign currency (e.g. payables, receivables, etc.) are translated into the functional currency of the entity at the closing rate or at the hedging rate. Gains or losses on translation of foreign currency transactions are recorded under "Net financial income/ (loss)". Foreign currency hedging is described below, in Note 1.23.

However, certain long-term receivables and loans to subsidiaries are considered to be part of a net investment in a foreign operation, as defined by IAS 21 – *The effects of changes in foreign exchange rates*. As such, the impact of exchange rate fluctuations is recorded in equity and recognized in the statement of income when the investment is sold or when the long-term receivable or loan is reimbursed.

1.8 Intangible assets

Intangible assets acquired separately or as part of a business combination

Intangible assets acquired separately are initially recognized in the balance sheet at historical cost. They are subsequently measured using the cost model, in accordance with IAS 38 – *Intangible Assets*.

Intangible assets (mainly trademarks, technologies and customer lists) acquired as part of business combinations are recognized in the balance sheet at fair value at the combination date, appraised externally for the most significant assets and internally for the rest, and that represents its historical cost in consolidation. The valuations are performed using generally accepted methods, based on future inflows.

Intangible assets are generally amortized on a straight-line basis over their useful life or, alternatively, over the period of legal protection. Amortized intangible assets are tested for impairment when there is any indication that their recoverable amount may be less than their carrying amount.

Amortization expenses and impairment losses on intangible assets acquired in a business combination are presented on a separate statement of income line item, "Amortization expenses and impairment losses of purchase accounting intangible assets".

Trademarks

The trademarks fair value is determined using the royalty method at the date of acquisition.

Trademarks acquired as part of a business combination are not amortized when they are considered to have an indefinite life.

The criteria used to determine whether or not such trademarks have indefinite lives and, as the case may be, their lifespan, are as follows:

- brand awareness;
- outlook for the brand in light of the Group's strategy for integrating the trademark into its existing portfolio.

Non-amortized trademarks are tested for impairment at least annually and whenever there is an indication, they may be impaired. When necessary, an impairment loss is recorded.

Internally generated intangible assets

Research and development costs

Research costs are expensed in the statement of income when incurred. Development costs for new projects are capitalized if, and only if:

- the project is clearly identified and the related costs are separately identified and reliably monitored;
- the project's technical feasibility has been demonstrated and the Group has the intention and financial resources to complete the project and to use or sell the resulting products;
- the Group has allocated the necessary technical, financial and other resources to complete the development;
- it is probable that the future economic benefits attributable to the project will flow to the Group.

Development costs that do not meet these criteria are expensed in the financial year in which they are incurred.

Before the commercial launch, capitalized development projects are tested for impairment at least annually. From the date of the commercial launch, capitalized development projects are amortized over the lifespan of the underlying technology, which generally ranges from three to ten years. The amortization expenses of such capitalized projects are included in the cost of the related products and classified into "Cost of sales" when the products are sold.

As for development-related assets which are in the amortization period, they are tested for impairment in case an impairment risk has been identified.

Software implementation

External and internal costs relating to the implementation of Enterprise Resource Planning (ERP) applications are capitalized when they relate to the programming, coding and testing phase. They are amortized over the applications' useful lives. In accordance with paragraph 98 of IAS 38, the SAP bridge application currently being rolled out within the Group is amortized using the production unit method to reflect the pattern in which the asset's future economic benefits are expected to be consumed. Said units of production correspond to the number of users of the rolled-out solution divided by the number of target users at the end of the roll-out.

1.9 Property, plant and equipment

Property, plant and equipment is primarily comprised of land, buildings and production equipment and is carried at cost, less accumulated depreciation and any accumulated impairment losses, in accordance with the recommended treatment in IAS 16 – *Property, plant and equipment*.

Each component of an item of property, plant and equipment with a useful life that differs from that of the whole item is depreciated separately on a straight-line basis. The main useful lives are as follows:

- buildings: 20 to 40 years;
- machinery and equipment: 3 to 10 years;
- other: 3 to 12 years.

The useful life of property, plant and equipment used in operating activities, such as production lines, reflects the related products' estimated life cycles.

Useful lives of items of property, plant and equipment are reviewed periodically and may be adjusted prospectively if appropriate. The depreciable amount of an asset is determined after deducting its residual value, when the residual value is material.

Depreciation is expensed in the period and included in the production cost of inventory or the cost of internally generated intangible assets. It is recognized in the statement of income under "Cost of sales", "Research and development costs" or "Selling, general and administrative expenses", as the case may be.

Items of property, plant and equipment are tested for impairment whenever there is an indication they may be impaired. Impairment losses are charged to the statement of income under "Other operating income and expenses".

Since 2019, property, plant and equipment also include right-of-use assets, in accordance with the recommended treatment in IFRS 16 Leases, and as described in the following note.

1.10 Leases

The Group has adopted IFRS 16 on January 1, 2019, according to the modified retrospective approach.

Scope of the Group's contracts

The lease contracts identified within all the Group entities fall under the following categories:

- real estate: office buildings, factories, and warehouses;
- vehicles: cars and trucks;
- forklifts used mainly in factories or storage warehouses.

The Group has retained the exemption for low-value assets (i.e. assets with a cost lower than USD 5,000). Thus, the defined scope does not include small office or IT equipment, mobile phones or other small equipment, which all correspond to low-value equipment. Short-term contracts (i.e. less than 12 months without purchase option) are also exempted under the standard. In this case, for example, for occasional vehicle or accommodation rentals.

Rental obligation:

At the inception date of the lease, the Group recognizes the lease liabilities, measured at the present value of the lease payments to be made over the term of the lease. The present value of payments is calculated mainly using the marginal borrowing rate of the contracting entity's country, at the contract starting date.

Rental payments include fixed payments (net of rental incentives receivable), variable payments based on an index or rate and amounts that should be paid under residual value guarantees. Besides, the simplification allowing not to split services components has not been elected by the Group. Therefore, only the rents are taken into account in the lease payments.

Lease payments also include, when applicable, the exercise price of a purchase option reasonably certain to be exercised by the Group and the payment of penalties for the termination of a lease, if the term of the lease takes into account the fact that the Group has exercised the termination option.

Variable lease payments that are not dependent on an index or rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

5. Notes to the consolidated financial statements

After the start date of the contract, the amount of rental obligations is increased to reflect the increase in interest and reduced for lease payments made.

In addition, the carrying amount of the lease liabilities is revalued in the event of a reassessment or modification in the lease (e.g. change in the term of the lease, change in lease payments, application of annual indexation, etc.).

The obligation is recorded under other current debt and other non-current liabilities.

Right-of-use assets:

The Group accounts for the assets related to the right-of-use on the lease starting date (i.e. the date on which the underlying asset is available). Assets are measured at cost, less accumulated amortization and impairment losses, and adjusted for the revaluation of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities, initial direct costs incurred and lease payments made on or before the effective date, minus lease inducements received. They are recognized as tangible assets, in the Balance Sheet. Unless the Group is reasonably certain that it will become the owner of the leased asset at the end of the lease term, the recorded right-of-use assets are depreciated using the linear method over the shortest period of time between estimated life of the underlying asset and the duration of the lease. The assets related to the right-of-use are subject to depreciation.

Determining the duration of contracts:

The duration of the Group's contracts varies according to geographies.

The real estate contracts have variable durations depending on the countries and local regulations. Vehicles and forklifts are generally contracted between 3 and 6 years.

In certain geographies, the Group's real estate contracts offer unilateral options for termination of contracts (particularly in France with contracts 3-6-9).

According to the recommendation of IFRIC, on a case by case analysis and based on Real Estate teams' expertise, experience strategy and projects, the Group is determining the most probable duration to perform our calculations. In the majority of cases, the duration chosen is the enforceable duration of the real estate contracts, in particular on the most strategic buildings and factories.

IFRS 16 debt by maturity:

| <i>(in millions of euros)</i> | Dec. 31, 2020 | Dec. 31, 2019 |
|-------------------------------|----------------------|---------------|
| 2020 | – | 258 |
| 2021 | 250 | 201 |
| 2022 | 208 | 182 |
| 2023 | 165 | 138 |
| 2024 | 122 | 105 |
| 2025 | 86 | 71 |
| 2026 | 67 | 56 |
| 2027 | 55 | 45 |
| 2028 and beyond | 125 | 74 |
| TOTAL | 1,078 | 1,130 |

1.11 Impairment of assets

In accordance with IAS 36 – *Impairment of Assets*, the Group assesses the recoverable amount of its long-lived assets as follows:

- for all property, plant and equipment subject to depreciation and intangible assets subject to amortization, the Group carries out a review at each balance sheet date to assess whether there is any indication that they may be impaired. Indications of impairment are identified based on external or internal information. If such an indication exists, the Group tests the asset for impairment by comparing its carrying amount to the higher of fair value minus costs to sell and value in use;
- non-amortizable intangible assets and goodwill are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

Value in use is determined by discounting future cash flows that will be generated by the tested assets. These future cash flows are based on Group management's economic assumptions and operating forecasts presented in business plans over a period generally not exceeding five years, and then extrapolated based on a perpetuity growth rate. The discount rate corresponds to the Group's Weighted Average Cost of Capital (WACC) at the measurement date. The WACC stood at 6.8% at December 31, 2020 (6.9% at December 31, 2019). This rate is based on (i) a long-term interest rate of 0.53%, corresponding to the average interest rate for 10-year OAT treasury bonds over the past few years, (ii) the average premium applied to financing obtained by the Group in 2020, and is completed by, for CGUs WACC only, (iii) the weighted country risk premium for the Group's businesses in the countries in question.

The perpetuity growth rate is 2%, unchanged from the previous financial year.

Impairment tests are performed at the level of the Cash-Generating Unit (CGU) to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets. The cash-generating units are *Low Voltage*, *Medium Voltage*, *Industrial Automation* and *Secure Power*. CGUs net assets were allocated to the CGUs at the lowest possible level on the basis of the CGU activities to which they belong; the assets belonging to several activities were allocated to each CGU (*Low Voltage*, *Medium Voltage* and *Industrial Automation* mainly).

The WACC used to determine the value in use of each CGU was 7.4% for *Low Voltage*, 7.7% for *Medium Voltage*, 7.6% for *Secure Power*, and 7.5% for *Industrial Automation*.

Goodwill is allocated when initially recognized. The CGU allocation is done on the same basis as used by Group management to monitor operations and assess synergies deriving from acquisitions.

Where the recoverable amount of an asset or CGU is lower than its book value, an impairment loss is recognized for the excess of the book value over the recoverable value. The recoverable value is defined as the highest value between the value in use and the fair value less costs to sell. Where the tested CGU comprises goodwill, any impairment losses are firstly deducted from goodwill.

1.12 Non-current financial assets

Investments in non-consolidated companies are initially recorded at their cost of acquisition and subsequently measured at fair value. The fair value of investments listed in an active market may be determined reliably and corresponds to the listed price at balance sheet date (Level 1 from the fair value hierarchy as per IFRS 7).

IFRS 9 standard allows two accounting treatments for equity instruments:

- change in fair value is recognized through "Other Comprehensive Income" in the comprehensive income statement, and in equity under "Other reserves" in the balance sheet, with no subsequent recycling in the income statement even upon sale.
- change in fair value, as well as gain or loss in case of sale, are recognized in the income statement.

The election between those two methods is to be made from inception for each equity investment and is irrevocable.

Venture capital (FCPR) / Mutual funds (SICAV) are recognized at fair value through income statement, in accordance with IFRS 9.

Loans recorded under "Non-current financial assets" are carried at amortized cost. In accordance with IFRS 9, a depreciation is booked from inception to reflect the expected credit risk losses within 12 months. In case of significant degradation of the credit quality, the initial level of depreciation is modified to cover the entire expected losses over the remaining maturity of the loan.

1.13 Inventories and work in progress

Inventories and work in progress are measured at the lower of their initial recognition cost (acquisition cost or production cost generally determined by the weighted average price method) or of their estimated net realizable value.

Net realizable value corresponds to the estimated selling price net of remaining expenses to complete and/or sell the products. Inventory impairment losses are recognized in "Cost of sales". The cost of work in progress, semi-finished and finished products, includes the cost of materials and direct labor, subcontracting costs, all production overheads based on normal manufacturing capacity and the portion of research and development costs that are directly related to the manufacturing process (corresponding to the amortization of capitalized projects in production and product and range of products maintenance costs).

1.14 Trade and other operating receivables

Trade and other operating receivables are depreciated according to the simplified IFRS 9 model. From inception, trade receivables are depreciated to the extent of the expected losses over their remaining maturity.

The credit risk of trade receivables is assessed on a collective basis country by country, as the geographical origin of receivables is considered representative of their risk profile. Countries are classified by risk profile using the assessment provided by an external agency. The provision for expected credit losses is evaluated using (i) the probabilities of default communicated by a credit agency, (ii) historical default rates, (iii) aging balance, (iv) as well as the Group's assessment of the credit risk considering actual guarantees and credit insurance.

Once it is known with certainty that a doubtful receivable will not be collected, the doubtful account and its related depreciation are written off through the income statement.

Accounts receivable are discounted in cases where they are due in over one year and the discounting impact is significant.

5. Notes to the consolidated financial statements

1.15 Assets held for sale and liabilities of discontinued operations

Assets held for sale are no longer amortized or depreciated and are recorded separately in the balance sheet under "Assets held for sale" at the lower of its amortized cost and net realizable value.

1.16 Deferred taxes

Deferred taxes, related to temporary differences between the tax basis and accounting basis of consolidated assets and liabilities, are recorded using the balance sheet liability method, based on tax rates and tax rules enacted before the balance sheet date. The effect of any change in the tax rate is recognized in the income statement, apart from changes relating to items initially recognized directly in equity.

Future tax benefits arising from the utilization of tax loss carry forwards (including amounts available for carry forward without time limit) are recognized only when they can reasonably be expected to be realized. The carrying amount of deferred tax assets is tested for impairment at each balance sheet date and an impairment loss is recognized to the extent that it is no longer probable that sufficient taxable profits will be available against which the deferred tax asset can be fully or partially offset.

Deferred tax assets and liabilities are not discounted and are recorded in the balance sheet under non-current assets and liabilities. Deferred tax assets and liabilities related to the same unit and which are expected to reverse in the same period are offset.

1.17 Cash and cash equivalents

Cash and cash equivalents presented in the balance sheet consist of cash, bank accounts, term deposits of three months or less and marketable securities traded on organized markets. Marketable securities are short-term, highly liquid investments that are readily convertible to known amounts of cash at maturity. They notably consist of bank deposits, commercial paper, mutual funds and equivalents. Considering their nature and maturities, these instruments represent insignificant risk of changes in value and are treated as cash equivalents.

1.18 Schneider Electric SE shares

Schneider Electric SE shares held by the parent company or by fully consolidated companies are measured at acquisition cost and deducted from equity.

Gains/(losses) on the sale of own shares are canceled from consolidated reserves, net of tax.

1.19 Pensions and other employee benefit obligations

Depending on local practices and laws, the Group's subsidiaries participate in pension, termination benefit and other long-term benefit plans. Benefits paid under these plans depend on factors such as seniority, compensation levels and payments into mandatory retirement programs.

Defined contribution plans

Payments made under defined contribution plans are recorded in the income statement, in the year of payment, and are in full settlement of the Group's liability. As the Group is not committed beyond these contributions, no provision related to these plans has been booked.

In most countries, the Group participates in mandatory general plans, which are accounted for as defined contribution plans.

Defined Benefit plans

Defined Benefit plans are measured using the projected unit credit method.

Expenses recognized in the statement of income are split between operating income (for service costs rendered during the period) and net financial income/(loss) (for financial costs and expected return on plan assets).

The amount recognized in the balance sheet corresponds to the present value of the obligation, and net of plan assets.

When this is an asset, the recognized asset is limited to the present value of any economic benefit due in the form of plan refunds or reductions in future plan contributions.

Changes resulting from periodic adjustments to actuarial assumptions regarding general financial and business conditions or demographics (i.e., changes in the discount rate, annual salary increases, return on plan assets, years of service, etc.) as well as experience adjustments are immediately recognized in the balance sheet as a separate component of equity in "Other reserves" and in comprehensive income as "Other comprehensive income/loss".

Other commitments

Provisions are funded and expenses recognized to cover the cost of providing health-care benefits for certain Group retirees in Europe and the United States. The accounting policies applied to these plans are similar to those used to account for Defined Benefit pension plans.

The Group also funds provisions for all its subsidiaries to cover seniority-related benefits (primarily long service awards for its French subsidiaries). Actuarial gains and losses on these benefit obligations are fully recognized in profit or loss.

1.20 Share-based payments

The Group grants performance shares to senior executives and certain employees.

Pursuant to the application of IFRS 2 – *Share-based payments*, these plans are measured on the date of grant and an employee benefits expense is recognized on a straight-line basis over the vesting period, in general three or four years depending on the country in which it is granted.

The Group uses the Cox-Ross-Rubinstein binomial model to measure these plans.

For performance shares and stock options, this expense is offset in the equity. In the case of stock appreciation rights, a liability is recorded corresponding to the amount of the benefit granted, re-measured at each balance sheet date.

As part of its commitment to employee share ownership, Schneider Electric gave its employees the opportunity to purchase shares at a discounted price (Note 19).

1.21 Provisions and risk contingencies

A provision is recognized when it is probable that the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the loss or liability is not likely and cannot be reliably estimated, but remains possible, the Group discloses it as a contingent liability. Provisions are calculated on a case-by-case or statistical basis, and discounted when the impact from discounting is significant.

Provisions are primarily set aside to cover:

- **economic risks:** these provisions relate to probable tax risks arising on positions taken by the Group or its subsidiaries. Each position is assessed individually and not offset and reflects the best estimate of the risk at the end of the reporting period. Where applicable, it includes any late-payment interest and fines. In accordance with IFRIC 23 – *Uncertainty over income tax treatments*, provisions covering uncertainties over income tax treatment are presented under “Accrued taxes and payroll costs” as of 1st of January 2019;
- **customer risks:** provisions for customer risks mainly integrate the provisions for losses at completion for some of long-term contracts. Provisions for expected losses are fully recognized as soon as they are identified;
- **product risks:** these provisions comprise
 - statistical provisions for warranties: the Group funds provisions on a statistical basis for the residual cost of Schneider Electric product warranties not covered by insurance. The provisions are estimated with consideration of historical claim statistics and the warranty period;
 - provisions to cover disputes concerning defective products and recalls of clearly identified products.
- **environmental risks:** these provisions are primarily funded to cover clean-up costs. The estimation of the expected future outflows is based on reports from independent experts;
- **restructuring costs:** when the Group has prepared a detailed plan for the restructuring and has either announced or started to implement the plan before the end of the year. The estimation of the liability includes only direct expenditure arising from the restructuring.

1.22 Financial liabilities

Financial liabilities primarily comprise bonds, commercial paper and short and long-term bank borrowings. These liabilities are initially recorded at fair value, from which any direct transaction costs are deducted. Subsequently, they are measured at amortized cost based on their effective interest rate.

1.23 Financial instruments and derivatives

Risk hedging management is centralized. The Group's policy is to use derivative financial instruments exclusively to manage and hedge changes in exchange rates, interest rates or prices of certain raw materials. The Group uses instruments such as FX forwards, FX options, cross currency swaps, interest rate swaps and commodities future, swaps or options, depending on the nature of the exposure to be hedged.

All derivatives are recorded in the balance sheet at fair value with changes in fair value recorded in the statement of income, except when they are qualified in a hedging relationship.

Foreign currency hedges

The Group periodically enters into FX derivatives to hedge the currency risk associated with foreign currency transactions. Whenever possible, monetary items (except specific financing items) denominated in foreign currency carried in the balance sheet of Group companies are hedged by rebalancing assets and liabilities per currency through FX spots realized with Corporate Treasury (natural hedge). The FX risk is thus aggregated at Group level and hedged with FX derivatives. When FX risk management cannot be centralized, the Group contracts FX forwards to hedge operating receivables and payables carried in the balance sheet of Group companies. In both cases, the Group does not apply hedge accounting because gains and losses generated on these FX derivatives naturally offset within “Net financial income/(loss)” with gains or losses resulting from the translation at end-of-year rates of payables and receivables denominated in foreign currency.

5. Notes to the consolidated financial statements

The Group also hedges future cash flows, including recurring future transactions and planned acquisitions or disposals of investments. In accordance with IFRS 9, these are treated as cash flow hedges. These hedging instruments are recognized at fair value in the balance sheet. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is accumulated in equity, under "Other reserves", and then recognized in the income statement when the hedged item affects profit or loss.

The Group also hedges FX risk financing receivables or payables (including current accounts and loans with subsidiaries) using FX derivatives than can be documented either in Cash Flow Hedge or Fair Value Hedge depending on the nature of the derivative.

The Group may also designate FX derivatives or borrowings as hedging instruments of its investments in foreign operations (net investment hedge). Changes of value of those hedging instruments are accumulated in equity and recognized in the statement of income symmetrically to the hedged items.

The Group documents FX derivative based on the spot rate. The Group adopted the cost of hedging option offered by IFRS 9 to limit volatility in the statement of income related to forward points:

- For FX derivatives hedging an item on the balance sheet: Forward points are amortized in statement of income on a straight-line basis. Forward points related to FX derivatives hedging financing transactions are included in "Finance costs, net";
- For FX derivatives hedging future transactions not yet recorded on the balance sheet: Forward points are recorded in the statement of income when the hedged transaction impacts the statement of income.

Interest rate hedges

Interest rate swaps allow the Group to manage its exposure to interest rate risk. The derivative instruments used are financially adjusted to the schedules, rates and currencies of the borrowings they cover. They involve the exchange of fixed and floating-rate interest payments. The differential to be paid (or received) is accrued as an adjustment to interest income or expense over the life of the agreement. The Group applies hedge accounting as described in IFRS 9 for interest rate swaps. Gains and losses on re-measurement of interest rate swaps at fair value on the balance sheet are recognized in equity (for Cash Flow Hedges) or in profit or loss (for Fair Value Hedges).

Borrowings hedged by an interest rate derivative in a fair value hedge are reevaluated at fair value for the portion of risk being hedged, with offsetting entry in the statement of income.

Cross-currency swaps may be presented both as foreign exchange hedges and interest rate hedges depending on the characteristics of the derivative.

Commodity hedges

The Group also purchases commodity derivatives including forward purchase contracts, swaps and options to hedge price risks on all or part of its forecast future purchases. Under IFRS 9, these qualify as cash flow hedges. These instruments are recognized in the balance sheet at fair value at the period-end (mark to market). The effective portion of the hedge is recognized separately in equity (under "Other reserves") and then recognized in income (gross margin) when the underlying hedge affects consolidated income. The effect of this hedging is then incorporated in the cost price of the products sold.

Shares hedges

Schneider Electric shares are hedged in relation to last Stock Appreciation Rights granted to US employees before 2012 using derivatives documented in cash flow hedge.

Time value of options documented in a hedging relationship is recorded using the same approach used for forward points. Any ineffectiveness arising from a derivative documented in a hedging relationship is recorded in "Net financial income/(loss)".

Cash flows from financial instruments are recognized in the consolidated statement of cash flows in a manner consistent with the underlying transactions.

1.24 Revenue recognition

The Group's revenues primarily include transactional sales and revenues from services, and system contracts (projects).

Some contracts may include the supply to the customer of distinct goods and services (for instance contracts combining build followed by operation and maintenance). In such situations, the contract is analyzed and segmented into several components ("performance obligations"), each component being accounted for separately, with its own revenue recognition method and margin rate. The selling price is allocated to each performance obligation in proportion to the specific selling price of the underlying goods and services. This allocation should reflect the share of the price to which Schneider Electric expects to be entitled in exchange for the supply of these goods or services.

Revenue associated with each performance obligation identified within a contract is recognized when the obligation is satisfied, i.e. when the control of the promised goods or services is transferred to the customer.

The following revenue recognition methods can be applied:

Recognition of revenue at a point of time

Revenue from sales is recognized at a point of time, when the control of the promised goods or services is transferred to the customer. This method is applicable for all transactional sales and for specific services such as spare parts deliveries, or on-demand services.

Recognition of revenue over time

To demonstrate that the transfer of goods is progressive and recognize revenue over time, the following cumulative criteria are required:

- the goods sold have no alternative use, and
- enforceable right to payment (corresponding to costs incurred, plus a reasonable profit margin) for the work performed to date exists, in the event of early termination for convenience by the customer.

When these criteria are fulfilled, revenue is recognized using the percentage-of-completion method, based on the percentage of costs incurred in relation to total estimated costs of the performance obligation. The cost incurred includes direct and indirect costs relating to the contracts.

Expected losses on contracts are fully recognized as soon as they are identified.

Penalties for late delivery or for the improper execution of a contract are recognized as a deduction from revenue.

This method is applicable for systems contracts (projects) as the constructed assets are highly customized, and thus the Group would incur significant economic losses to redirect the built solutions to other customers.

Revenue from the majority of services contracts is recognized over time, as the customer simultaneously receives and consumes the benefits of the services provided. When costs incurred are stable over the contract's period, revenue is linearized over the contract's length.

Provisions for the discounts offered to distributors are accrued when the products are sold to the distributor and recognized as a deduction from revenue. Certain Group subsidiaries also offer cash discounts to distributors. These discounts and rebates are deducted from sales.

Consolidated revenue is presented net of these discounts and rebates.

Backlog and balance sheet presentation

Backlog (as disclosed in Note 3) corresponds to the amounts of the selling price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at closing date.

The cumulated amount of revenue accounted for, less progress payments and accounts receivable (presented on a dedicated line of the balance sheet) is determined on a contract-by-contract basis. If this amount is positive, the balance is recognized under "contract assets" in the balance sheet. If it is negative, the balance is recognized under "contract liabilities" (see Note 16). Reserves for onerous contracts (so called reserves for loss at completion) are excluded from contract assets and liabilities and presented among the "provisions for customer risks" item.

1.25 Earnings per share

Earnings per share are calculated in accordance with IAS 33 – *Earnings Per Share*.

Diluted earnings per share are calculated by adjusting profit attributable to equity holders of the parent and the weighted average number of shares outstanding for the dilutive effect of the exercise of stock options outstanding at the balance sheet date. The dilutive effect of stock options is determined by applying the "treasury stock" method, which consists of taking into account the number of shares that could be purchased, based on the average share price for the year, using the proceeds from the exercise of the rights attached to the options.

1.26 Statement of cash flows

The consolidated statement of cash flows has been prepared using the indirect method, which consists of reconciling net profit to net cash provided by operations. The opening and closing cash positions include cash and cash equivalents, comprised of marketable securities, net of bank overdrafts and facilities.

5. Notes to the consolidated financial statements

Note 2: Changes in the scope of consolidation

The list of main consolidated companies can be found in Note 29.

2.1 Scope variations

Acquisitions & disposals of the period

Acquisitions RIB Software SE

On February 13, 2020, the Group announced its intention to launch a voluntary public tender for the acquisition of 100% of the shares of RIB Software SE for a total valorization of EUR 1.5 billion. On March 25, 2020, the Group acquired approximately 9.99% of the capital of the company, outside the takeover offer. On July 10, 2020, the Group announced the successful completion of the voluntary public takeover offer. As of December 31, 2020, the Group owns 87.64% of the capital of RIB Software, fully consolidated within *Energy Management* reporting segment. The consideration paid amounts to EUR 1,075 million (net of cash acquired).

The purchase accounting resulting from the acquisition is not completed at the closing date. As of December 31, 2020, the net purchase accounting adjustments amount to EUR 228 million and result mainly from the identification of intangible assets (technologies, trademark and customer relationship). The preliminary Goodwill recognized amounts to EUR 1,114 million as of December 31, 2020.

The Group holds a put option agreement on 9.1% of minority interests, valued at EUR 137 million (EUR 29 per share), with a maturity in 2024. This debt has been recognized within "Other non-current liabilities".

ProLeiT

On August 4, 2020, the Group acquired ProLeiT AG and fully consolidated it in *Industrial Automation* reporting segment since August 1, 2020. The consideration paid in cash amounts to EUR 84 million (net of cash acquired). As of December 31, 2020, the Group recognized intangible assets for a preliminary amount of EUR 31 million (technologies, trademark and customer relationship), and an amount of Goodwill of EUR 91 million.

Larsen & Toubro

On May 1st, 2018, Schneider Electric, partnering with Temasek, a global investment company headquartered in Singapore, reached an agreement to buy Larsen & Toubro's Electrical & Automation business.

On August 31, 2020, the Group completed the transaction to combine Schneider Electric India's Low Voltage and Industrial Automation Products business and Larsen and Toubro ("L&T") Electrical and Automation business, for a consideration paid of EUR 1,571 million.

Temasek took a 35% stake in the combined business for EUR 530 million. The partnership with Temasek resulted in the dilution of the Group's interests within Schneider Electric India's Low Voltage and Industrial Automation Products business, and in the recognition of a gain of EUR 191 million in the Group share of equity.

L&T is fully consolidated since September 1, 2020, and reports within the *Energy Management* reporting segment.

The purchase accounting as per IFRS 3R is not completed as of December 31, 2020. The net adjustment of the opening balance sheet is EUR 316 million, resulting mainly from the booking of a preliminary amount of identifiable intangible assets (mainly customer relationship, technology and trademark), and the assessment of some contingent liabilities (mainly related to risks identified in contracts). This adjustment is subject to change in 2021, notably with the ongoing valuation of the environmental risks. The preliminary Goodwill recognized amounts to EUR 1,020 million as of December 31, 2020.

Planon

On December 17, 2020, the Group has successfully completed the strategic minority investment in Planon Beheer B.V. (Planon), a leading software provider in Building & Workplace management. As of December 31, 2020, the Group owns 25% of Planon Beheer B.V., which will be accounted for under the equity method in 2021. The consideration paid amounts to in cash EUR 113 million.

OSIsoft, LLC.

On August 25, 2020, AVEVA Group Plc, which is fully consolidated within *Industrial Automation* reporting segment, announced the proposed acquisition of OSIsoft, LLC. for a consideration of USD 5.0 billion. OSIsoft is a global leader in real-time industrial operational data software and services. For the year ended December 31, 2019, OSIsoft recognized a revenue of USD 470 million and adjusted EBIT of USD 125 million.

AVEVA has received all antitrust and regulatory clearances required ahead of completion of the acquisition, except for the approval of the Committee on Foreign Investment in the United States (CFIUS). The deal is expected to close in the course of March 2021. The deal will be funded by USD 4.4 billion of cash consideration, of which USD 3.5 billion have already been raised via rights issued to existing shareholders (including Schneider Electric), and USD 0.9 billion from existing cash. The remainder will be funded by a USD 0.6 billion share consideration to be issued to Estudillo Holdings Corp. As of December 31, 2020, the cash received from AVEVA's minority interests amounts to EUR 1.1 billion.

Disposals

On October 24, 2019, the Group agreed to establish a Joint Venture with the Russian Direct Investment Fund ("RDIF"), to further strengthen the long-term outlook for the Group's Electroshield Samara business which was consolidated under *Energy Management* reporting segment and generated revenues of EUR 168 million in 2019.

The transaction with the Russian Direct Investment Fund ("RDIF") was closed on January 20, 2020. The new Joint Venture is accounted for as an equity method investment in 2020.

Follow-up on acquisitions and divestments occurred in 2019 with significant effect in 2020

Acquisitions

No significant acquisition occurred during 2019.

Disposals

On March 25, 2019, the Group announced having entered exclusive negotiations with Transom Capital Group regarding the sale of its Pelco business. On May 24, 2019, the sale of Pelco, which was previously reported within the *Energy Management* reporting segment, was finalized.

On December 5, 2019, the Group announced having signed an agreement with Vinci Energies regarding the sale of Converse Energy Projects GmbH, which was reported within the *Energy Management* reporting segment. On December 30, 2019, the sale was finalized.

2.2 Impact of changes in the scope of consolidation on the Group cash flow

Changes in the scope of consolidation at December 31, 2020, decreased the Group's cash position by a net EUR 2,393 million outflow, as described below:

| <i>(in millions of euros)</i> | Full Year 2020 | Full Year 2019 |
|---|----------------|----------------|
| Acquisitions | (2,441) | (172) |
| of which RIB Software SE | (1,075) | - |
| of which L&T | (983) | - |
| of which others | (383) | - |
| Disposals | 48 | 93 |
| FINANCIAL INVESTMENTS NET OF DISPOSALS | (2,393) | (79) |

The net investment related to Larsen & Toubro for EUR 983 million pertains to the consideration paid by the Group for the acquisition of L&T net of cash acquired and net of the cash contribution received from Temasek for EUR 530 million. The remaining cash outflow is mainly due to RIB Software SE, ProLeIT and Planon acquisitions.

Note 3: Segment information

The Group is organized into two reporting segments as follows:

Energy Management leverages a complete end-to-end technology offering enabled by EcoStruxure and gathers three operating segments: *Low Voltage*, *Medium Voltage* and *Secure Power* that all share the same objective of managing efficiently and reliably the energy and have similar economic characteristics. The Group's go-to-market is oriented to address customer needs across its four end-markets of Buildings, Data Centers, Industry and Infrastructure, supported by a worldwide partner network.

Industrial Automation includes Industrial Automation and Industrial Control activities, across discrete, process & hybrid industries.

Expenses concerning General Management that cannot be allocated to a particular segment are presented under "Central functions & digital costs".

Operating and reporting segment data is identical to that presented to the board of directors, which has been identified as the main decision-making body for allocating resources and evaluating segment performance. Performance and decisions on the allocation of resources are assessed by the board of directors and are mainly based on Adjusted EBITA.

Share-based payment is presented under "Central functions & digital costs".

The board of directors does not review assets and liabilities by business.

The same accounting principles governing the consolidated financial statements apply to segment data.

Details are provided in the Management Report.

5. Notes to the consolidated financial statements

3.1 Information by reporting segment

Full Year 2020

| (in millions of euros) | Energy Management | Industrial Automation | Central functions & digital costs | Total |
|------------------------|-------------------|-----------------------|-----------------------------------|---------------|
| Backlog | 7,231 | 1,765 | – | 8,996 |
| Revenue | 19,344 | 5,815 | – | 25,159 |
| Adjusted EBITA | 3,634 | 992 | (700) | 3,926 |
| Adjusted EBITA (%) | 18.8% | 17.1% | | 15.6% |

Full Year 2019

| (in millions of euros) | Energy Management | Industrial Automation | Central functions & digital costs | Total |
|------------------------|-------------------|-----------------------|-----------------------------------|---------------|
| Backlog | 6,399 | 1,705 | – | 8,104 |
| Revenue | 20,847 | 6,311 | – | 27,158 |
| Adjusted EBITA | 3,842 | 1,141 | (745) | 4,238 |
| Adjusted EBITA (%) | 18.4% | 18.1% | | 15.6% |

3.2 Information by region

The geographic regions covered by the Group are:

- Western Europe;
- North America (including Mexico);
- Asia-Pacific;
- Rest of the World (Eastern Europe, Middle East, Africa, South America).

Non-current assets include net goodwill, net intangible assets and net property, plant and equipment.

| (in millions of euros) | Western Europe | of which France | Asia-Pacific | of which China | North America | of which USA | Rest of the World | Total |
|--|----------------|-----------------|--------------|----------------|---------------|--------------|-------------------|---------------|
| Revenue by country market | 6,636 | 1,512 | 7,509 | 4,009 | 7,241 | 6,303 | 3,773 | 25,159 |
| Non-current assets as of Dec. 31, 2020 | 12,676 | 1,889 | 5,517 | 960 | 9,103 | 6,651 | 1,312 | 28,608 |

| (in millions of euros) | Western Europe | of which France | Asia-Pacific | of which China | North America | of which USA | Rest of the World | Total |
|--|----------------|-----------------|--------------|----------------|---------------|--------------|-------------------|---------------|
| Revenue by country market | 7,132 | 1,666 | 7,808 | 3,906 | 7,874 | 6,789 | 4,344 | 27,158 |
| Non-current assets as of Dec. 31, 2019 | 11,584 | 1,870 | 4,167 | 970 | 9,965 | 7,316 | 1,330 | 27,046 |

Moreover, the Group follows the share of new economies in revenue:

| (in millions of euros) | Full Year 2020 | | Full Year 2019 | |
|----------------------------|----------------|-------------|----------------|-------------|
| Revenue – Mature countries | 14,763 | 59% | 15,901 | 59% |
| Revenue – New economies | 10,396 | 41% | 11,257 | 41% |
| TOTAL | 25,159 | 100% | 27,158 | 100% |

Mature countries gather mainly Western Europe and North American countries.

Note 4: Research and development

Research and development costs are as follows:

| (in millions of euros) | Full Year 2020 | Full Year 2019 |
|--|----------------|----------------|
| Research and development costs in costs of sales | (378) | (408) |
| Research and development costs in R&D costs* | (718) | (657) |
| Capitalized development costs | (311) | (303) |
| TOTAL RESEARCH AND DEVELOPMENT COSTS** | (1,407) | (1,368) |

* Including EUR 50 million of research and development tax credit in full year 2020 and EUR 54 million in full year 2019.

** Excluding amortization of R&D costs capitalized.

Amortization expenses of capitalized development, booked in cost of sales, amounted to EUR 245 million in 2020 and EUR 243 million in 2019.

Note 5: Impairment losses, depreciation and amortization expenses

| <i>(in millions of euros)</i> | Full Year 2020 | Full Year 2019 |
|--|----------------|----------------|
| Depreciation and amortization included in cost of sales | (534) | (521) |
| Depreciation and amortization included in selling, general and administrative expenses | (469) | (481) |
| Amortization expenses of purchase accounting intangible assets | (207) | (173) |
| Impairment losses of purchase accounting intangible assets | – | – |
| IMPAIRMENT LOSSES, DEPRECIATION AND AMORTIZATION EXPENSES | (1,210) | (1,175) |

Note 6: Other operating income and expenses

Other operating income and expenses are as follows:

| <i>(in millions of euros)</i> | Full Year 2020 | Full Year 2019 |
|--|----------------|----------------|
| Gains/(losses) on assets disposals | (4) | (1) |
| Gains/(losses) on business disposals & assets impairment | (13) | (289) |
| Costs of acquisitions and integrations | (169) | (98) |
| Others | (24) | (23) |
| OTHER OPERATING INCOME AND EXPENSES | (210) | (411) |

In 2020, the costs of acquisition and integrations are mainly related to the ongoing major acquisitions of the year (L&T, RIB Software SE as well as OSISOFT, the latter being expected to close in early 2021).

Note 7: Other financial income and expenses

| <i>(in millions of euros)</i> | Full Year 2020 | Full Year 2019 |
|---|----------------|----------------|
| Exchange gains and losses, net | (36) | (49) |
| Financial component of defined benefit plan costs | (47) | (53) |
| Dividends received | 5 | 37 |
| Fair value adjustment of financial assets | (3) | 11 |
| Other financial expenses, net | (85) | (78) |
| OTHER FINANCIAL INCOME AND EXPENSES | (166) | (132) |

Note 8: Income tax expenses

Wherever the regulatory environment allows it, the Group entities file consolidated tax returns. Schneider Electric SE files a consolidated tax return with its French subsidiaries held directly or indirectly through Schneider Electric Industries SAS.

8.1 Analysis of income tax expense

| <i>(in millions of euros)</i> | Full Year 2020 | Full Year 2019 |
|-------------------------------------|----------------|----------------|
| Current taxes | (785) | (724) |
| Deferred taxes | 147 | 34 |
| INCOME TAX (EXPENSE)/BENEFIT | (638) | (690) |

5. Notes to the consolidated financial statements

8.2 Tax reconciliation

| <i>(in millions of euros)</i> | Full Year 2020 | Full Year 2019 |
|--|----------------|----------------|
| Profit attributable to owners of the parent | 2,126 | 2,413 |
| Income tax (expense)/benefit | (638) | (690) |
| Non-controlling interests | (112) | (110) |
| Share of profit of associates | 66 | 78 |
| Income of discontinued operations, net of income tax | – | (3) |
| Profit before tax | 2,810 | 3,138 |
| Geographical weighted average Group tax rate | 23.2% | 23.4% |
| Theoretical income tax expense | (652) | (733) |
| Reconciling items: | | |
| Tax credits and other tax reductions | 31 | 147 |
| Impact of tax losses | 8 | (53) |
| Other permanent differences | (25) | (51) |
| INCOME TAX (EXPENSE)/BENEFIT | (638) | (690) |
| EFFECTIVE TAX RATE | 22.7% | 22.0% |

The Company's consolidated income from continuing operations being predominantly generated outside of France, theoretical tax expense from continuing operations is reconciled above from the Company's weighted-average global tax rate (rather than from the French domestic statutory tax rate).

Note 9: Goodwill

9.1 Main items of goodwill

Group goodwill is broken down by CGUs as follows:

| <i>(in millions of euros)</i> | Dec. 31, 2020 | Dec. 31, 2019 |
|-------------------------------|---------------|---------------|
| Energy Management: | 12,831 | 11,210 |
| Low Voltage | 7,981 | 6,040 |
| Medium Voltage | 1,780 | 1,957 |
| Secure Power | 3,070 | 3,213 |
| Industrial Automation | 7,125 | 7,509 |
| TOTAL GOODWILL | 19,956 | 18,719 |

The Group performed the annual impairment test of all the Cash Generating Units (CGUs) using the same methodology as the one used on previous periods and described in Note 1.11.

Impairment tests performed in 2020 did not trigger any impairment losses on the CGUs' assets. Following the crisis, the update of business plans did not impact significantly the respective headrooms and the values of long-term assets.

The sensitivity analysis on the test hypothesis shows that no impairment losses would be recognized in each of the following scenarios, for each CGU:

- a 0.5 point increase of the discount rate;
- a 1.0 point decrease in the growth rate;
- a 0.5 point decrease in the margin rate.

9.2 Movements during the year

The main movements during the year are summarized as follows:

| <i>(in millions of euros)</i> | Dec. 31, 2020 | Dec. 31, 2019 |
|--|---------------|---------------|
| Net goodwill at opening | 18,719 | 18,373 |
| Acquisitions | 2,287 | 64 |
| Disposals | – | (33) |
| Reclassifications | – | (3) |
| Translation adjustment | (1,050) | 318 |
| NET GOODWILL AT END OF PERIOD | 19,956 | 18,719 |
| <i>including cumulative impairment</i> | <i>(367)</i> | <i>(366)</i> |

Acquisitions

Goodwill generated by acquisitions made during the year totaled EUR 2,287 million and was mainly related to RIB and L&T acquisitions, described in Note 2.1.

Impairment tests performed on all the Group's CGUs have not led to goodwill impairment losses being recognized.

Other changes

Translation adjustments mainly concern goodwill in US dollar and UK pound sterling.

Note 10: Intangibles assets

10.1 Change in intangible assets

Gross value

| <i>(in millions of euros)</i> | Trademarks | Software | Development Projects (R&D) | Acquired technologies and customer relationships | Other | Total |
|---|--------------|------------|----------------------------|--|------------|---------------|
| Dec. 31, 2018 | 3,004 | 890 | 3,123 | 2,842 | 246 | 10,105 |
| Acquisitions | – | 22 | 303 | – | 13 | 338 |
| Translation adjustments | 36 | 4 | 19 | 76 | 9 | 144 |
| Reclassifications | – | 45 | 7 | – | (52) | – |
| Changes in scope of consolidation and other | (450) | (43) | (137) | (227) | (14) | (871) |
| Dec. 31, 2019 | 2,590 | 918 | 3,315 | 2,691 | 202 | 9,716 |
| Acquisitions | – | 19 | 311 | – | 2 | 332 |
| Translation adjustments | (166) | (31) | (100) | (223) | (48) | (568) |
| Reclassifications | – | 53 | (64) | – | 11 | – |
| Changes in scope of consolidation and other | 71 | 5 | 16 | 824 | (1) | 915 |
| Dec. 31, 2020 | 2,495 | 964 | 3,478 | 3,292 | 166 | 10,395 |

Amortization and impairment

| <i>(in millions of euros)</i> | Trademarks | Software | Development Projects (R&D) | Acquired technologies and customer relationships | Other | Total |
|---|--------------|--------------|----------------------------|--|--------------|----------------|
| Dec. 31, 2018 | (748) | (791) | (1,912) | (1,580) | (200) | (5,231) |
| Depreciations | – | (51) | (243) | (171) | (9) | (474) |
| Impairments | – | – | (70) | – | – | (70) |
| Translation adjustments | 1 | (2) | (12) | (30) | (4) | (47) |
| Reclassifications | – | – | – | – | – | – |
| Changes in scope of consolidation and other | 327 | 43 | 126 | 243 | 14 | 753 |
| Dec. 31, 2019 | (420) | (801) | (2,111) | (1,538) | (199) | (5,069) |
| Depreciations | (4) | (53) | (245) | (201) | (9) | (512) |
| Impairments | – | – | (8) | – | (9) | (17) |
| Translation adjustments | – | 23 | 72 | 93 | 54 | 242 |
| Reclassifications | – | – | – | – | – | – |
| Changes in scope of consolidation and other | – | (3) | – | (3) | – | (6) |
| Dec. 31, 2020 | (424) | (834) | (2,292) | (1,649) | (163) | (5,362) |

Net value

| <i>(in millions of euros)</i> | Trademarks | Software | Development Projects (R&D) | Acquired technologies and customer relationships | Other | Total |
|-------------------------------|--------------|------------|----------------------------|--|-----------|--------------|
| Dec. 31, 2018 | 2,256 | 99 | 1,211 | 1,262 | 46 | 4,874 |
| Dec. 31, 2019 | 2,170 | 117 | 1,204 | 1,153 | 3 | 4,647 |
| Dec. 31, 2020 | 2,071 | 130 | 1,186 | 1,643 | 3 | 5,033 |

5. Notes to the consolidated financial statements

In 2020, change in intangible assets is mainly related to the acquisitions of "L&T" and of RIB Software SE.

The amortization expenses and impairment losses of intangible assets other than goodwill restated in statutory cash flow are as follows:

| <i>(in millions of euros)</i> | Full year 2020 | Full year 2019 |
|---|----------------|----------------|
| Depreciation expenses of intangibles assets other than goodwill | 512 | 474 |
| Impairments losses of intangible assets other than goodwill | 17 | 70 |
| TOTAL* | 529 | 544 |

* Includes depreciation & impairment of intangible assets from purchase price allocation for EUR 207 million for the year 2020 (EUR 173 million in 2019)

10.2 Trademarks

At December 31, 2020, the main trademarks recognized were as follows:

| <i>(in millions of euros)</i> | Dec. 31, 2020 | Dec. 31, 2019 |
|--|---------------|---------------|
| APC (<i>Secure Power</i>) | 1,512 | 1,650 |
| Clipsal (<i>Low Voltage</i>) | 160 | 159 |
| Asco (<i>Low Voltage</i>) | 102 | 111 |
| Aveva (<i>Industrial Automation</i>) | 78 | 83 |
| L&T (<i>Low Voltage</i>) | 58 | – |
| Invensys – Triconex and Foxboro (<i>Industrial Automation</i>) | 45 | 49 |
| Digital (<i>Industrial Automation</i>) | 43 | 45 |
| Other | 73 | 73 |
| TRADEMARKS | 2,071 | 2,170 |

All the above trademarks are considered to have an indefinite life. In 2020, the Group reviewed the value of the main trademarks in accordance with valuation model describe in Note 1.8 – Intangibles assets. Particularly, APC brand was tested using the royalty relief method. The future cash flows used are based on Group management's economic assumptions and operating forecasts presented in Secure Power's business plan, and then extrapolated based on a perpetuity growth rate of 2%.

Impairment tests carried out on main trademarks in 2020 did not show any impairment risk.

The sensitivity analysis on the test hypothesis shows that no impairment losses would be recognized in the following scenarios:

- a 0.5 point increase in the discount rate;
- a 1.0 point decrease in growth rate;
- a 0.5 point decrease in the royalty rate.

Note 11: Property, plant and equipment

Changes in property, plant and equipment in 2020 are mainly related to the scope changes mentioned in the Note 2 and include the impacts of IFRS 16 – *Leases*.

Gross value

| <i>(in millions of euros)</i> | Land | Buildings | Machinery and equipments | Other | Rights of use of assets (IFRS 16) | Total |
|---|------------|--------------|--------------------------|--------------|-----------------------------------|--------------|
| Dec. 31, 2018 | 150 | 1,867 | 4,509 | 1,096 | – | 7,622 |
| IFRS 16 first application | – | – | – | – | 1,242 | 1,242 |
| Jan. 1, 2019 | 150 | 1,867 | 4,509 | 1,096 | 1,242 | 8,864 |
| Acquisitions | – | 38 | 137 | 336 | 187 | 698 |
| Disposals | (2) | (48) | (178) | (41) | (25) | (294) |
| Translation adjustments | 1 | 22 | 41 | 15 | 3 | 82 |
| Reclassifications | – | 106 | 121 | (235) | – | (8) |
| Changes in scope of consolidation and other | (8) | (42) | (65) | (17) | – | (132) |
| Dec. 31, 2019 | 141 | 1,943 | 4,565 | 1,154 | 1,407 | 9,210 |
| Acquisitions | 3 | 44 | 91 | 361 | 296 | 795 |
| Disposals | (2) | (41) | (158) | (78) | (57) | (336) |
| Translation adjustments | (12) | (79) | (183) | (64) | (71) | (409) |
| Reclassifications | (2) | 66 | 193 | (262) | – | (5) |
| Changes in scope of consolidation and other | 53 | 57 | 89 | 35 | 44 | 278 |
| Dec. 31, 2020 | 181 | 1,990 | 4,597 | 1,146 | 1,619 | 9,533 |

Amortization and impairment

| <i>(in millions of euros)</i> | Land | Buildings | Machinery and equipments | Other | Rights of use of assets (IFRS 16) | Total |
|---|-------------|----------------|--------------------------|--------------|-----------------------------------|----------------|
| Dec. 31, 2018 | (20) | (972) | (3,534) | (575) | – | (5,101) |
| IFRS 16 first application | – | – | – | – | – | – |
| Jan. 1, 2019 | (20) | (972) | (3,534) | (575) | – | (5,101) |
| Depreciation and impairment | (1) | (91) | (254) | (64) | (294) | (704) |
| Reversals | 1 | 34 | 173 | 34 | 2 | 244 |
| Translation adjustments | – | (11) | (33) | (7) | – | (51) |
| Reclassifications | – | (38) | 24 | 22 | – | 8 |
| Changes in scope of consolidation and other | 2 | 8 | 56 | 8 | – | 74 |
| Dec. 31, 2019 | (18) | (1,070) | (3,568) | (582) | (292) | (5,530) |
| Depreciation and impairment | (1) | (85) | (245) | (67) | (306) | (704) |
| Reversals | 1 | 29 | 137 | 46 | 4 | 217 |
| Translation adjustments | (3) | 29 | 130 | 25 | 16 | 197 |
| Reclassifications | – | (4) | 2 | 10 | – | 8 |
| Changes in scope of consolidation and other | (2) | (21) | (49) | (24) | (6) | (102) |
| Dec. 31, 2020 | (23) | (1,122) | (3,593) | (592) | (584) | (5,914) |

Net value

| <i>(in millions of euros)</i> | Land | Buildings | Machinery and equipments | Other | Rights of use of assets (IFRS 16) | Total |
|-------------------------------|------------|------------|--------------------------|------------|-----------------------------------|--------------|
| Dec. 31, 2018 | 130 | 895 | 975 | 521 | – | 2,521 |
| Dec. 31, 2019 | 123 | 873 | 997 | 572 | 1,115 | 3,680 |
| Dec. 31, 2020 | 158 | 868 | 1,004 | 554 | 1,035 | 3,619 |

Reclassifications primarily correspond to assets put into use.

The cash impact of purchases of property, plant and equipment in 2020 was as follows:

| <i>(in millions of euros)</i> | Full year 2020 | Full year 2019 |
|---|----------------|----------------|
| Increase in property, plant and equipment | (795) | (698) |
| Of which non-cash impact related to IFRS 16 | 296 | 187 |
| Changes in receivables and liabilities on property, plant and equipment | 14 | 5 |
| TOTAL | (485) | (506) |

The depreciation and impairment of property, plant and equipment restated in the statement of cash flows were as follows:

| <i>(in millions of euros)</i> | Full year 2020 | Full year 2019 |
|---|----------------|----------------|
| Depreciation of property, plant and equipment | 698 | 701 |
| Impairment of property, plant and equipment | 6 | 3 |
| TOTAL | 704 | 704 |

5. Notes to the consolidated financial statements

Note 12: Investments in associates and joint ventures

Investments in associates and joint ventures can be analyzed as follows:

| (in millions of euros) | Delixi Sub-Group | Fuji Electrics | Electroshield Samara* | Sunten Electric Equipments | Other | Total |
|------------------------------------|---------------------|-------------------|--------------------------|----------------------------------|-----------|-------------|
| % of interest | | | | | | |
| Dec. 31, 2019 | 50.0% | 36.8% | | 25.0% | | |
| Dec. 31, 2020 | 50.0% | 36.8% | 60.0% | 25.0% | | |
| CLOSING VALUE DEC. 31, 2018 | 269 | 136 | – | 45 | 80 | 530 |
| Net Income/(loss) | 65 | 9 | – | 1 | 3 | 78 |
| Dividends distribution | (15) | (6) | – | (7) | (10) | (38) |
| Perimeter changes | – | – | – | – | (45) | (45) |
| Translation impacts & others | 1 | 2 | – | 3 | 2 | 8 |
| CLOSING VALUE DEC. 31, 2019 | 320 | 141 | – | 42 | 30 | 533 |
| Net Income/(loss) | 73 | 5 | (15) | 4 | (1) | 66 |
| Dividends distribution | (18) | (2) | – | – | (2) | (22) |
| Perimeter changes | – | – | 33 | – | 3 | 36 |
| Translation impacts & others | (8) | (4) | (8) | (2) | 7 | (15) |
| CLOSING VALUE DEC. 31, 2020 | 367 | 140 | 10 | 44 | 37 | 598 |

* In 2020, Schneider Electric established a Joint Venture for Electroshield Samara, fully consolidated until 2019, with the Russian Direct Investment Fund (RDIF).

Note 13: Non-current financial assets

Non-current financial assets, primarily comprising investments, are detailed below:

| (in millions of euros) | % of interest | Dec. 31, 2020 | | | | | Dec. 31, 2019 |
|--|------------------|-----------------------------|------------------------------|---------------------------------|-------------|------------|---------------|
| | | Acquisitions & Disposals | Fair value through P&L | Fair value through Equity | FX & others | Fair value | Fair value |
| LISTED FINANCIAL ASSETS: | | | | | | | |
| NVC Lighting | | (6) | – | (3) | – | – | 9 |
| PLEJD | | (6) | – | (1) | – | – | 7 |
| Gold Peak Industries Holding Ltd | 4.4% | – | – | (1) | – | 2 | 3 |
| TOTAL LISTED FINANCIAL ASSETS | | (12) | – | (5) | – | 2 | 19 |
| UNLISTED FINANCIAL ASSETS: | | | | | | | |
| Funds | | | | | | | |
| Foundries | | 51 | 1 | 7 | 1 | 146 | 86 |
| FCPR Aster II (part A, B, C and D) | 38.3% | – | 1 | – | (12) | 36 | 47 |
| Sensetime & Stalagnate Fund China | | 7 | – | – | – | 40 | 33 |
| FCPR Growth | 100.0% | (23) | – | – | – | – | 23 |
| FCPR SEV1 | 100.0% | – | (2) | – | – | 20 | 22 |
| SICAV SESS | 63.1% | – | – | – | – | 11 | 11 |
| FCPI Energy Access Ventures Fund | 30.4% | 5 | (2) | – | 1 | 13 | 9 |
| SICAV Livehoods Fund SIF | 15.2% | – | (1) | – | – | 3 | 4 |
| Direct investments | | | | | | | |
| Planon | 25.0% | 113 | – | – | – | 113 | – |
| Alpi | 100% | – | – | – | – | 26 | 26 |
| Star Charge | 1.5% | 15 | – | – | – | 15 | – |
| Raise Funadation | 4.8% | – | – | – | – | 9 | 9 |
| EasyDrive | 51.0% | – | – | – | (8) | – | 8 |
| Schneider Electric Energy Access | 81.1% | 1 | – | – | – | 4 | 3 |
| Itris Automation | 100% | – | – | – | – | 3 | 3 |
| Others (Unit gross value lower than EUR 3 million) | | 1 | – | – | – | 8 | 7 |
| TOTAL UNLISTED FINANCIAL ASSETS | | 170 | (3) | 7 | (18) | 447 | 291 |
| PENSIONS ASSETS | | (3) | 4 | (93) | (13) | 146 | 251 |
| OTHER | | (5) | – | (1) | 103 | 181 | 84 |
| TOTAL NON-CURRENT FINANCIAL ASSETS | | 150 | 1 | (92) | 72 | 776 | 645 |

Changes in fair value for listed financial assets are recorded through "Other Comprehensive Income" since 2017 (Note 1.12). Gains or losses realized upon sale will be maintained in "Other Comprehensive Income" (no recycling in income statement).

The fair value of investments quoted in an active market corresponds to the stock price on the balance sheet date.

"Others" include mainly loans to non-consolidated companies, and securities given to third parties.

Note 14: Deferred taxes by Nature

Deferred taxes by type can be analyzed as follows:

| <i>(in millions of euros)</i> | Dec. 31, 2020 | Dec. 31, 2019 |
|--|---------------|---------------|
| Tax loss carryforwards (net) | 738 | 722 |
| Provisions for pensions and other post-retirement benefit obligations (net) | 371 | 347 |
| Non-deductible provisions and accruals (net) | 405 | 332 |
| Differences between tax and accounting depreciation on tangible assets (net) | 37 | 5 |
| Differences between tax and accounting amortization on intangible assets (net) | (934) | (892) |
| Differences on working capital (net) | 171 | 203 |
| Other deferred tax assets/(liabilities) (net) | 279 | 266 |
| TOTAL NET DEFERRED TAX ASSETS/(LIABILITIES) | 1,067 | 983 |
| <i>of which total deferred tax assets</i> | <i>1,984</i> | <i>2,004</i> |
| <i>of which total deferred tax liabilities</i> | <i>917</i> | <i>1,021</i> |

Deferred tax assets recorded in respect of tax losses carried forward at December 31, 2020 essentially concern France (EUR 577 million). These deficits can be carried forward indefinitely, and have been activated using the rate of 25.83%, in accordance with the applicable rate in the expected consumption horizon of 8 years. Unrecognized deferred tax losses amount to EUR 176 million as at December 31, 2020 and are mainly related to Spain.

Note 15: Inventories and work in progress

Inventories and work in progress changed as follows:

| <i>(in millions of euros)</i> | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---------------|---------------|
| COST: | | |
| Raw materials | 1,240 | 1,205 |
| Production work in progress | 235 | 228 |
| Semi-finished and finished products | 1,085 | 1,127 |
| Finished goods | 516 | 402 |
| Solution work in progress | 167 | 167 |
| INVENTORIES AND WORK IN PROGRESS AT COST | 3,243 | 3,129 |
| IMPAIRMENT: | | |
| Raw materials | (191) | (130) |
| Production work in progress | (6) | (4) |
| Semi-finished and finished products | (151) | (142) |
| Finished goods | (8) | (7) |
| Solution work in progress | (4) | (5) |
| IMPAIRMENT LOSS | (360) | (288) |
| NET: | | |
| Raw materials | 1,049 | 1,075 |
| Production work in progress | 229 | 224 |
| Semi-finished and finished products | 934 | 985 |
| Finished goods | 508 | 395 |
| Solution work in progress | 163 | 162 |
| INVENTORIES AND WORK IN PROGRESS, NET | 2,883 | 2,841 |

5. Notes to the consolidated financial statements

Note 16: Trade accounts receivable

| <i>(in millions of euros)</i> | Dec. 31, 2020 | Dec. 31, 2019 |
|---------------------------------------|----------------------|---------------|
| Accounts receivable | 4,482 | 4,819 |
| Unbilled revenue | 1,231 | 1,137 |
| Notes receivable | 308 | 223 |
| Advances to suppliers | 115 | 233 |
| Accounts receivable at cost | 6,136 | 6,412 |
| Impairment | (510) | (459) |
| ACCOUNTS RECEIVABLE, NET | 5,626 | 5,953 |
| <i>On time</i> | 4,906 | 5,135 |
| <i>Less than one month past due</i> | 389 | 391 |
| <i>One to two months past due</i> | 150 | 179 |
| <i>Two to three months past due</i> | 85 | 124 |
| <i>Three to four months past due</i> | 46 | 58 |
| <i>More than four months past due</i> | 50 | 66 |

Accounts receivable result from sales to end-customers, who are widely spread both geographically and economically. Consequently, the Group believes that there is no significant concentration of credit risk.

In addition, the Group takes out substantial credit insurance and uses other types of guarantees to limit the risk of losses on trade accounts receivable.

Changes in provisions for impairment of short and long-term trade accounts receivable were as follows:

| <i>(in millions of euros)</i> | Full year 2020 | Full year 2019 |
|---|-----------------------|----------------|
| Provisions for impairment on January 1 | (459) | (479) |
| Additions | (141) | (107) |
| Utilizations | 91 | 58 |
| Reversal of surplus provisions | 51 | 38 |
| Translation adjustments | 37 | (6) |
| Changes in scope of consolidation and other | (89) | 37 |
| PROVISIONS FOR IMPAIRMENT ON DECEMBER 31 | (510) | (459) |

The contracts assets and liabilities, respectively reported within the "Trade and other operating receivables" and "Trade and other operating payables", are as follows:

| <i>(in millions of euros)</i> | Dec. 31, 2020 | Dec. 31, 2019 |
|------------------------------------|----------------------|---------------|
| Unbilled revenue (contract assets) | 1,231 | 1,137 |
| Contract liabilities | (1,193) | (1,069) |
| NET CONTRACT ASSETS | 38 | 68 |

Note 17: Other receivables and prepaid expenses

| <i>(in millions of euros)</i> | Dec. 31, 2020 | Dec. 31, 2019 |
|---|----------------------|---------------|
| Other receivables | 632 | 680 |
| Other tax receivables | 1,198 | 1,097 |
| Derivative instruments | 107 | 75 |
| Prepaid expenses | 157 | 235 |
| OTHER RECEIVABLES AND PREPAID EXPENSES | 2,094 | 2,087 |

Note 18: Cash and cash equivalents

| <i>(in millions of euros)</i> | Dec. 31, 2020 | Dec. 31, 2019 |
|--|---------------|---------------|
| Marketable securities | 1,942 | 1,560 |
| Negotiable debt securities and short-term deposits | 2,275 | 193 |
| Cash | 2,678 | 1,839 |
| Total cash and cash equivalents | 6,895 | 3,592 |
| Bank overdrafts | (133) | (197) |
| NET CASH AND CASH EQUIVALENTS | 6,762 | 3,395 |

Non-recourse factorings of trade receivables were realized in 2020 for a total amount of EUR 100 million, compared with EUR 132 million in 2019.

Note 19: Shareholder's equity

19.1 Capital

Share capital

The company's share capital as at December 31, 2020 amounted to EUR 2,268,274,220 represented by 567,068,555 shares with a par value of EUR 4, all fully paid up.

As at December 31, 2020, a total of 593,189,057 voting rights were attached to the 567,068,555 shares outstanding. Schneider Electric's capital management strategy is designed to:

- ensure Group liquidity;
- optimize its financial structure;
- optimize the weighted average cost of capital.

The strategy must also ensure the Group has access to different capital markets under the best possible conditions. Factors taken into account for decision-making purposes include objectives expressed in terms of earnings per share, ratings or balance sheet stability. Finally, decisions may be implemented depending on specific market conditions.

Changes in share capital and cumulative number of shares

Changes in share capital since December 31, 2018 were as follows:

| <i>(in number of shares and in euros)</i> | Cumulative number of shares | Share capital |
|---|--------------------------------|----------------------|
| CAPITAL AT DEC. 31, 2018 | 579,168,769 | 2,316,675,076 |
| Exercise of stock options | 223,768 | 895,072 |
| Employee share issue | 2,676,018 | 10,704,072 |
| CAPITAL AT DEC. 31, 2019 | 582,068,555 | 2,328,274,220 |
| Cancellation of own shares* | (15,000,000) | (60,000,000) |
| Employee share issue | – | – |
| CAPITAL AT DEC. 31, 2020 | 567,068,555 | 2,268,274,220 |

* Cancellation of 15 million treasury shares on May 31, 2020

On May 31, 2020, the Group decided to cancel 15 million of treasury shares, decreasing the share premium account by EUR 929 million.

On November 24, the Group issued a sustainability-linked convertible bond with a nominal amount of EUR 650 million. This zero-coupon bond of maturity date in 2026 offers investors a premium (0.5% of nominal amount) in case the company underperforms sustainability objectives. The equity component of this convertible bonds has been valued at EUR 43 million and has been recognized in "Additional paid-in capital".

5. Notes to the consolidated financial statements

19.2 Earnings per share

| (in thousands of shares and in euros per share) | Full Year 2020 | | Full Year 2019 | |
|---|----------------|----------------|----------------|----------------|
| | Basic | Diluted | Basic | Diluted |
| Common shares (Net of treasury shares and own shares) | 553,767 | 553,767 | 551,067 | 551,067 |
| Performance shares | – | 135 | – | 6,449 |
| Bonds convertible into shares | – | 3,684 | – | – |
| AVERAGE WEIGHTED NUMBER OF SHARES | 553,767 | 557,586 | 551,067 | 557,516 |
| Earnings per share before tax | 5.07 | 5.04 | 5.69 | 5.63 |
| EARNINGS PER SHARE | 3.84 | 3.81 | 4.38 | 4.33 |

19.3 Dividends paid and proposed

In 2020, the Group paid out the 2019 dividend of EUR 2.55 per share, for a total of EUR 1,413 million.

At the Shareholders' Meeting of April 28, 2021, shareholders will be asked to approve a dividend of EUR 2.60 per share for fiscal year 2020. As at December 31, 2020 Schneider-Electric SE had distributable reserves in an amount of EUR 4,126 million (versus EUR 6,379 million at the previous year-end), not including profit for the year.

19.4 Share-based payments

Current stock grant plans

The Board of Directors of Schneider Electric SE and later the Management Board have set up performance shares plans for senior executives and certain employees of the Group. The main features of these plans were as follows as at December 31, 2020:

| Plan no. | Date of the Board Meeting | Vesting date | End of lock-up period | Number of shares initially granted | Grants cancelled because objectives not met |
|--------------|---------------------------|--------------|-----------------------|------------------------------------|---|
| Plan 24 | 03/23/2016 | 03/23/2020 | 03/23/2020 | 27,042 | – |
| Plan 26 | 03/23/2016 | 03/23/2020 | 03/23/2020 | 2,291,200 | 549,233 |
| Plan 28 | 03/24/2017 | 03/24/2020 | 03/24/2021 | 25,800 | 117 |
| Plan 29 | 03/24/2017 | 03/24/2020 | 03/24/2020 | 2,405,220 | 280,113 |
| Plan 29 bis | 10/25/2017 | 10/25/2020 | 10/25/2020 | 32,400 | 3,089 |
| Plan 30 | 03/26/2018 | 03/26/2021 | 03/26/2021 | 25,800 | 2,383 |
| Plan 31 | 03/26/2018 | 03/26/2022 | 03/26/2022 | 2,318,140 | 231,501 |
| Plan 31 bis | 10/24/2018 | 10/24/2021 | 10/24/2021 | 28,000 | – |
| Plan 32 | 03/26/2019 | 03/28/2022 | 03/28/2023 | 25,800 | 4,983 |
| Plan 33 | 03/26/2019 | 03/28/2022 | 03/29/2022 | 2,313,650 | 128,228 |
| Plan 34 | 07/24/2019 | 07/25/2022 | 07/26/2022 | 87,110 | 3,020 |
| Plan 35 | 10/23/2019 | 10/24/2022 | 10/25/2022 | 17,450 | – |
| Plan 36 | 03/24/2020 | 03/24/2023 | 03/24/2024 | 18,000 | – |
| Plan 37 | 03/24/2020 | 03/24/2023 | 03/27/2023 | 2,095,740 | 26,750 |
| Plan 37 bis | 10/21/2020 | 10/23/2023 | 10/24/2023 | 103,051 | – |
| TOTAL | | | | 11,814,403 | 1,229,417 |

Rules governing the performance shares plans are as follows:

- to receive the shares, the grantee must generally be an employee or corporate officer of the Group. Vesting is also conditional on the achievement of performance criteria;
- the vesting period is three to four years;
- the lock-up period is zero or one year.

Outstanding shares

In respect of subscription vesting conditions for current performance shares plans, Schneider Electric SE has not created shares in 2020 and used existing treasury shares.

Changes in the number of outstanding number of shares in 2020 were as follow:

| Plan no. | Number of performance shares at Dec. 31, 2019 | Number of shares granted or to be granted | Number of shares cancelled in 2020 | Number of performance shares at Dec. 31, 2020 |
|--------------|---|---|------------------------------------|---|
| Plan 24 | 27,042 | (27,042) | – | – |
| Plan 26 | 1,760,282 | (1,741,967) | (18,315) | – |
| Plan 28 | 25,800 | (25,683) | (117) | – |
| Plan 29 | 2,154,870 | (2,125,107) | (29,763) | – |
| Plan 29 bis | 31,800 | (29,311) | (2,489) | – |
| Plan 30 | 25,800 | – | (2,383) | 23,417 |
| Plan 31 | 2,194,990 | (3,400) | (104,951) | 2,086,639 |
| Plan 31 bis | 28,000 | – | – | 28,000 |
| Plan 32 | 25,800 | – | (4,983) | 20,817 |
| Plan 33 | 2,290,580 | (2,900) | (102,258) | 2,185,422 |
| Plan 34 | 86,320 | – | (2,240) | 84,080 |
| Plan 35 | 17,450 | – | – | 17,450 |
| Plan 36 | – | 18,000 | – | 18,000 |
| Plan 37 | – | 2,095,740 | (26,750) | 2,068,990 |
| Plan 37 bis | – | 103,051 | (190) | 102,861 |
| TOTAL | 8,668,734 | (1,738,619) | (294,439) | 6,635,676 |

For performance shares to vest, the grantee must be an employee or corporate officer of the Group. In addition, vesting of some performance shares is conditional on the achievement of annual objectives based on financial indicators.

Valuation of performance shares

In accordance with the accounting policies described in Note 1.20, the performance shares plans have been valued based on an average estimated life of 3 to 5 years using the following assumptions:

- a pay-out rate of between 2.4% and 3.5%;
- a discount rate of between (0.8)% and 1.0%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).

Based on these assumptions, the expense recorded under "Selling, general and administrative expenses" breaks down as follows:

| (in millions of euros) | Full year 2020 | Full year 2019 |
|------------------------|----------------|----------------|
| Plan 22 | – | 3 |
| Plan 24 | – | – |
| Plan 25 & 25 bis | 1 | 2 |
| Plan 26 & 26 bis | 10 | 14 |
| Plan 28 | – | 1 |
| Plan 29 & 29 bis | 9 | 42 |
| Plan 30 | 1 | 1 |
| Plan 31 & 31 bis | 41 | 43 |
| Plan 32 | – | – |
| Plan 33 | 42 | 33 |
| Plan 34 | – | – |
| Plan 35 | 1 | – |
| Plan 36 | – | – |
| Plan 37 & 37 bis | 28 | – |
| TOTAL | 133 | 139 |

In 2020, the Group also recorded an additional expense of EUR 12 million in relation with AVEVA subgroup's performance shares plan, bringing the total Group expense to EUR 145 million.

5. Notes to the consolidated financial statements

Worldwide Employee Stock Purchase Plan

Every year, Schneider Electric gives its employees the opportunity to become group shareholders thanks to employee share issues. Employees in countries that meet legal and fiscal requirements have been proposed the classic plan.

Under the classic plan, employees may purchase Schneider Electric shares at a 15% discount to the price quoted for the shares on the stock market. Employees must then hold their shares for five years, except in certain cases provided for by law. The share-based payment expense recorded in accordance with IFRS 2 is measured by reference to the fair value of the discount on the locked-up shares. The lockup cost is determined on the basis of a two-step strategy that involves first selling the locked-up shares on the forward market and then purchasing the same number of shares on the spot market (i.e., shares that may be sold at any time) using a bullet loan.

This strategy is designed to reflect the cost the employee would incur during the lock-up period to avoid the risk of carrying the shares subscribed under the classic plan. The borrowing cost corresponds to the cost of borrowing for the employees concerned, as they are the sole potential buyers in this market. It is based on the average interest rate charged by banks for an ordinary, non-revolving personal loan with a maximum maturity of five years granted to a natural person with an average credit rating.

Year 2020

On April 20, 2020, the Management Board took the exceptional decision to cancel this year employee share issues as part of its strategy to deal with the impacts of the Covid-19 pandemic.

Year 2019

The table below summarizes the main characteristics of the 2019 plan, the amounts subscribed, the valuation assumptions and the plan's cost:

| (in millions of euros) | Full Year 2019 | |
|---|----------------|-------------|
| | % | Value |
| Plan characteristics: | | |
| Maturity (years) | | 5 |
| Reference price (euros) | | 70.9 |
| Subscription price (euros) | | 60.26 |
| Discount | 15.0% | |
| Amount subscribed by employees | | 161.3 |
| Total amount subscribed | | 161.3 |
| Total number of shares subscribed (million of shares) | | 2.7 |
| Valuation assumptions: | | |
| Interest rate available to market participant (bullet loan)* | 3.1% | – |
| Five-year risk-free interest rate (euro zone) | 0.3% | – |
| Annual interest rate (repo) | 1.0% | – |
| Value of discount (a) | 15.0% | 28.5 |
| Value of the lock-up period for market participant (b) | 26.4% | 50 |
| TOTAL EXPENSE FOR THE GROUP (a) – (b) | | – |
| Sensitivity: | | |
| decrease in interest rate for market participant** | (0.5)% | 5.2 |

* Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to an individual with an average credit rating.

** A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

In 2019, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR 60.26 per share, as part of its commitment to employee share ownership, on April 16th, 2019. This represented a 15% discount to the reference price of EUR 70.90 calculated as the average opening price quoted for the share during the 20 days preceding the Management Board's decision to launch the employee share issue.

Altogether, 2.7 million shares were subscribed, increasing the Company's capital by EUR 161 million as of July 10, 2019. Due to significant changes in valuation assumptions, specifically the interest rate available to market participant, the value of the lock-up cost is higher than the discount cost since 2012. Therefore, the Group did not recognize any cost related to the transaction.

19.5 Schneider Electric SE shares

As at December 31, 2020, the Group held 12,741,481 Schneider Electric shares in treasury stock, which have been recorded as a deduction from retained earnings.

The Group has repurchased 650,307 shares for a total amount of EUR 50 million in 2020.

19.6 Income tax recorded in equity

Total income tax recorded in Equity amounts to EUR 251 million as at December 31, 2020 and can be analyzed as follows:

| <i>(in millions of euros)</i> | Dec. 31, 2020 | Dec. 31, 2019 | Change in tax |
|--|----------------------|---------------|---------------|
| Cash-Flow hedges | 30 | 48 | (18) |
| Available-for-sale financial assets | (6) | (7) | 1 |
| Actuarial gains/(losses) on defined benefits obligations | 230 | 209 | 21 |
| Other | (3) | (3) | – |
| TOTAL | 251 | 247 | 4 |

19.7 Non-controlling interests

The main contributor is AVEVA, for which 38.6% of the shares correspond to non-controlling interests for the Group. AVEVA, which remains a listed company, is publishing its financial statements on a regular basis.

Note 20: Pensions and other post-employment benefit obligations

The Group has set up various post-employment benefit plans for employees covering pensions, termination benefits, healthcare, life insurance and other benefits, as well as long-term benefit plans for active employees.

Defined Benefit Pension Plans

The Group's main Defined Benefit pension plans are located in the United Kingdom (UK) and the United States (US). They respectively represent 64% (2019: 63%) and 21% (2019: 22%) of the Group's total Defined Benefit Obligations (DBO) on pensions. The majority of benefit obligations under these plans, which represent 93% of the Group's total commitment at December 31, 2020, are partially or fully funded through payments to external funds. These funds are never invested in Group assets.

United Kingdom

The Group companies operate several Defined Benefit pension plans in the UK. The main one is related to the Invensys Pension Scheme. Pensions payable to employees depend on average final salary and length of service within the Group. These plans are registered schemes under UK tax law and managed by independent Boards of Trustees. They are closed to new entrants, and for most of them, the vested rights were frozen as they have been replaced by Defined Contributions plans.

These plans are funded by employer contributions, which are negotiated every three years based on plan valuations carried out by independent actuaries, so that the long-term financing services are ensured.

In relation to risk management and asset allocation, the Board of Trustees' aims of each plan are to ensure that it can meet its obligations to the plan's beneficiaries both in the short and long term. The Board of Trustees is responsible for the plan's long-term investment strategy and defines and manages long-term investment strategies to reduce risks, including interest rate risks and longevity risks. A certain proportion of assets hedges the liability valuation change resulting from the interest rates evolution. Those assets are primarily invested in fixed income investments, particularly intermediate and longer-term instruments.

Following the agreement reached with the Trustee of the Invensys Pension Scheme on February 2014, Schneider Electric SE guaranteed all obligations of the Invensys subsidiaries which participate in the scheme, up to a maximum amount of GBP 1.75 billion. As of December 31, 2020, plan assets exceed the value of obligations subject to this guarantee and thus this guarantee cannot be called.

Schneider UK pension plans contain provisions of pension called Guaranteed Minimum Pension ("GMP"). GMPs were accrued for individuals who subscribed to the State Second Pension prior to April 6, 1997. Historically, there was an inequality in the benefits between male and female members concerning GMP.

A High Court case concluded on October 26, 2018, confirmed that all UK pension plans must equalize "GMPs" between men and women. In the light of these events and new information, the Group updated the related assumptions, leading to a net experience adjustment in "Other Comprehensive Income" of EUR 56 million. Following a further High Court ruling in November 2020, an additional net experience adjustment of EUR 7 million was recognized in other comprehensive income in 2020.

United States

The United States' subsidiaries operate several Defined Benefit pension plans. These plans are closed to new entrants, frozen to future accruals and have been replaced by Defined Contributions plans. Pensions payable to employees depend on the average final salary and the length of service within the Group.

Each year, the Group companies contribute a certain amount to the Defined Benefit pension plans. This amount is determined actuarially and is comprised of service costs, administrative expenses and payments toward any existing deficits. Since the plans are closed and frozen, there is generally no service cost component.

5. Notes to the consolidated financial statements

The companies delegate various responsibilities to Pension Committees. These committees define and manage long-term investment strategies to reduce risks, including interest rate risks and longevity risks. A certain proportion of assets hedges the liability valuation change, resulting from the interest rates evolution. Those assets are primarily invested in fixed income investments, particularly intermediate and longer-term instruments.

Assumptions

Actuarial valuations are generally performed each year. The assumptions used vary according to the economic conditions prevailing in the country concerned, as follows:

| | Group weighted average rate | | Of which United Kingdom | | Of which United States | |
|--------------------------------|-----------------------------|---------------|-------------------------|---------------|------------------------|---------------|
| | Dec. 31, 2020 | Dec. 31, 2019 | Dec. 31, 2020 | Dec. 31, 2019 | Dec. 31, 2020 | Dec. 31, 2019 |
| Discount rate | 1.57% | 2.18% | 1.40% | 2.06% | 2.42% | 3.26% |
| Rate of compensation increases | 2.52% | 3.16% | 3.46% | 3.34% | n.a | n.a |

The discount rate is determined on the basis of the interest rate for investment-grade (AA) corporate bonds or, if a liquid market does not exist, government bonds with a maturity that matches the duration of the benefit obligation. In the United States, the average discount rate is determined on the basis of a yield curve for AA and AAA investment-grade corporate bonds.

In the Euro zone, the discount rate currently stands at 0.5%.

20.1 Changes in provisions for pensions and other post-employment benefit obligations

Annual changes in obligations, the market value of plan assets and the corresponding assets and provisions recognized in the financial statements can be analyzed as follows:

| (in millions of euros) | DBO benefit obligations | Plan assets | Asset ceiling | Net Liability |
|--|-------------------------|--------------|---------------|----------------|
| Dec 31, 2018 | (8,911) | 7,901 | (187) | (1,197) |
| Service cost | (50) | – | – | (50) |
| Past service cost | 10 | – | – | 10 |
| Curtailements and settlements | (1) | – | – | (1) |
| Interest cost | (267) | – | (5) | (272) |
| Interest income | – | 219 | – | 219 |
| Net impact in P&L, (expense)/profit | (308) | 219 | (5) | (94) |
| of which UK | (152) | 163 | (5) | 6 |
| of which US | (84) | 50 | – | (34) |
| Benefits paid | 532 | (468) | – | 64 |
| Plan participants' contributions | (5) | 5 | – | – |
| Employer contributions | – | 80 | – | 80 |
| Changes in the scope of consolidation | 5 | – | – | 5 |
| Actuarial gains/(losses) recognized in equity | (1,024) | 539 | 77 | (408) |
| Translation adjustment | (354) | 357 | (8) | (5) |
| Other changes | – | – | – | – |
| Dec. 31, 2019 | (10,065) | 8,633 | (123) | (1,555) |
| of which UK | (6,312) | 6,556 | (123) | 121 |
| of which US | (2,209) | 1,539 | – | (670) |
| Service cost | (54) | – | – | (54) |
| Past service cost | – | – | – | – |
| Curtailements and settlements | 1 | (1) | – | – |
| Interest cost | (204) | – | (2) | (206) |
| Interest income | – | 159 | – | 159 |
| Net impact in P&L, (expense)/profit | (257) | 158 | (2) | (101) |
| of which UK | (119) | 118 | (2) | (3) |
| of which US | (69) | 38 | – | (31) |
| Benefits paid | 554 | (500) | – | 54 |
| Plan participants' contributions | (6) | 6 | – | – |
| Employer contributions | – | 106 | – | 106 |
| Changes in the scope of consolidation | (8) | – | – | (8) |
| Actuarial gains/(losses) recognized in equity | (796) | 621 | 52 | (123) |
| Translation adjustment | 562 | (503) | 6 | 65 |
| Other changes | – | – | – | – |
| Dec. 31, 2020 | (10,016) | 8,521 | (67) | (1,562) |
| of which UK | (6,370) | 6,459 | (67) | 22 |
| of which US | (2,140) | 1,535 | – | (605) |

The total present value of Defined Benefit Obligations breaks down as follows between wholly or partly funded plans and wholly unfunded plans:

| <i>(in millions of euros)</i> | Dec. 31, 2020 | Dec. 31, 2019 |
|--|----------------------|----------------|
| Present value of wholly or partly funded benefit obligation | (9,356) | (9,350) |
| Fair value on plan assets | 8,521 | 8,633 |
| Effect of assets ceiling | (66) | (123) |
| Net position of wholly or partly funded benefit obligation | (901) | (840) |
| Present value of wholly or partly unfunded benefit obligation | (661) | (715) |
| NET LIABILITY FROM FUNDED AND UNFUNDED PLANS | (1,562) | (1,555) |
| Balance Sheet impact: | | |
| <i>surplus of plans recognized as assets*</i> | 146 | 251 |
| <i>provisions recognized as liabilities</i> | (1,708) | (1,806) |

* The surplus of plans recognized as assets represents the assets in excess of the liabilities, generally assumed to be recoverable, and after applying any asset ceiling.

Changes in gross items recognized in equity were as follows:

| <i>(in millions of euros)</i> | Full year 2020 | Full year 2019 |
|---|-----------------------|----------------|
| Actuarials (gains)/losses on Defined Benefit Obligations arising from demographic assumptions | (6) | (37) |
| Actuarials (gains)/losses on Defined Benefit Obligations arising from financial assumptions | 853 | 989 |
| Actuarials (gains)/losses on Defined Benefit Obligations from experience effects | (51) | 72 |
| Actuarials (gains)/losses on plan assets | (621) | (539) |
| Effect of asset ceiling | (52) | (77) |
| TOTAL RECOGNIZED IN EQUITY DURING THE PERIOD | 123 | 408 |
| <i>of which UK</i> | (111) | (162) |
| <i>of which US</i> | (5) | (70) |

Plans asset allocation:

| <i>(in millions of euros)</i> | Dec. 31, 2020 | Dec. 31, 2019 |
|-------------------------------|----------------------|---------------|
| Equity | 9% | 11% |
| Bonds | 80% | 74% |
| Others | 11% | 15% |
| TOTAL | 100% | 100% |

20.2 Sensitivity analysis

The effect of a $\pm 0.5\%$ change in the discount rate on the 2019 Defined Benefit Obligations is as follows:

| <i>(in millions of euros)</i> | Total | | United Kingdom | | United States | | Rest of the World | |
|-------------------------------|--------------|-------|----------------|-------|---------------|-------|-------------------|-------|
| | +0.5% | -0.5% | +0.5% | -0.5% | +0.5% | -0.5% | +0.5% | -0.5% |
| DBO Impact | (653) | 736 | (441) | 498 | (121) | 133 | (91) | 105 |

5. Notes to the consolidated financial statements

Note 21: Provisions for contingencies and charges

| (in millions of euros) | Economic risks | Customer risks | Products risks | Environmental risks | Restructuring | Other risks | Provisions |
|---|----------------|----------------|----------------|---------------------|---------------|-------------|--------------|
| Dec. 31, 2018 | 732 | 73 | 467 | 300 | 122 | 437 | 2,131 |
| <i>of which long-term portion</i> | 499 | 50 | 144 | 265 | 13 | 282 | 1,253 |
| IFRIC 23 reclassification* | (448) | | | | | | (448) |
| Additions | 51 | 13 | 199 | 10 | 256 | 87 | 616 |
| Utilizations | (40) | (14) | (120) | (18) | (225) | (105) | (522) |
| Reversals of surplus provisions | (2) | (4) | (43) | (2) | (4) | (3) | (58) |
| Translation adjustments | 2 | 1 | 6 | 5 | – | 7 | 21 |
| Changes in the scope of consolidation and other | (3) | 7 | (10) | (2) | 2 | – | (6) |
| Dec. 31, 2019 | 292 | 76 | 499 | 293 | 151 | 423 | 1,734 |
| <i>of which long-term portion</i> | 155 | 50 | 139 | 256 | 11 | 329 | 940 |
| Additions | 35 | 33 | 322 | 8 | 324 | 128 | 850 |
| Utilizations | (43) | (26) | (172) | (17) | (208) | (132) | (598) |
| Reversals of surplus provisions | (10) | – | (11) | (3) | (2) | (7) | (33) |
| Translation adjustments | (19) | (12) | (24) | (22) | (7) | (30) | (114) |
| Changes in the scope of consolidation and other | 20 | 83 | 16 | – | (8) | (20) | 91 |
| Dec. 31, 2020 | 275 | 154 | 630 | 259 | 250 | 362 | 1,930 |
| <i>of which long-term portion</i> | 161 | 103 | 137 | 226 | 15 | 288 | 930 |

* Following IFRIC 23 application described in Note 1 starting January 2019, income tax provisions are now reclassified in accrued taxes.

Provisions are recognized following the principles described in Note 1.21.

Reconciliation with cash flow statement – the increase and decrease in provisions retreated at statutory cash flow were as follows:

| (in millions of euros) | Full year 2020 | Full year 2019 |
|--|----------------|----------------|
| Increase of provision | 850 | 616 |
| Utilization of provision | (598) | (522) |
| Reversal of surplus provision | (33) | (58) |
| Provision variance including tax provisions but excluding employee benefit obligation | 219 | 36 |
| Employee benefit obligation net variance contribution to plan assets | 47 | 20 |
| INCREASE/(DECREASE) IN PROVISIONS IN CASH-FLOW STATEMENT | 266 | 56 |

Note 22: Total current and non-current financial liabilities

The breakdown of net debt is as follows:

| (in millions of euros) | Dec. 31, 2020 | Dec. 31, 2019 |
|---|----------------|----------------|
| Bonds | 8,773 | 6,888 |
| Other bank borrowings | 32 | 22 |
| Employee profit sharing | – | 2 |
| Short-term portion of bonds | (600) | (500) |
| Short-term portion of long-term debt | (9) | (7) |
| NON-CURRENT FINANCIAL LIABILITIES | 8,196 | 6,405 |
| Commercial paper | 1,302 | – |
| Accrued interest | 43 | 41 |
| Other short-term borrowings | 173 | 234 |
| Drawdown of funds from lines of credit | – | – |
| Bank overdrafts | 133 | 197 |
| Short-term portion of convertible and non-convertible bonds | 600 | 500 |
| Short-term portion of long-term debt | 9 | 7 |
| SHORT-TERM DEBT | 2,260 | 979 |
| TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES | 10,456 | 7,384 |
| CASH AND CASH EQUIVALENTS | (6,895) | (3,592) |
| NET DEBT | 3,561 | 3,792 |

22.1 Breakdown by maturity

| (in millions of euros) | Dec. 31, 2020 | | Dec. 31, 2019 |
|------------------------|---------------|------------|---------------|
| | Nominal | Interests | Nominal |
| 2020 | – | – | 996 |
| 2021 | 2,260 | 92 | 599 |
| 2022 | 673 | 77 | 710 |
| 2023 | 1,295 | 58 | 796 |
| 2024 | 996 | 49 | 995 |
| 2025 | 1,045 | 41 | 1,044 |
| 2026 | 1,396 | 35 | 742 |
| 2027 and beyond | 2,791 | 23 | 1,502 |
| TOTAL | 10,456 | 375 | 7,384 |

22.2 Breakdown by currency

| (in millions of euros) | Dec. 31, 2020 | Dec. 31, 2019 |
|------------------------|---------------|---------------|
| Euro | 9,537 | 6,239 |
| US Dollar | 698 | 793 |
| Brazilian Real | 13 | 66 |
| Indian Rupee | 112 | 45 |
| Sterling Pound | – | 32 |
| Russian Rouble | – | 29 |
| Algerian Dinar | 23 | 20 |
| Chilian Peso | – | 18 |
| Other | 73 | 142 |
| TOTAL | 10,456 | 7,384 |

22.3 Bonds

| (in millions of euros) | Dec. 31, 2020 | Dec. 31, 2019 | Interest rate | Maturity |
|--------------------------------------|---------------|---------------|---------------|----------------|
| Schneider Electric SE 2020 | – | 500 | 3.625% fixed | July 2020 |
| Schneider Electric SE 2021 | 600 | 599 | 2.500% fixed | September 2021 |
| Schneider Electric SE 2022 | 651 | 710 | 2.950% fixed | September 2022 |
| Schneider Electric SE 2023 | 498 | – | 0.000% fixed | June 2023 |
| Schneider Electric SE 2023 | 797 | 796 | 1.500% fixed | September 2023 |
| Schneider Electric SE 2024 | 996 | 995 | 0.250% fixed | September 2024 |
| Schneider Electric SE 2025 | 745 | 744 | 0.875% fixed | March 2025 |
| Schneider Electric SE 2025 | 300 | 300 | 1.841% fixed | October 2025 |
| Schneider Electric SE 2026 (OCEANES) | 651 | – | 0.000% fixed | June 2026 |
| Schneider Electric SE 2026 | 745 | 742 | 0.875% fixed | December 2026 |
| Schneider Electric SE 2027 | 496 | – | 1.000% fixed | April 2027 |
| Schneider Electric SE 2027 | 743 | 742 | 1.375% fixed | June 2027 |
| Schneider Electric SE 2028 | 758 | 760 | 1.500% fixed | January 2028 |
| Schneider Electric SE 2028 | 793 | – | 0.250% fixed | March 2029 |
| TOTAL | 8,773 | 6,888 | | |

5. Notes to the consolidated financial statements

Schneider Electric SE has issued bonds on different markets:

- in the United States, through a private placement offering following SEC 144A rule, for USD 800 million worth of bonds issued in September 2012, at a rate of 2.95%, due in September 2022;
- as part of its Euro Medium Term Notes (EMTN) program, bonds traded on the Luxembourg stock exchange. Issues that had not yet matured as of December 31, 2020 are as follow:
 - EUR 600 million worth of bonds issued in September 2013, at a rate of 2.5%, maturing in September 2021;
 - EUR 500 million worth of bonds issued in June 2020, at a rate of 0.0%, maturing in June 2023;
 - EUR 800 million worth of bonds issued in September 2015 at a rate of 1.50%, maturing in September 2023;
 - EUR 800 million worth of bonds issued in September 2016, at a rate of 0.25%, maturing in September 2024;
 - EUR 200 million worth of bonds issued in July 2019, at a rate of 0.25%, maturing in September 2024;
 - EUR 750 million worth of bonds issued in March 2015, at a rate of 0.875%, maturing in March 2025;
 - EUR 200 million and EUR 100 million worth of Climate bonds issued successively in October and December 2015, at a rate of 1.841%, maturing in October 2025;
 - EUR 750 million worth of bonds issued in December 2017, at a rate of 0.875%, maturing in December 2026;
 - EUR 500 million worth of bonds issued in April 2020, at a rate of 1.00%, maturing in April 2027;
 - EUR 750 million worth of bonds issued in June 2018, at a rate of 1.375%, maturing in June 2027;
 - EUR 500 million worth of bonds issued in January 2019 and EUR 250 million worth of bonds issued in May 2019, at a rate of 1.500%, maturing in January 2028;
 - EUR 800 million worth of bonds issued in March 2020, at a rate of 0.25%, maturing in March 2029.

In addition, the Group has issued a bond that is convertible into or exchangeable for a new or existing shares (OCEANES) for EUR 650 million at a rate of 0.00%, maturing in June 2026. The OCEANE has a debt component, assessed on inception date on the basis of the market interest rate applied to an equivalent non-convertible bond, recognized in non-current financial debts and an optional component recognized in equity. At end of December 2020, the debt component is evaluated at EUR 652 million and the optional component at EUR 42 million.

The initial conversion and/or exchange ratio of the Bonds is one share per Bond with a nominal value set at EUR 176. According to Sustainability-Linked Financing Framework, if the average sustainability performance score (calculated as the arithmetic average of the scores of the three key performance indicators) does not reach a certain level by December 31, 2025, the Group will pay an amount equal to 0.50% of the face value.

The three key performance indicators from the 11 new Schneider Sustainability Impact (SSI) 2021-2025 indicators are the following:

- Climate: Deliver 800 megatons of saved and avoided CO₂ emissions to our customers;
- Equality: Increase gender diversity, from hiring to front-line managers and leadership teams (50/40/30);
- Generation: Train 1 million underprivileged people in energy management.

The detailed rating methodology and approach are presented in the Group's Sustainability-Linked Financing Framework.

For all those transactions, issue premium and issue costs are amortized per the effective interest rate method.

22.4 Reconciliation with cash-flow statement

| (in millions of euros) | Dec. 31, 2019 | Cash variations | Non-cash variations | | Dec. 31, 2020 |
|--|---------------|-----------------|---------------------|-------------|---------------|
| | | | Scope | Forex | |
| Bonds | 6,888 | 1,944 | – | (59) | 8,773 |
| Bank overdrafts and other borrowings | 496 | 1,177 | 10 | – | 1,683 |
| TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES | 7,384 | 3,121 | 10 | (59) | 10,456 |

22.5 Other information

As at December 31, 2020, the Group had confirmed credit lines of EUR 3,975 million including 2,475 maturing after December 2021, all unused.

Loan agreements and committed credit lines do not include any financial covenants or credit rating triggers in case of downgrading of the company's long-term debt.

Note 23: Classification of financial instruments

The Group uses financial instruments to manage its exposure to fluctuations in interest rates, exchange rates and metal prices. Financial assets and liabilities can be classified at the fair value following the hierarchy levels below:

1. Level 1: market value (non-adjusted) on active markets, for similar assets and liabilities, which the company can obtain on a given valuation date;
2. Level 2: data other than the market rate available for level 1, which are directly or indirectly observable on the market;
3. Level 3: data on the asset or liability that are not observable on the market.

23.1 Balance sheet exposure and fair value hierarchy

| (in millions of euros) | Dec. 31, 2020 | | | | | |
|--|-----------------|------------------------|---------------------------|---|----------------|----------------------|
| | Carrying amount | Fair value through P&L | Fair value through equity | Financial assets/liabilities measured at amortized cost | Fair value | Fair value hierarchy |
| ASSETS: | | | | | | |
| Listed financial assets | 2 | – | 2 | – | 2 | Level 1 |
| Venture capital (FCPR)/mutual funds (SICAV) | 84 | 84 | – | – | 84 | Level 3 |
| Other unlisted financial assets | 363 | – | 363 | – | 363 | Level 3 |
| Other non-current financial assets | 327 | – | – | 327 | 327 | Level 2 |
| TOTAL NON-CURRENT ASSETS | 776 | 84 | 365 | 327 | 776 | |
| Trade accounts receivables | 5,626 | – | – | 5,626 | 5,626 | Level 2 |
| Current financial assets | 18 | 18 | – | – | 18 | Level 2 |
| Marketable securities | 1,942 | 1,942 | – | – | 1,942 | Level 1 |
| Derivative instruments – foreign currencies | 84 | 60 | 24 | – | 84 | Level 2 |
| Derivative instruments – interest rates | – | – | – | – | – | Level 2 |
| Derivative instruments – commodities | 23 | – | 23 | – | 23 | Level 2 |
| Derivative instruments – shares | 1 | – | 1 | – | 1 | Level 2 |
| TOTAL CURRENT ASSETS | 7,694 | 2,020 | 48 | 5,626 | 7,694 | |
| LIABILITIES: | | | | | | |
| Long-term portions of non convertible bonds* | (7,522) | – | – | (7,522) | (7,956) | Level 1 |
| Long-term portions of convertible bonds* | (651) | – | – | (651) | (652) | Level 2 |
| Other long-term debt | (23) | – | – | (23) | (23) | Level 2 |
| TOTAL NON-CURRENT LIABILITIES | (8,196) | – | – | (8,196) | (8,631) | |
| Short-term portion of bonds* | (600) | – | – | (600) | (611) | Level 1 |
| Short-term debt | (1,660) | – | – | (1,660) | (1,660) | Level 3 |
| Trade accounts payable | (4,664) | – | – | (4,664) | (4,664) | Level 2 |
| Other | (54) | – | – | (54) | (54) | Level 2 |
| Derivative instruments – foreign currencies | (19) | (19) | – | – | (19) | Level 2 |
| Derivative instruments – interest rates | – | – | – | – | – | Level 2 |
| Derivative instruments – commodities | – | – | – | – | – | Level 2 |
| Derivative instruments – shares | – | – | – | – | – | Level 2 |
| TOTAL CURRENT LIABILITIES | (6,997) | (19) | – | (6,978) | (7,008) | |

* The majority of financial instruments listed in the balance sheet are accounted at fair value, except for bonds, for which the amortized cost in the balance sheet represents EUR 8,773 million compared to EUR 9,219 million at fair value.

5. Notes to the consolidated financial statements

| (in millions of euros) | Dec. 31, 2019 | | | | | |
|---|-----------------|------------------------|---------------------------|---|----------------|----------------------|
| | Carrying amount | Fair value through P&L | Fair value through equity | Financial assets/liabilities measured at amortized cost | Fair value | Fair value hierarchy |
| ASSETS: | | | | | | |
| Listed financial assets | 19 | – | 19 | – | 19 | Level 1 |
| Venture capital (FCPR)/mutual funds (SICAV) | 116 | 116 | – | – | 116 | Level 3 |
| Other unlisted financial assets | 175 | – | 175 | – | 175 | Level 3 |
| Other non-current financial assets | 335 | – | – | 335 | 335 | Level 2 |
| TOTAL NON-CURRENT ASSETS | 645 | 116 | 194 | 335 | 645 | |
| Trade accounts receivables | 5,953 | – | – | 5,953 | 5,953 | Level 2 |
| Current financial assets | 19 | 19 | – | – | 19 | Level 2 |
| Marketable securities | 1,560 | 1,560 | – | – | 1,560 | Level 1 |
| Derivative instruments – foreign currencies | 63 | 50 | 13 | – | 63 | Level 2 |
| Derivative instruments – interest rates | – | – | – | – | – | Level 2 |
| Derivative instruments – commodities | 8 | – | 8 | – | 8 | Level 2 |
| Derivative instruments – shares | 4 | 4 | – | – | 4 | Level 2 |
| TOTAL CURRENT ASSETS | 7,607 | 1,633 | 21 | 5,953 | 7,607 | |
| LIABILITIES: | | | | | | |
| Long-term portions of bonds* | (6,388) | – | – | (6,388) | (6,738) | Level 1 |
| Other long-term debt | (17) | – | – | (17) | (17) | Level 2 |
| TOTAL NON-CURRENT LIABILITIES | (6,405) | – | – | (6,405) | (6,755) | |
| Short-term portion of bonds* | (500) | – | – | (500) | (500) | Level 1 |
| Short-term debt | (479) | – | – | (479) | (479) | Level 3 |
| Trade accounts payable | (4,215) | – | – | (4,215) | (4,215) | Level 2 |
| Other | (44) | – | – | (44) | (44) | Level 2 |
| Derivative instruments – foreign currencies | (30) | (23) | (7) | – | (30) | Level 2 |
| Derivative instruments – interest rates | – | – | – | – | – | Level 2 |
| Derivative instruments – commodities | (2) | – | (2) | – | (2) | Level 2 |
| Derivative instruments – shares | – | – | – | – | – | Level 2 |
| TOTAL CURRENT LIABILITIES | (5,270) | (23) | (9) | (5,238) | (5,270) | |

* The majority of financial instruments listed in the balance sheet are accounted at fair value, except for bonds, for which the amortized cost in the balance sheet represents EUR 6,888 million compared to EUR 7,238 million at fair value.

23.2 Derivative instruments

| (in millions of euros) | Dec. 31, 2020 | | | | | | | |
|--------------------------------|--------------------------|-----------|---------------|-------------------|------------|---------------------------|--------------------------------|---------------------------------|
| | Accounting Qualification | Maturity | Nominal sales | Nominal purchases | Fair Value | Carrying amount in assets | Carrying amount in liabilities | Of which carrying amount in OCI |
| Forwards contracts | CFH | < 1 year | 242 | (147) | 1 | 10 | (9) | 1 |
| Forwards contracts | CFH | < 2 years | 19 | (24) | – | 1 | (1) | – |
| Forwards contracts | CFH | > 2 years | 7 | (1) | – | – | – | – |
| Forwards contracts | FVH | < 1 year | 997 | (1,098) | 25 | 30 | (5) | 1 |
| Forwards contracts | NIH | < 1 year | 1,102 | – | 21 | 21 | – | 22 |
| Forwards contracts | Trading | < 1 year | 536 | (2,425) | 7 | 11 | (4) | – |
| Cross currency swaps | CFH | < 1 year | – | (159) | 11 | 11 | – | – |
| TOTAL FX DERIVATIVES | | | 2,903 | (3,854) | 65 | 84 | (19) | 24 |
| Forwards contracts | CFH | < 1 year | – | (249) | 23 | 23 | – | 23 |
| Commodities derivatives | | | – | (249) | 23 | 23 | – | 23 |
| Options | CFH | < 1 year | – | (1) | 1 | 1 | – | 1 |
| Shares derivatives | | | – | (1) | 1 | 1 | – | 1 |
| TOTAL | | | 2,903 | (4,104) | 89 | 108 | (19) | 48 |

| Dec. 31, 2019 | | | | | | | | |
|--------------------------------|--------------------------|-----------|---------------|-------------------|------------|---------------------------|--------------------------------|----------------------------|
| (in millions of euros) | Accounting qualification | Maturity | Nominal sales | Nominal purchases | Fair Value | Carrying amount in assets | Carrying amount in liabilities | Of carrying amounts in OCI |
| Forwards contracts | CFH | < 1 year | 127 | (126) | – | 3 | (3) | – |
| Forwards contracts | CFH | < 2 years | 10 | (23) | – | – | – | – |
| Forwards contracts | CFH | > 2 years | 4 | (4) | – | – | – | – |
| Forwards contracts | FVH | < 1 year | 1,236 | (1,028) | 45 | 49 | (4) | – |
| Forwards contracts | NIH | < 1 year | 1,191 | – | 10 | 10 | – | 10 |
| Forwards contracts | Trading | < 1 year | 525 | (3,299) | (18) | 1 | (19) | – |
| Cross currency swaps | CFH | < 2 years | – | (108) | (4) | – | (4) | (4) |
| TOTAL FX DERIVATIVES | | | 3,093 | (4,588) | 33 | 63 | (30) | 6 |
| Forwards contracts | CFH | < 1 year | – | (233) | 6 | 8 | (2) | 6 |
| Commodities derivatives | | | – | (233) | 6 | 8 | (2) | 6 |
| Options | CFH | < 1 year | – | (4) | 4 | 4 | – | – |
| Shares derivatives | | | – | (4) | 4 | 4 | – | – |
| TOTAL | | | 3,093 | (4,825) | 43 | 75 | (32) | 12 |

23.3 Foreign currency hedges

Since a significant proportion of affiliates' transactions are denominated in currencies other than the affiliate's functional currency, the Group is exposed to currency risks. If the Group is not able to hedge these risks, fluctuations in exchange rates between the functional currency and other currencies can have a significant impact on its results and distort year-on-year performance comparisons. As a result, the Group uses derivative instruments to hedge its exposure to exchange rates mainly through FX forwards and natural hedges. Furthermore, some long-term loans and borrowings granted to the affiliates are considered as net investment in foreign operations according to IAS 21.

Schneider Electric's currency hedging policy is to protect its subsidiaries against risks on transactions denominated in a currency other than their functional currency. Hedging approaches are detailed in Note 1.23.

The breakdown of the nominal of FX derivatives related to operating and financing activities is as follows:

| (in millions of euros) | Dec. 31, 2020 | | |
|------------------------|---------------|----------------|--------------|
| | Sales | Purchases | Net |
| USD | 1,913 | (1,013) | 900 |
| CNY | 5 | (651) | (646) |
| EUR | 201 | (658) | (457) |
| DKK | 13 | (143) | (130) |
| SGD | 351 | (248) | 103 |
| SEK | 1 | (151) | (150) |
| JPY | 9 | (44) | (35) |
| CHF | 52 | (201) | (149) |
| AED | 8 | (69) | (61) |
| BRL | – | (97) | (97) |
| CAD | 9 | (98) | (89) |
| AUD | 13 | (74) | (61) |
| SAR | 40 | (6) | 34 |
| RUB | 68 | – | 68 |
| NOK | 13 | (6) | 7 |
| GBP | 77 | (125) | (48) |
| ZAR | 40 | (8) | 32 |
| HKD | 13 | (41) | (28) |
| Others | 77 | (220) | (143) |
| TOTAL | 2,903 | (3,854) | (951) |

5. Notes to the consolidated financial statements

23.4 Interest rate hedges

Interest rate risk on borrowings is managed at the Group level, based on consolidated debt and taking into consideration market conditions to optimize overall borrowing costs. The Group uses derivative instruments to hedge its exposure to interest rates through swaps or cross-currency swaps. Cross-currency swaps may be presented both as foreign exchange hedges and interest rate hedges depending on the characteristics of the derivative.

The Group did not use any derivative instrument to hedge its exposure to interest rates during the fiscal year 2020.

| (in millions of euros) | Dec. 31, 2020 | | | Dec. 31, 2019 | | |
|---|---------------|----------------|--------------|---------------|----------------|--------------|
| | Fixed rates | Floating rates | Total | Fixed rates | Floating rates | Total |
| Total current and non-current financial liabilities | 8,773 | 1,683 | 10,456 | 6,888 | 496 | 7,384 |
| Cash and cash equivalent | – | (6,895) | (6,895) | – | (3,592) | (3,592) |
| NET DEBT BEFORE HEDGING | 8,773 | (5,212) | 3,561 | 6,888 | (3,096) | 3,792 |
| Impact of Hedges | – | – | – | – | – | – |
| NET DEBT AFTER HEDGING | 8,773 | (5,212) | 3,561 | 6,888 | (3,096) | 3,792 |

23.5 Commodity hedges

The Group is exposed to fluctuations in energy and raw material prices, in particular steel, copper, aluminum, silver, lead, nickel, zinc and plastics. If the Group is not able to hedge, compensate for or pass on to customers any such increased costs, this could have an adverse impact on its results. The Group has, however, implemented certain procedures to limit exposure to rising non-ferrous and precious raw material prices. The Purchasing departments of the operating units report their purchasing forecasts to the Corporate Finance and Treasury department. Purchase commitments are hedged using forward contracts, swaps and, to a lesser extent, options.

All commodities instruments are futures and options designated as cash flow hedge under IFRS standards, of which:

| (in millions of euros) | Dec. 31, 2020 | Dec. 31, 2019 |
|------------------------|---------------|---------------|
| Carrying amount | 23 | 6 |
| Nominal amount | (249) | (233) |

23.6 Share-based payment

Schneider Electric shares are hedged (cash flow hedges) in relation to the Stock Appreciation Rights granted to US employees. Details are as follows:

| (in millions of euros except for the number of shares) | Dec. 31, 2020 | Dec. 31, 2019 |
|--|---------------|---------------|
| Outstanding shares | 24,224 | 83,500 |
| Carrying amount | 1 | 4 |
| Nominal amount | (1) | (4) |

23.7 Financial assets and liabilities subject to netting

In accordance with IFRS 7 standards, this section discloses financial instruments that are subject to netting agreements.

| (in millions of euros) | Dec. 31, 2020 | | | | |
|------------------------|---------------|---|--|---|---------------------------|
| | Gross amounts | Gross amounts offset in the statement of financial position | Net amounts presented in the statement of financial position | Related amounts not offset in the statement of financial position | Net amounts as per IFRS 7 |
| Financial assets | 107 | – | 107 | 15 | 92 |
| Financial liabilities | 19 | – | 19 | 15 | 4 |

| (in millions of euros) | Dec. 31, 2019 | | | | |
|------------------------|---------------|---|--|---|---------------------------|
| | Gross amounts | Gross amounts offset in the statement of financial position | Net amounts presented in the statement of financial position | Related amounts not offset in the statement of financial position | Net amounts as per IFRS 7 |
| Financial assets | 83 | – | 83 | 21 | 62 |
| Financial liabilities | 31 | – | 31 | 21 | 10 |

The Group trades over-the-counter derivatives with tier-one banks under agreements which provide for the offsetting of amounts payable and receivable in the event of default by one of the contracting parties. These conditional offsetting agreements do not meet the eligibility criteria within the meaning of IAS 32 for offsetting derivative instruments recorded under assets and liabilities. However, they do fall within the scope of disclosures under IFRS 7 on offsetting.

23.8 Counterparty risk

Financial transactions are entered with carefully selected counterparties. Banking counterparties are chosen according to the customary criteria, including the credit rating issued by an independent rating agency.

Group policy consists of diversifying counterparty risks and periodic controls are performed to check compliance with the related rules. In addition, the Group takes out substantial credit insurance and uses other types of guarantees to limit the risk of losses on trade accounts receivable.

23.9 Financial risk management

Foreign currency risk arises from the Group undertaking a significant number of foreign currency transactions in the course of operations. These exposures arise from sales in currencies other than the Group's presentational currency of Euro.

The main exposure of the Group in terms of currency exchange risk is related to the US dollar, Chinese Yuan and currencies linked to the US dollar. In 2020, revenue in foreign currencies amounted to EUR 20.1 billion (EUR 21.6 billion in 2019), including around EUR 6.6 billion in US dollar and EUR 3.7 billion in Chinese yuan (respectively EUR 7.2 billion and EUR 3.6 billion in 2019).

The Group manages its exposure to currency risk to reduce the sensitivity of earnings to changes in exchange rates. The financial instruments used to hedge the Group's exposure to fluctuations in exchange rates are described above.

The table below shows the impact of a 10% change in the US dollar and the Chinese Yuan against the Euro on Revenue and Adjusted EBITA. It includes the impact from the translation of financial statements into the Group's presentation currency and assumes no scope impact.

| (in millions of euros) | Dec. 31, 2020 | | |
|------------------------|--|--------------|------------|
| | Increase/ (decrease) in average rate | Revenue | Adj. EBITA |
| USD | 10% (10)% | 665 (604) | 86 (78) |
| CNY | 10% (10)% | 372 (338) | 95 (87) |

| (in millions of euros) | Dec. 31, 2019 | | |
|------------------------|--|--------------|-------------|
| | Increase/ (decrease) in average rate | Revenue | Adj. EBITA |
| USD | 10% (10)% | 728 (661) | 105 (96) |
| CNY | 10% (10)% | 360 (328) | 91 (82) |

Note 24: Employees

24.1 Employees

The Group average number of permanent and temporary employees is as follows:

| (number of employees) | Full year 2020 | Full year 2019 |
|---|----------------|----------------|
| Production | 81,470 | 79,337 |
| Administration | 73,996 | 71,960 |
| TOTAL AVERAGE WORKFORCE | 155,466 | 151,297 |
| <i>of which Europe, Middle-East, Africa and South America</i> | <i>67,549</i> | <i>69,414</i> |
| <i>of which North America</i> | <i>32,633</i> | <i>32,640</i> |
| <i>of which Asia-Pacific</i> | <i>55,284</i> | <i>49,243</i> |

24.2 Employee benefit expense

| (in millions of euros) | Full year 2020 | Full year 2019 |
|--------------------------------------|----------------|----------------|
| Payroll costs | (7,082) | (7,120) |
| Profit-sharing and incentive bonuses | (57) | (59) |
| Stock options and performance shares | (145) | (154) |
| EMPLOYEE BENEFITS EXPENSE | (7,284) | (7,333) |

5. Notes to the consolidated financial statements

24.3 Benefits granted to senior executives

In 2020, the Group paid EUR 2.1 million in attendance fees to the members of its Board of directors. The total amount of gross remuneration, including benefits in kind, paid in 2020 by the Group to the members of Senior Management, excluding executive directors, totaled EUR 28.1 million, of which EUR 7.6 million corresponded to the variable portion.

During the last three financial years, 741,000 performance shares have been allocated, excluding Corporate Officers. No stock options have been granted during the last three financial years. Performance shares were allocated under the 2020 long-term incentive plan. Since December 16, 2011, 100% of performance shares are conditional on the achievement of performance criteria for members of the Executive Committee.

Net pension obligations with respect to members of Senior Management amounted to EUR 17 million as at December 31, 2020 (EUR 15 million as at December 31, 2019).

Please refer to Chapter 4 Section 5 of the Universal Registration Document for more information regarding the members of Senior Management.

Note 25: Related parties transactions

25.1 Associates

Companies over which the Group has significant influence are accounted through the equity method. Transactions with these related parties are carried out on arm's length terms.

Related party transactions were not material in 2020.

25.2 Related parties with significant influence

No transactions were carried out during the year with members of the supervisory board or management board. Compensation and benefits paid to the Group's top senior executives are described in Note 24.

Note 26: Commitments and contingent liabilities

26.1 Guarantees and similar undertakings

The following table discloses the maximum exposure on guarantees given and received:

| <i>(in millions of euros)</i> | Dec. 31, 2020 | Dec. 31, 2019 |
|--------------------------------------|----------------------|---------------|
| Market counter guarantees* | 3,367 | 3,178 |
| Pledges, mortgages and sureties** | 117 | 113 |
| Other commitments given | 253 | 291 |
| GUARANTEES GIVEN | 3,737 | 3,582 |
| Endorsements and guarantees received | 54 | 49 |
| GUARANTEES RECEIVED | 54 | 49 |

* On certain contracts, customers require some commitments to guarantee that the contract will be fully executed by the subsidiaries of the Group. The risk linked to the commitment is assessed and a provision for contingencies is recorded when the risk is considered probable and can be reasonably estimated. Market counter guarantees also include the guaranteed obligations towards pension schemes.

** Some loans are secured by property, plant and equipment and securities lodged as collateral.

26.2 Contingent liabilities

As part of its normal operations, the Group is exposed to a number of potential claims and litigations. Except for those for which it is probable that the Group will incur a liability and for which a provision is established for such outcome (see Note 21), the Group is not aware of other potentially material claims and litigations.

Specifically, the Group has not been advised to date of any claim or allegations related to the investigation conducted in France by French public agencies. The Group is fully cooperating with the French authority on this matter. Besides, the antitrust investigation conducted by public agencies in Spain has been closed.

Note 27: Subsequent events

There is no subsequent event to mention.

Note 28: Statutory Auditors' fees

Fees paid by the Group to the statutory auditors and their networks:

| (in thousands of euros) | Full Year 2020 | | | | |
|----------------------------------|----------------|-------------|--------------|-------------|---------------|
| | EY | % | Mazars | % | Total |
| Audit | | | | | |
| Statutory auditing | 11,241 | 96% | 9,061 | 96% | 20,302 |
| <i>o/w Schneider Electric SE</i> | 106 | | 106 | | 212 |
| <i>o/w subsidiaries</i> | 11,135 | | 8,955 | | 20,090 |
| Related audit services ("SACC") | 265 | 2% | 412 | 4% | 677 |
| <i>o/w Schneider Electric SE</i> | 241 | | – | | 241 |
| <i>o/w subsidiaries</i> | 24 | | 412 | | 436 |
| Audit sub-total | 11,506 | 98% | 9,473 | 100% | 20,979 |
| Non-audit services | 275 | 2% | 21 | 0% | 296 |
| TOTAL FEES | 11,781 | 100% | 9,494 | 100% | 21,275 |

| (in thousands of euros) | Full Year 2019 | | | | |
|----------------------------------|----------------|-------------|--------------|-------------|---------------|
| | EY | % | Mazars | % | Total |
| Audit | | | | | |
| Statutory auditing | 10,909 | 94% | 8,191 | 90% | 19,100 |
| <i>o/w Schneider Electric SE</i> | 106 | | 106 | | 212 |
| <i>o/w subsidiaries</i> | 10,803 | | 8,085 | | 18,888 |
| Related audit services ("SACC") | 292 | 3% | 849 | 9% | 1,141 |
| <i>o/w Schneider Electric SE</i> | 236 | | 23 | | 259 |
| <i>o/w subsidiaries</i> | 56 | | 826 | | 882 |
| Audit sub-total | 11,201 | 97% | 9,040 | 99% | 20,241 |
| Non-audit services | 327 | 3% | 115 | 1% | 442 |
| TOTAL FEES | 11,528 | 100% | 9,155 | 100% | 20,683 |

Note 29: Consolidated companies

The main companies included in the Schneider Electric Group scope of consolidation are listed below:

| (in % of interest) | | Dec. 31, 2020 | Dec. 31, 2019 |
|--|----------------|---------------|---------------|
| Europe | | | |
| <i>Fully consolidated</i> | | | |
| NXT Control GmbH | Austria | 100.0 | 100.0 |
| Schneider Electric Austria GmbH | Austria | 100.0 | 100.0 |
| Schneider Electric Power Drives GmbH | Austria | 100.0 | 100.0 |
| Schneider Electric Systems Austria GmbH | Austria | 100.0 | 100.0 |
| Schneider Electric Bel LLC | Belarus | 100.0 | 100.0 |
| Schneider Electric Belgium NV/SA | Belgium | 100.0 | 100.0 |
| Schneider Electric Energy Belgium SA | Belgium | 100.0 | 100.0 |
| Schneider Electric ESS BVBA | Belgium | 100.0 | 100.0 |
| Schneider Electric Services International SPRL | Belgium | 100.0 | 100.0 |
| Schneider Electric Bulgaria EOOD | Bulgaria | 100.0 | 100.0 |
| Schneider Electric d.o.o | Croatia | 100.0 | 100.0 |
| Schneider Electric a.s. | Czech Republic | 98.3 | 98.3 |
| Schneider Electric CZ sro | Czech Republic | 100.0 | 100.0 |
| Schneider Electric Systems Czech Republic sro | Czech Republic | 100.0 | 100.0 |
| Ørbaekvej 280 A/S | Denmark | 100.0 | 100.0 |
| Schneider Electric Danmark A/S | Denmark | 100.0 | 100.0 |
| Schneider Electric IT Denmark ApS | Denmark | 100.0 | 100.0 |
| Schneider Electric Eesti AS | Estonia | 100.0 | 100.0 |
| Schneider Electric Finland Oy | Finland | 100.0 | 100.0 |
| Schneider Electric Fire & Security OY | Finland | 100.0 | 100.0 |
| Schneider Electric Vamp Oy | Finland | 100.0 | 100.0 |
| Behar sécurité | France | 100.0 | 100.0 |
| Boissière Finance | France | 100.0 | 100.0 |
| Construction Electrique du Vivarais | France | 100.0 | 100.0 |
| Dinel | France | 100.0 | 100.0 |
| Eckardt | France | 100.0 | 100.0 |
| Eurotherm Automation | France | 100.0 | 100.0 |
| France Transfo | France | 100.0 | 100.0 |
| IGE+XAO SA | France | 67.9 | 67.9 |
| Merlin Gerin Alès | France | 100.0 | 100.0 |

5. Notes to the consolidated financial statements

| <i>(in % of interest)</i> | | Dec. 31, 2020 | Dec. 31, 2019 |
|---|-------------|---------------|---------------|
| Merlin Gerin Loire | France | 100.0 | 100.0 |
| Muller & Cie | France | 100.0 | 100.0 |
| Newlog | France | 100.0 | 100.0 |
| Rectiphase | France | 100.0 | 100.0 |
| Sarel – Appareillage Electrique | France | 99.0 | 99.0 |
| Scanelec | France | 100.0 | 100.0 |
| Schneider Electric Alpes | France | 100.0 | 100.0 |
| Schneider Electric Energy France | France | 100.0 | 100.0 |
| Schneider Electric France | France | 100.0 | 100.0 |
| Schneider Electric Industries SAS | France | 100.0 | 100.0 |
| Schneider Electric International | France | 100.0 | 100.0 |
| Schneider Electric IT France | France | 100.0 | 100.0 |
| Schneider Electric Manufacturing Bourguebus | France | 100.0 | 100.0 |
| Schneider Electric SE (Mother company) | France | 100.0 | 100.0 |
| Schneider Electric Solar France | France | 100.0 | 100.0 |
| Schneider Electric Systems France | France | 100.0 | 100.0 |
| Schneider Electric Telecontrol | France | 100.0 | 100.0 |
| Schneider Toshiba Inverter Europe SAS | France | 60.0 | 60.0 |
| Schneider Toshiba Inverter SAS | France | 60.0 | 60.0 |
| Société d'Appareillage Electrique Gardy | France | 100.0 | 100.0 |
| Société d'Application et d'Ingenierie Industrielle et Informatique SAS – SA3I | France | 100.0 | 100.0 |
| Société Electrique d'Aubenas | France | 100.0 | 100.0 |
| Société Française de Construction Mécanique et Electrique | France | 100.0 | 100.0 |
| Société Française Gardy | France | 100.0 | 100.0 |
| Systèmes Equipements Tableaux Basse Tension | France | 100.0 | 100.0 |
| Transfo Services | France | 100.0 | 100.0 |
| Transformateurs SAS | France | 100.0 | 100.0 |
| ABN GmbH | Germany | 100.0 | 100.0 |
| Eberle Controls GmbH | Germany | 100.0 | 100.0 |
| Merten GmbH | Germany | 100.0 | 100.0 |
| ProLeit AG | Germany | 100.0 | – |
| RIB GmbH | Germany | 87.6 | – |
| Schneider Electric Automation GmbH | Germany | 100.0 | 100.0 |
| Schneider Electric Holding Germany GmbH | Germany | 100.0 | 100.0 |
| Schneider Electric GmbH | Germany | 100.0 | 100.0 |
| Schneider Electric Investment AG | Germany | 100.0 | – |
| Schneider Electric Real Estate GmbH | Germany | 100.0 | 100.0 |
| Schneider Electric Sachsenwerk GmbH | Germany | 100.0 | 100.0 |
| Schneider Electric Systems Germany GmbH | Germany | 100.0 | 100.0 |
| Schneider Electric AEBE | Greece | 100.0 | 100.0 |
| Schneider Electric Energy Hungary LTD | Hungary | 100.0 | 100.0 |
| Schneider Electric Hungaria Villamossagi ZRT | Hungary | 100.0 | 100.0 |
| SE – CEE Schneider Electric Közep-Kelet Europai KFT | Hungary | 100.0 | 100.0 |
| Schneider Electric Ireland Ltd | Ireland | 100.0 | 100.0 |
| Schneider Electric IT Limited | Ireland | 100.0 | – |
| Schneider Electric IT Logistics Europe Ltd | Ireland | 100.0 | 100.0 |
| Validation technologies (Europe) Ltd | Ireland | 100.0 | 100.0 |
| Eliwell Controls S.r.l. | Italy | 100.0 | 100.0 |
| Eurotherm S.r.l. | Italy | 100.0 | 100.0 |
| Schneider Electric Industrie Italia Spa | Italy | 100.0 | 100.0 |
| Schneider Electric Spa | Italy | 100.0 | 100.0 |
| Schneider Electric Systems Italia Spa | Italy | 100.0 | 100.0 |
| Uniflair Spa | Italy | 100.0 | 100.0 |
| Lexel Fabrika SIA | Latvia | 100.0 | 100.0 |
| Schneider Electric Baltic Distribution Center | Latvia | 100.0 | 100.0 |
| Schneider Electric Latvija SIA | Latvia | 100.0 | 100.0 |
| UAB Schneider Electric Lietuva | Lithuania | 100.0 | 100.0 |
| Industrielle de Réassurance SA | Luxembourg | 100.0 | 100.0 |
| American Power Conversion Corporation (A.P.C.) BV | Netherlands | 100.0 | 100.0 |
| APC International Corporation BV | Netherlands | 100.0 | 100.0 |
| APC International Holdings BV | Netherlands | 100.0 | 100.0 |
| Schneider Electric Logistic Centre BV | Netherlands | 100.0 | 100.0 |
| Schneider Electric Manufacturing The Netherlands BV | Netherlands | 100.0 | 100.0 |
| Schneider Electric Systems Netherlands BV | Netherlands | 100.0 | 100.0 |
| Schneider Electric The Netherlands BV | Netherlands | 100.0 | 100.0 |
| ELKO AS | Norway | 100.0 | 100.0 |
| Eurotherm AS | Norway | 100.0 | 100.0 |

| <i>(in % of interest)</i> | | Dec. 31, 2020 | Dec. 31, 2019 |
|---|----------------|----------------------|---------------|
| Lexel Holding Norge AS | Norway | 100.0 | 100.0 |
| Schneider Electric Norge AS | Norway | 100.0 | 100.0 |
| Elda Eltra Elektrotechnika S.A. | Poland | 100.0 | 100.0 |
| Eurotherm Poland Sp. Z.o.o. | Poland | 100.0 | 100.0 |
| Schneider Electric Industries Polska Sp. Z.o.o. | Poland | 100.0 | 100.0 |
| Schneider Electric Polska Sp. Z.o.o. | Poland | 100.0 | 100.0 |
| Schneider Electric Systems Sp. Z.o.o. | Poland | 100.0 | 100.0 |
| Schneider Electric Transformers Poland Sp. Z.o.o. | Poland | 100.0 | 100.0 |
| Schneider Electric Portugal LDA | Portugal | 100.0 | 100.0 |
| Schneider Electric Romania SRL | Romania | 100.0 | 100.0 |
| AO Schneider Electric | Russia | 100.0 | 100.0 |
| DIN Elektro Kraft OOO | Russia | 100.0 | 100.0 |
| FLISR LLC | Russia | 100.0 | 100.0 |
| OOO Potential | Russia | 100.0 | 100.0 |
| OOO Schneider Electric Zavod Electromonoblock | Russia | 100.0 | 100.0 |
| Schneider Electric Innovation center LLC | Russia | 100.0 | 100.0 |
| Schneider Electric Systems LLC | Russia | 100.0 | 100.0 |
| Schneider Electric URAL LLC | Russia | 100.0 | 100.0 |
| Schneider Electric DMS NS | Serbia | 100.0 | 100.0 |
| Schneider Electric Srbija doo Beograd | Serbia | 100.0 | 100.0 |
| Schneider Electric Slovakia Spol SRO | Slovakia | 100.0 | 100.0 |
| Schneider Electric Systems Slovakia SRO | Slovakia | 100.0 | 100.0 |
| Schneider Electric d.o.o. | Slovenia | 100.0 | 100.0 |
| Manufacturas Electricas SA | Spain | 100.0 | 100.0 |
| Schneider Electric Espana SA | Spain | 100.0 | 100.0 |
| Schneider Electric IT Spain, SL | Spain | 100.0 | 100.0 |
| Schneider Electric Systems Iberica S.L. | Spain | 100.0 | 100.0 |
| AB Crahfte 1 | Sweden | 100.0 | 100.0 |
| AB Wibe | Sweden | 100.0 | 100.0 |
| Elektriska AB Delta | Sweden | 100.0 | 100.0 |
| Elko AB | Sweden | 100.0 | 100.0 |
| Eurotherm AB | Sweden | 100.0 | 100.0 |
| Lexel AB | Sweden | 100.0 | 100.0 |
| Schneider Electric Buildings AB | Sweden | 100.0 | 100.0 |
| Schneider Electric Distribution Centre AB | Sweden | 100.0 | 100.0 |
| Schneider Electric Sverige AB | Sweden | 100.0 | 100.0 |
| Telvent Sweden AB | Sweden | 100.0 | 100.0 |
| Feller AG | Switzerland | 83.7 | 83.7 |
| Gutor Electronic GmbH | Switzerland | 100.0 | 100.0 |
| Schneider Electric (Schweiz) AG | Switzerland | 100.0 | 100.0 |
| Schneider Electric Ukraine | Ukraine | 100.0 | 100.0 |
| Andromeda Telematics Ltd | United Kingdom | 100.0 | 100.0 |
| Aveva Group plc | United Kingdom | 61.4 | 60.0 |
| Avtron Loadbank Worldwide Co., Ltd | United Kingdom | 100.0 | 100.0 |
| BTR Property Holdings Ltd | United Kingdom | 100.0 | 100.0 |
| CBS Group Ltd | United Kingdom | 100.0 | 100.0 |
| Eurotherm Ltd | United Kingdom | 100.0 | 100.0 |
| Imserv Europe Ltd | United Kingdom | 100.0 | 100.0 |
| Invensys Holdings Ltd | United Kingdom | 100.0 | 100.0 |
| M&C Energy Group Ltd | United Kingdom | 100.0 | 100.0 |
| N.J. Froment & Co. Limited | United Kingdom | 100.0 | 100.0 |
| Samos Acquisition Company Ltd | United Kingdom | 100.0 | 100.0 |
| Schneider Electric (UK) Ltd | United Kingdom | 100.0 | 100.0 |
| Schneider Electric Buildings UK Ltd | United Kingdom | 100.0 | 100.0 |
| Schneider Electric Controls UK Ltd | United Kingdom | 100.0 | 100.0 |
| Schneider Electric IT UK Ltd | United Kingdom | 100.0 | 100.0 |
| Schneider Electric Ltd | United Kingdom | 100.0 | 100.0 |
| Schneider Electric Systems UK Ltd | United Kingdom | 100.0 | 100.0 |
| Serck Control and Safety Ltd | United Kingdom | 100.0 | 100.0 |
| <i>Accounted for by equity method</i> | | | |
| Aveltys | France | 51.0 | 51.0 |
| Delta Dore Finance SA (sub-group) | France | 20.0 | 20.0 |
| Energy Pool Development | France | 25.0 | 25.0 |
| Schneider Lucibel Managed Services SAS | France | 47.0 | 47.0 |
| Mö)re Electric Group A/S | Norway | 34.0 | 34.0 |
| Custom Sensors & Technologies Topco Limited | United Kingdom | 30.0 | 30.0 |
| ZAO Gruppa Kompaniy Electroschild | Russia | 60.0 | - |

5. Notes to the consolidated financial statements

| <i>(in % of interest)</i> | Dec. 31, 2020 | Dec. 31, 2019 |
|--|----------------------|---------------|
| North America | | |
| <i>Fully consolidated</i> | | |
| Power Measurement Ltd. | Canada 100.0 | 100.0 |
| Schneider Electric Canada Inc. | Canada 100.0 | 100.0 |
| Schneider Electric Solar Inc. | Canada 100.0 | 100.0 |
| Schneider Electric Systems Canada Inc. | Canada 100.0 | 100.0 |
| Viconics Technologies Inc. | Canada 100.0 | 100.0 |
| Electronica Reynosa, S. de R.L. de C.V. | Mexico 100.0 | 100.0 |
| Industrias Electronicas Pacifico, S.A. de C.V. | Mexico 100.0 | 100.0 |
| Invensys Group Services Mexico S.C. | Mexico 100.0 | 100.0 |
| Schneider Electric IT Mexico, S.A. de C.V. | Mexico 100.0 | 100.0 |
| Schneider Electric Mexico, S.A. de C.V. | Mexico 100.0 | 100.0 |
| Schneider Electric Systems Mexico, S.A. de C.V. | Mexico 100.0 | 100.0 |
| Schneider Industrial Tlaxcala, S.A. de C.V. | Mexico 100.0 | 100.0 |
| Schneider Mexico, S.A. de C.V. | Mexico 100.0 | 100.0 |
| Schneider R&D, S.A. de C.V. | Mexico 100.0 | 100.0 |
| Square D Company Mexico, S.A. de C.V. | Mexico 100.0 | 100.0 |
| Telvent Mexico, S.A. de C.V. | Mexico 100.0 | 100.0 |
| Adaptive Instruments Corp. | United States 100.0 | 100.0 |
| American Power Conversion Holdings Inc. | United States 100.0 | 100.0 |
| ASCO Power GP, LLC | United States 100.0 | 100.0 |
| ASCO Power Services, Inc. | United States 100.0 | 100.0 |
| ASCO Power Technologies, L.P. | United States 100.0 | 100.0 |
| Foxboro Controles S.A. | United States 100.0 | 100.0 |
| Invensys LLC | United States 100.0 | 100.0 |
| Lee Technologies Puerto Rico, LLC | United States 100.0 | 100.0 |
| Power Measurement, Inc. | United States 100.0 | 100.0 |
| Pro-Face America, LLC | United States 100.0 | 100.0 |
| Schneider Electric Buildings Americas, Inc. | United States 100.0 | 100.0 |
| Schneider Electric Buildings Critical Systems, Inc. | United States 100.0 | 100.0 |
| Schneider Electric Buildings, LLC | United States 100.0 | 100.0 |
| Schneider Electric Digital, Inc. | United States 100.0 | 100.0 |
| Schneider Electric Engineering Services, LLC | United States 100.0 | 100.0 |
| Schneider Electric Grid Automation, Inc. | United States 100.0 | 100.0 |
| Schneider Electric Holdings, Inc. | United States 100.0 | 100.0 |
| Schneider Electric IT America Corp. | United States 100.0 | 100.0 |
| Schneider Electric IT Corporation | United States 100.0 | 100.0 |
| Schneider Electric IT Mission Critical Services, Inc. | United States 100.0 | 100.0 |
| Schneider Electric IT USA, Inc. | United States 100.0 | 100.0 |
| Schneider Electric Motion USA, Inc. | United States 100.0 | 100.0 |
| Schneider Electric Solar Inverters USA, Inc. | United States 100.0 | 100.0 |
| Schneider Electric Systems USA, Inc. | United States 100.0 | 100.0 |
| Schneider Electric USA, Inc. | United States 100.0 | 100.0 |
| SE Vermont Ltd | United States 100.0 | 100.0 |
| Siebe Inc. | United States 100.0 | 100.0 |
| SNA Holdings Inc. | United States 100.0 | 100.0 |
| Square D Investment Company | United States 100.0 | 100.0 |
| Stewart Warner Corporation | United States 100.0 | 100.0 |
| Summit Energy Services, Inc. | United States 100.0 | 100.0 |
| Veris Industries LLC | United States 100.0 | 100.0 |
| Asia-Pacific | | |
| <i>Fully consolidated</i> | | |
| Clipsal Australia Pty Ltd | Australia 100.0 | 100.0 |
| Clipsal Technologies Australia Pty Limited | Australia 100.0 | 100.0 |
| Nu-lec Industries Pty. Limited | Australia 100.0 | 100.0 |
| Scada Group Pty Limited | Australia 100.0 | 100.0 |
| Schneider Electric (Australia) Pty Limited | Australia 100.0 | 100.0 |
| Schneider Electric Australia Holdings Pty Ltd | Australia 100.0 | 100.0 |
| Schneider Electric IT Australia Pty Ltd | Australia 100.0 | 100.0 |
| Schneider Electric Solar Australia Pty Ltd | Australia 100.0 | 100.0 |
| Schneider Electric Systems Australia Pty Ltd | Australia 100.0 | 100.0 |
| Serck Controls Pty Limited | Australia 100.0 | 100.0 |
| Tamco Electrical Industries Australia Pty Ltd | Australia 65.0 | - |
| Beijing Leader & Harvest Electric Technologies Co. Ltd | China 100.0 | 100.0 |
| CITIC Schneider Electric Smart Building Technology (Beijing) Co. Ltd | China 51.0 | 51.0 |
| Clipsal Manufacturing (Huizhou) Ltd | China 100.0 | 100.0 |
| FSL Electric (Dongguan) Limited | China 54.0 | 54.0 |
| Priface China International Trading (Shanghai) Co. Ltd | China 100.0 | 100.0 |

| (in % of interest) | | Dec. 31, 2020 | Dec. 31, 2019 |
|--|-----------|---------------|---------------|
| Schneider (Beijing) Medium & Low Voltage Co., Ltd | China | 95.0 | 95.0 |
| Schneider (Beijing) Medium Voltage Co. Ltd | China | 95.0 | 95.0 |
| Schneider (Shaanxi) Baoguang Electrical Apparatus Co. Ltd | China | 70.0 | 70.0 |
| Schneider (Suzhou) Drives Company Ltd | China | 90.0 | 90.0 |
| Schneider (Suzhou) Enclosure Systems Co Ltd | China | 100.0 | 100.0 |
| Schneider (Suzhou) Transformers Co. Ltd | China | 100.0 | 100.0 |
| Schneider Automation & Controls Systems (Shanghai) Co., LTD | China | 100.0 | 100.0 |
| Schneider Busway (Guangzhou) Ltd | China | 95.0 | 95.0 |
| Schneider Electric (China) Co. Ltd | China | 100.0 | 100.0 |
| Schneider Electric (Xiamen) Switchgear Co. Ltd | China | 100.0 | 100.0 |
| Schneider Electric (Xiamen) Switchgear Equipment Co., Ltd | China | 100.0 | 100.0 |
| Schneider Electric Equipment an Engineering (X'ian) Co., Ltd | China | 100.0 | 100.0 |
| Schneider Electric IT (China) Co., Ltd | China | 100.0 | 100.0 |
| Schneider Electric IT (Xiamen) Co., Ltd. | China | 100.0 | 100.0 |
| Schneider Electric Low Voltage (Tianjin) Co. Ltd | China | 75.0 | 75.0 |
| Schneider Electric Manufacturing (Chongqing) Co. Ltd | China | 100.0 | 100.0 |
| Schneider Electric Manufacturing (Wuhan) Co. Ltd | China | 100.0 | 100.0 |
| Schneider Great Wall Engineering (Beijing) Co. Ltd | China | 100.0 | 100.0 |
| Schneider Shanghai Apparatus Parts Manufacturing Co. Ltd | China | 100.0 | 100.0 |
| Schneider Shanghai Industrial Control Co. Ltd | China | 80.0 | 80.0 |
| Schneider Shanghai Low Voltage Term. Apparatus Co. Ltd | China | 75.0 | 75.0 |
| Schneider Shanghai Power Distribution Electric Apparatus Co. Ltd | China | 80.0 | 80.0 |
| Schneider Smart Technology., Ltd | China | 100.0 | 100.0 |
| Schneider South China Smart Technology (Guangdong) Co. Ltd. | China | 100.0 | 100.0 |
| Schneider Switchgear (Suzhou) Co, Ltd | China | 58.0 | 58.0 |
| Schneider Wingoal (Tianjin) Electric Equipment Co. Ltd | China | 100.0 | 100.0 |
| Shanghai ASCO Electric Technology Co., Ltd | China | 100.0 | 100.0 |
| Shanghai Foxboro Co., Ltd | China | 100.0 | 100.0 |
| Shanghai Invensys Process System Co., Ltd | China | 100.0 | 100.0 |
| Shanghai Schneider Electric Power Automation Co. Ltd | China | 100.0 | 100.0 |
| Shanghai Tayee Electric Co., LTD | China | 74.5 | 74.5 |
| Telvent – BBS High & New Tech (Beijing) Co. Ltd | China | – | 80.0 |
| Tianjin Merlin Gerin Co. Ltd | China | – | 75.0 |
| Wuxi Proface Co., Ltd | China | 100.0 | 100.0 |
| Zircon Investment (Shanghai) Co., Ltd | China | 74.5 | 74.5 |
| Clipsal Asia Holdings Limited | Hong Kong | 100.0 | 100.0 |
| Clipsal Asia Limited | Hong Kong | 100.0 | 100.0 |
| Fed-Supremetech Limited | Hong Kong | 54.0 | 54.0 |
| Himel Hong Kong Limited | Hong Kong | 100.0 | 100.0 |
| Schneider Electric (Hong Kong) Limited | Hong Kong | 100.0 | 100.0 |
| Schneider Electric Asia Pacific Limited | Hong Kong | 100.0 | 100.0 |
| Schneider Electric IT Hong Kong Limited | Hong Kong | 100.0 | 100.0 |
| Eurotherm India Private Ltd | India | 100.0 | 100.0 |
| Luminous Power Technologies Private Ltd | India | 100.0 | 100.0 |
| Schneider Electric India Private Ltd | India | 65.0 | 100.0 |
| Schneider Electric Infrastructure Limited | India | 75.0 | 75.0 |
| Schneider Electric IT Business India Private Ltd | India | 100.0 | 100.0 |
| Schneider Electric President Systems Ltd | India | 79.5 | 79.5 |
| Schneider Electric Private Limited | India | 100.0 | 100.0 |
| Schneider Electric Solar India Private Limited | India | 100.0 | 100.0 |
| Schneider Electric Systems India Private Limited | India | 100.0 | 100.0 |
| PT Schneider Electric Indonesia | Indonesia | 100.0 | 100.0 |
| PT Schneider Electric IT Indonesia | Indonesia | 100.0 | 100.0 |
| PT Schneider Electric Manufacturing Batam | Indonesia | 100.0 | 100.0 |
| PT Schneider Electric Systems Indonesia | Indonesia | 95.0 | 95.0 |
| PT Tamco Indonesia | Indonesia | 65.0 | – |
| Schneider Electric Japan, Inc. | Japan | 100.0 | 100.0 |
| Schneider Electric Solar Japan Inc. | Japan | 100.0 | 100.0 |
| Schneider Electric Systems Japan Inc. | Japan | 100.0 | 100.0 |
| Toshiba Schneider Inverter Corp. | Japan | 60.0 | 100.0 |
| Eurotherm Korea Co., Ltd. | Korea | 100.0 | 100.0 |
| Schneider Electric Korea Ltd. | Korea | 100.0 | 100.0 |
| Schneider Electric Systems Korea Limited | Korea | 100.0 | 100.0 |
| Clipsal Manufacturing (M) Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| Gutor Electronic Asia Pacific Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| Henikwon Corporation Sdn Bhd | Malaysia | 65.0 | – |
| Huge Eastern Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| Schneider Electric (Malaysia) Sdn. Bhd. | Malaysia | 30.0 | 30.0 |

5. Notes to the consolidated financial statements

| <i>(in % of interest)</i> | | Dec. 31, 2020 | Dec. 31, 2019 |
|--|----------------------|----------------------|---------------|
| Schneider Electric Industries (M) Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| Schneider Electric IT Malaysia Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| Schneider Electric Systems (Malaysia) Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| Tamco Switchgear (Malaysia) Sdn Bhd | Malaysia | 65.0 | – |
| Schneider Electric (NZ) Limited | New Zealand | 100.0 | 100.0 |
| Schneider Electric Systems New Zealand Limited | New Zealand | 100.0 | 100.0 |
| American Power Conversion Land Holdings Inc. | Philippines | 100.0 | 100.0 |
| Clipsal Philippines, Inc. | Philippines | 100.0 | 100.0 |
| Schneider Electric (Philippines) Inc. | Philippines | 100.0 | 100.0 |
| Schneider Electric IT Philippines Inc. | Philippines | 100.0 | 100.0 |
| Schneider Electric Asia Pte. Ltd. | Singapore | 100.0 | 100.0 |
| Schneider Electric Export Services Pte Ltd | Singapore | 100.0 | 100.0 |
| Schneider Electric IT Logistics Asia Pacific Pte. Ltd. | Singapore | 100.0 | 100.0 |
| Schneider Electric IT Singapore Pte. Ltd. | Singapore | 100.0 | 100.0 |
| Schneider Electric JV2 Holdings Pte. Ltd. | Singapore | 65.0 | – |
| Schneider Electric Overseas Asia Pte Ltd | Singapore | 100.0 | 100.0 |
| Schneider Electric Singapore Pte. Ltd. | Singapore | 100.0 | 100.0 |
| Schneider Electric South East Asia (HQ) Pte. Ltd. | Singapore | 100.0 | 100.0 |
| Schneider Electric Systems Singapore Pte. Ltd. | Singapore | 100.0 | 100.0 |
| Schneider Electric Lanka (Private) Limited | Sri Lanka | 100.0 | 100.0 |
| Schneider Electric Systems Taiwan Corp. | Taiwan | 100.0 | 100.0 |
| Schneider Electric Taiwan Co., Ltd. | Taiwan | 100.0 | 100.0 |
| Pro-Face South-East Asia Pacific Co., Ltd. | Thailand | 100.0 | 100.0 |
| Schneider (Thailand) Limited | Thailand | 100.0 | 100.0 |
| Schneider Electric CPCS (Thailand) Co., Ltd. | Thailand | 100.0 | 100.0 |
| Schneider Electric Solar Thailand | Thailand | 100.0 | – |
| Schneider Electric Systems (Thailand) Co. Ltd. | Thailand | 100.0 | 100.0 |
| Clipsal Vietnam Co. Ltd | Vietnam | 100.0 | 100.0 |
| Invensys Vietnam Ltd | Vietnam | 100.0 | 100.0 |
| Schneider Electric IT Vietnam Limited | Vietnam | 100.0 | 100.0 |
| Schneider Electric Manufacturing Vietnam Co., Ltd | Vietnam | 100.0 | 100.0 |
| Schneider Electric Vietnam Co. Ltd | Vietnam | 100.0 | 100.0 |
| <i>Accounted for by equity method</i> | | | |
| Delixi Electric LTD (sub-group) | China | 50.0 | 50.0 |
| Sunten Electric Equipment Co., Ltd | China | 25.0 | 25.0 |
| Fuji Electric FA Components & Systems Co., Ltd (sub-group) | Japan | 36.8 | 36.8 |
| Foxboro (Malaysia) Sdn. Bhd. | Malaysia | 49.0 | 49.0 |
| Rest of the World | | | |
| <i>Fully consolidated</i> | | | |
| Himel Algerie | Algeria | 100.0 | 100.0 |
| Schneider Electric Algerie | Algeria | 100.0 | 100.0 |
| Schneider Electric Argentina S.A. | Argentina | 100.0 | 100.0 |
| Schneider Electric Systems Argentina S.A. | Argentina | 100.0 | 100.0 |
| American Power Conversion Brasil Ltda. | Brazil | – | 100.0 |
| Eurotherm Ltda. | Brazil | 100.0 | 100.0 |
| Schneider Electric Brasil Automação de Processos Ltda. | Brazil | 100.0 | 100.0 |
| Schneider Electric Brasil Ltda. | Brazil | 100.0 | 100.0 |
| Schneider Electric IT Brasil Industria e Comercio de Equipamentos Eletronicos Ltda. | Brazil | 100.0 | 100.0 |
| Steck da Amazonia Industria Electrica Ltda. | Brazil | 100.0 | 100.0 |
| Steck Industria Electrica Ltda. | Brazil | 100.0 | 100.0 |
| Telseb Serviços de Engenharia e Comércio de Equipamentos Eletrônicos e Telecomunicações Ltda | Brazil | 100.0 | 100.0 |
| Inversiones Schneider Electric Uno Limitada | Chile | 100.0 | 100.0 |
| Marisio S.A. | Chile | 100.0 | 100.0 |
| Schneider Electric Chile S.A. | Chile | 100.0 | 100.0 |
| Schneider Electric Systems Chile Limitada | Chile | 100.0 | 100.0 |
| Schneider Electric de Colombia S.A.S. | Colombia | 100.0 | 100.0 |
| Schneider Electric Systems Colombia Ltda. | Colombia | 100.0 | 100.0 |
| Schneider Electric Centroamerica Limitada | Costa Rica | 100.0 | 100.0 |
| Invensys Engineering & Service S.A.E. | Egypt | 51.0 | 51.0 |
| Schneider Electric Distribution Company | Egypt | 87.4 | 87.4 |
| Schneider Electric Egypt SAE | Egypt | 91.9 | 91.9 |
| Schneider Electric Systems Egypt S.A.E | Egypt | 60.0 | 60.0 |
| L&T Electricals & Automation FZE | United Arab Emirates | 65.0 | – |
| Schneider Electric DC MEA FZCO | United Arab Emirates | 100.0 | 100.0 |
| Schneider Electric FZE | United Arab Emirates | 100.0 | 100.0 |
| Schneider Electric Systems Middle East FZE | United Arab Emirates | 100.0 | 100.0 |
| Schneider Electric (Kenya) Ltd | Kenya | 100.0 | 100.0 |

| <i>(in % of interest)</i> | | Dec. 31, 2020 | Dec. 31, 2019 |
|---|--------------|----------------------|---------------|
| Kana Controls General Trading & Contracting Company W.L.L | Kuwait | 31.9 | – |
| Schneider Electric Services Kuwait | Kuwait | 49.0 | 49.0 |
| Schneider Electric East Mediterranean SAL | Lebanon | 96.0 | 96.0 |
| Delixi Electric Maroc SARL AU | Morocco | 100.0 | 100.0 |
| Schneider Electric Maroc | Morocco | 100.0 | 100.0 |
| Schneider Electric Free Zone Enterprise | Nigeria | 100.0 | – |
| Schneider Electric Nigeria Ltd | Nigeria | 100.0 | 100.0 |
| Schneider Electric Systems Nigeria Ltd | Nigeria | 100.0 | 100.0 |
| Schneider Electric O.M LLC | Oman | 100.0 | 100.0 |
| Schneider Electric Pakistan (Private) Limited | Pakistan | 80.0 | 80.0 |
| Schneider Electric Peru S.A. | Peru | 100.0 | 100.0 |
| Schneider Electric Systems del Peru S.A. | Peru | 100.0 | 100.0 |
| L&T Electricals & Automation Saudi Arabia Company Ltd. | Saudi Arabia | 65.0 | – |
| Schneider Electric Plants Saudi Arabia Co. | Saudi Arabia | 100.0 | 100.0 |
| Schneider Electric Saudi Arabia For Solutions & Services Co | Saudi Arabia | 100.0 | 100.0 |
| Schneider Electric System Arabia Co., LTD | Saudi Arabia | 100.0 | 100.0 |
| Schneider Electric South Africa (Pty) Ltd | South Africa | 74.9 | 74.9 |
| Uniflair South Africa (Pty) Ltd | South Africa | 100.0 | 100.0 |
| Gunsan Elektrik | Turkey | 100.0 | 100.0 |
| Himel Elektrik Malzemeleri Ticaret A.S | Turkey | 100.0 | 100.0 |
| Schneider Elektrik Sanayi Ve Ticaret A.S. | Turkey | 100.0 | 100.0 |
| Schneider Enerji Endustrisi Sanayi Ve Ticaret A.S | Turkey | 100.0 | 100.0 |
| Schneider Electric Uganda Ltd | Uganda | 100.0 | 100.0 |
| Schneider Electric Systems de Venezuela, C.A. | Venezuela | 100.0 | 100.0 |
| Schneider Electric Venezuela, S.A. | Venezuela | 93.6 | 93.6 |

6. Statutory auditors' report on the consolidated financial statements

6. Statutory auditors' report on the consolidated financial statements

To the Annual General Meeting of Schneider Electric SE,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Schneider Electric S.E. for the year ended December 31, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the audit and risks committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirement rules required by the French Commercial Code (*code de commerce*) and the French Code of Ethics (*code de déontologie*) for statutory auditors for the period from January 1st, 2020 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) N° 537/2014.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R.823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of goodwill and trademarks with an indefinite useful life

Notes 1.3, 1.8, 1.11, 5, 9 and 10 to the consolidated financial statements

| Risk identified | |
|-----------------|--|
| | As at December 31, 2020, the carrying amount of goodwill and trademarks with an indefinite useful life is M€ 19.956 and M€ 2.071 respectively, totaling 45 % of the group consolidated assets. |
| | As described in notes 1.8 and 1.11 to the consolidated financial statements, the trademarks with an indefinite useful life and the Cash Generating Units (CGUs), to which the goodwill is allocated, are tested for impairment at least once a year and whenever there is an indication of impairment risk. |
| | The Group's CGUs are Low Voltage, Medium Voltage, Industrial Automation, and Secure Power, and correspond to the smallest identifiable groups of assets generating cash inflows that are largely independent from the cash inflows from other assets or groups of assets. |
| | The recoverable value of a CGU is defined as the highest value between its value in use and its realizable value net of costs. The value in use of a CGU is determined by discounting future cash flows that will be generated by its underlying assets and which are based on the Group management's economic assumptions and operating forecasts. The Group expects to recover its sales and margin level in the near perspective. |

| | |
|--|---|
| Risk identified <i>continued</i> | <p>An impairment loss is recognized when the recoverable value of a CGU is lower than its book value, for the excess amount of the book value over the recoverable value. When the tested CGU comprises goodwill, any impairment loss is primarily deducted there from.</p> <p>We considered the measurement of goodwill and trademarks with an indefinite useful life to be a key audit matter as these assets account for a large part of the group's consolidated balance sheet and because of the level of management's judgment required to:</p> <ul style="list-style-type: none"> • define the CGUs, as an improper mapping could lead your Group to not recognize or underestimate an impairment of goodwill; • determine the assumptions used for the impairment tests of goodwill and trademarks, particularly the discount rates, perpetuity growth rates and the expected margin rates or royalty rates. |
| Our response | <p>As regards the goodwill, our audit work consisted in:</p> <ul style="list-style-type: none"> • assessing the Group's definition of the CGUs in light of the applicable accounting standards; • reconciling the carrying amount of assets tested with the accounting data; • assessing the procedures implemented by the Group to evaluate the future discounted cash flows underlying the determination of the value in use of each CGU and check their consistency with the business plans/cash flow projections updated by Management following the COVID-19 pandemic; • reconciling the business forecasts underlying the future cash flows by comparing past estimates to actual results; • with the assistance of our valuation experts, assessing the assumptions used such as discount rates, perpetuity growth rates and expected margin rates, as well as the sensitivity of tests results to a variation of these assumptions; • reconciling the sensitivity analyses performed by the Group with our sensitivity calculations; • verifying the arithmetical accuracy of the computations underlying the impairment tests. <p>As regards significant trademarks with an indefinite useful life, our work consisted in:</p> <ul style="list-style-type: none"> • with the assistance of our valuation experts, assessing the method used to evaluate their recoverable amount and the assumptions used, including the discount rate, the perpetuity growth rate and the royalty rate, as well as the sensitivity of the results of these tests to changes in these assumptions; • reconciling the business forecasts underlying the future cash flows by comparing past estimates to actual results; • verifying the arithmetical accuracy of the impairment tests. |

Capitalization and measurement of development costs

Notes 1.3, 1.8, 1.11, 4 and 10 to the consolidated financial statements

| | |
|------------------------|---|
| Risk identified | <p>As at December 31, 2020, the Group's consolidated balance sheet includes capitalized development costs recognized as intangible assets for M€ 1.186.</p> <p>As described in notes 1.8 and 1.11 to the consolidated financial statements, the costs the Group incurs as part of its new projects are capitalized when certain criteria are strictly met and, in particular, when it is probable that future economic benefits attributable to the project will flow to the group.</p> <p>Development-related assets are amortized from the commercial launch and over the lifespan of the underlying technology.</p> <p>Development-related assets which are not amortized yet are tested for impairment at least on an annual basis and whenever there is an indication of impairment risk. As for development-related assets, which are in the amortization period, they are tested for impairment when an impairment risk has been identified. The Group recognizes an impairment loss when the recoverable amount of a development-related asset is lower than the corresponding capitalized costs.</p> <p>The capitalization and the measurement of development costs are considered to be a key audit matter due to their materiality when compared to the consolidated assets of the Group, and to the management's judgment exercised when initially determining whether such development costs should be accounted for as intangible assets and when subsequently carrying out impairment tests.</p> |
|------------------------|---|

6. Statutory auditors' report on the consolidated financial statements

| | |
|---------------------|--|
| Our response | <p>We analyzed the processes the Group implemented for the initial recognition in intangible assets of development costs, for the identification of projects to be potentially impaired and for the determination of estimates used for the purpose of testing the development-related assets for impairment. Based on a selection of projects, our work consisted in:</p> <ul style="list-style-type: none"> ensuring the criteria for recognizing an intangible asset, as set out in IAS 38, were met and consistently applied; reconciling, the costs capitalized as at December 31, 2020 with the underlying supporting documentation; assessing the data and assumptions used by the Group when testing development-related assets for impairment, mainly sales forecasts, discount rates and long-term growth rates, by inquiring of management and by comparing future cash flows to past performance; comparing the sensitivity analyses performed by the Group to our sensitivity calculations; verifying the arithmetical accuracy of these impairment tests. |
|---------------------|--|

Recognition and recoverability of deferred tax assets related to tax losses carried forward

Notes 1.3, 1.16 and 14 to the consolidated financial statements

| | |
|------------------------|---|
| Risk identified | <p>As at December 31, 2020, the deferred tax assets recognized in the Group's balance sheet, with regards to tax losses carried forward, amount to M€ 738 and are mainly related to France for M€ 577.</p> <p>As described in note 1.16 to the consolidated financial statements, the Group recognizes future tax benefits, arising from the utilization of tax losses carried forward, to the extent they can reasonably be expected to be achieved, including when such amounts can be indefinitely carried forward.</p> <p>Management assesses at year-end the recoverability by the Group of its deferred tax assets on tax losses carried forward based on its consumption plan. The recognition and appropriate estimation of deferred tax assets relies on the Group's ability to accurately forecast its future taxable income.</p> <p>We considered the initial recognition and the subsequent recoverability of deferred tax assets on tax losses carried forward to be a key audit matter due to the judgment exercised by management.</p> |
| Our response | <p>In considering the Group's capacity to benefit from its deferred tax assets on tax losses carried forward by offsetting them with future taxable income, our audit approach consisted, with the assistance of our tax specialists when necessary, in:</p> <ul style="list-style-type: none"> inquiring about the consumption plans of tax losses carried forward for the subsidiaries or tax consolidation groups at stake; assessing the data and assumptions underlying the consumption plans of tax losses carried forward supporting the recognition and the measurement of deferred tax assets by the Group. |

Risk assessment and measurement of provisions, uncertain tax positions and contingent liabilities

Notes 1.1, 1.21, 1.20, 21 and 26.2 to the consolidated financial statements

| | |
|------------------------|---|
| Risk identified | <p>The Group operates in many countries and is thus exposed to different environments in terms of law, regulation and tax. The Group is also subject to the inherent risks of its operations, especially with regard to commercial and industrial aspects.</p> <p>In this context, the Group may face uncertain, litigious or contentious situations, particularly when analyzing uncertain tax positions.</p> <p>As described in note 1.21 to the consolidated financial statements, the Group recognizes a provision when it has an obligation towards a third party prior to the balance sheet date, and when the loss or liability is likely and can be reliably measured. If the loss or liability is not likely and cannot be reliably estimated, but remains possible, the Group discloses it as a contingent liability.</p> <p>Each subsidiary and relevant departments of the group assess the identified risks on a regular basis, with the assistance of external counsels when necessary.</p> <p>We considered the recognition and measurement of provisions, uncertain tax positions and contingent liabilities to be a key audit matter given the various risks the Group is exposed to and to the judgment required from management to estimate the risks and the amounts of provision and tax liabilities, if any. In case of an incomplete identification of the risks and/or an incorrect evaluation of its exposure, the Group could under- or overestimate its provisions and contingent liabilities.</p> |
|------------------------|---|

| | |
|---------------------|--|
| Our response | <p>Our audit approach consisted mainly in:</p> <ul style="list-style-type: none"> • assessing the procedures implemented by the Group to identify and gather the different types of risks it is exposed to; • obtaining an understanding of the risk analyses performed by the Group, with the relating supporting documentation, and studying written statements from internal and external legal advisors, where applicable; • assessing, for the main risks identified, the assumptions used by management to measure the provisions and tax liabilities accounted for, with the assistance of our tax or environmental risk assessment specialists if necessary; • reading the information provided by the group with regards to these liabilities and contingent liabilities disclose in the consolidated financial statements. |
|---------------------|--|

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors.

We have no matter to report as to its fair presentation and its consistency with the consolidated financial statements.

We certify that the consolidated statement of non-financial performance provided for in Article L. 225-102-1 of the French Commercial Code (*code de commerce*) is included in the information pertaining to the Group provided in the management report, it being specified that, in accordance with the provisions of Article L. 823 10 of this code, the information contained in this statement has not been verified by us as to its accuracy or consistency with the consolidated financial statements and must be the subject of a report by an independent third-party body.

Report on Other Legal and Regulatory Requirements

Format of presentation of the financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standards applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in article L451-1-2, I of the French Monetary and Financial Code (*code monétaire et financier*), prepared under the responsibility of the Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Schneider Electric S.E. by the annual general meetings held on May 6, 2004 for MAZARS and on June 25, 1992 for ERNST & YOUNG et Autres.

As at December 31, 2020, MAZARS was in the seventeenth year of its engagement without interruption and ERNST & YOUNG et Autres in the twenty-ninth year.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The audit and risks committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

6. Statutory auditors' report on the consolidated financial statements

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the audit and risks committee

We submit a report to the audit and risks committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the audit and risks committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the audit and risks committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the audit and risks committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, March 10, 2021

The Statutory Auditors
French original signed by

| | |
|-----------------|------------------------------------|
| MAZARS | ERNST & YOUNG et Autres |
| Loïc Wallaert | Jean-Yves Jégourel |
| Mathieu Mougard | Alexandre Resten |



Yunzhibao Foodstuff realized production gains after modernizing operations with EcoStruxure™ from Schneider Electric.

5

Parent company financial statements

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1. Balance sheet

1. Balance sheet

Assets

| <i>(in thousands of euros)</i> | Notes | Gross | A. & D. or Prov. | Dec. 31, 2020 Net | Dec. 31, 2019 Net |
|--|-------|-------------------|------------------|----------------------|----------------------|
| NON-CURRENT ASSETS | | | | | |
| <i>Intangible assets</i> | | | | | |
| Intangible rights | 1.1 | 27,474 | (27,474) | – | – |
| <i>Property, plant and equipment</i> | | | | | |
| Land | 1.2 | 2,785 | – | 2,785 | 2,785 |
| Buildings | | 48 | (48) | – | – |
| Other | | 1,468 | (242) | 1,226 | 1,226 |
| Total intangible assets and property, plant and equipment | | 31,775 | (27,764) | 4,011 | 4,011 |
| <i>Financial investments</i> | | | | | |
| Shares in subsidiaries and affiliates | 2.1 | 5,377,099 | (30,468) | 5,346,631 | 5,485,708 |
| Other investment securities | 2.2 | 457,964 | – | 457,964 | 1,518,493 |
| Advances to subsidiaries and affiliates | 2.3 | 3,982,656 | – | 3,982,656 | 3,223,997 |
| Other | | 10 | – | 10 | 10 |
| Total financial investments | | 9,817,729 | (30,468) | 9,787,261 | 10,228,208 |
| Total non-current assets | | 9,849,504 | (58,232) | 9,791,272 | 10,232,219 |
| CURRENT ASSETS | | | | | |
| <i>Accounts receivable</i> | | | | | |
| Accounts receivable – trade | | 574,675 | – | 574,675 | 455,460 |
| Other | 3 | 129,770 | – | 129,770 | 102,049 |
| Total accounts receivable | | 704,445 | – | 704,445 | 557,509 |
| <i>Marketable securities and cash</i> | | | | | |
| Marketable securities | 4 | 389,727 | – | 389,727 | 450,723 |
| Advances to the Group cash pool | 5 | 6,522,060 | – | 6,522,060 | 5,411,588 |
| Other | | 207 | – | 207 | 2,006 |
| Total marketable securities and cash | | 6,911,993 | – | 6,911,993 | 5,864,316 |
| Total current assets | | 7,616,439 | – | 7,616,439 | 6,421,825 |
| PREPAYMENTS AND OTHER ASSETS | | | | | |
| Prepaid expenses | 6.1 | 1,280 | – | 1,280 | 351 |
| Deferred expenses | 6.2 | 21,933 | – | 21,933 | 14,568 |
| Call premiums | 6.3 | 26,894 | – | 26,894 | 7,123 |
| Translation losses | | 30,533 | – | 30,533 | 90,653 |
| TOTAL ASSETS | | 17,546,582 | (58,232) | 17,488,350 | 16,766,739 |

The notes form an integral part of these parent company financial statements.

Equity and liabilities

| <i>(in thousands of euros)</i> | Notes | Dec. 31, 2020 | Dec. 31, 2019 |
|--|--------------|----------------------|-------------------|
| EQUITY | 7 | | |
| Share capital | 7.1 | 2,268,274 | 2,328,274 |
| Additional paid-in capital | 7.2 | 2,203,758 | 3,133,188 |
| <i>Reserves</i> | | | |
| Legal reserve | | 243,027 | 243,027 |
| Retained earnings | 7.3 | 1,922,675 | 3,246,040 |
| Net income for the financial year | | (31,273) | 57,108 |
| Untaxed provisions | | 2 | 2 |
| Total equity | | 6,606,463 | 9,007,639 |
| PROVISIONS FOR CONTINGENCIES: | 8 | | |
| Provisions for contingencies | | 391,880 | 452,634 |
| Total provisions for contingencies and expenses | | 391,880 | 452,634 |
| LIABILITIES: | | | |
| Convertible bond | | 650,000 | |
| Bonds | 9 | 8,246,269 | 7,062,368 |
| Other borrowings | 10 | 84,814 | 66,480 |
| Amounts payable to subsidiaries and affiliates | | – | 14 |
| Borrowings and financial liabilities | 11 | 1,302,000 | – |
| Accounts payable – trade | | 680 | 779 |
| Accrued taxes and payroll costs | | 107,252 | 80,313 |
| Other | | 5,677 | 5,762 |
| Total liabilities | | 10,396,692 | 7,215,718 |
| Deferred income | | 40 | 98 |
| Call premiums | 6.3 | 62,743 | – |
| Translation gains | 2.3 | 30,533 | 90,649 |
| TOTAL EQUITY AND LIABILITIES | | 17,488,350 | 16,766,739 |

The notes form an integral part of these parent company financial statements.

2. Statement of income

2. Statement of income

| <i>(in thousands of euros)</i> | Notes | Full year 2020 | Full year 2019 |
|--|-------|-------------------|-------------------|
| Sales of services and other | | 325 | 2,385 |
| Reversals of provisions, depreciation and amortization and expense transfers | | 0 | 0 |
| Operating revenues | | 325 | 2,385 |
| Purchases and external expenses | | (9,666) | (10,079) |
| Taxes other than on income | | (2,604) | (1,612) |
| Payroll expenses | | (2,606) | (4,321) |
| Depreciation and provision expense | | – | – |
| Other operating expenses and joint-venture losses | | (2,000) | (1,821) |
| Operating expenses | | (16,875) | (17,833) |
| Operating profit/(loss) | | (16,550) | (15,447) |
| Dividend income | 14 | 1,553 | 49,896 |
| Interest income | | 48,010 | 49,863 |
| Reversals of impairment provisions for long-term receivables and other | | – | – |
| Financial income | | 49,563 | 99,759 |
| Interest expense | | (112,516) | (111,639) |
| Provision expense | | (6,766) | (7,103) |
| Financial expenses | | (119,282) | (118,741) |
| Net financial income/(loss) | 14 | (69,719) | (18,983) |
| Current result before tax | | (86,269) | (34,430) |
| Proceeds from fixed asset disposals | | 138,894 | 2,078 |
| Reinvoicing performance share | | 121,013 | 515,434 |
| Provision reversals and expense transfers | | 280,004 | 375 |
| Other | | 23,197 | – |
| Non-recurring income | | 563,107 | 517,887 |
| Carrying amount of fixed asset disposals | | (219,983) | (148) |
| Provisions, depreciation and amortization | | (134,516) | 17,717 |
| Other | | (185,901) | (515,602) |
| Non-recurring expenses | | (540,400) | (498,033) |
| Net non-recurring income/(loss) | 15 | 22,708 | 19,854 |
| Net income tax benefit | 16 | 32,287 | 71,684 |
| NET INCOME | | (31,273) | 57,108 |

The notes form an integral part of these parent company financial statements.

3. Notes to the financial statements

3. Notes to the financial statements

(All amounts are in thousands of euros unless otherwise indicated)

3.1 Significant events of the financial year

During the financial year, Schneider Electric SE carried out a capital reduction by canceling EUR15 million treasury shares of EUR4 each of nominal value resulting in a capital reduction of EUR60 million.

The company issued three bonds for EUR800, EUR500 and EUR500 million respectively.

The company issued a convertible bond (OCEANE) for EUR650 million.

On May 2020, the company paid out the 2019 dividend of EUR1,413 million.

The company also proceeded to buy back 650,307 of its own shares for EUR50 million.

Finally, during 2020, action plans 24,26,28,29 and 29bis expired, the company decided to serve 4 million shares for an amount of 182 million re-invoiced to the group companies concerned.

As of December 31, 2020, the company decided to fund some of its current share plans by using existing shares and to re-invoice the related expense to the various entities of the Group. As a consequence, the provision for expenses on shares distribution has been adjusted to 390 million.

3.2 Accounting principles

As in the prior financial year, the financial statements for the financial year ended December 31, 2020 have been prepared in accordance with French generally accepted accounting principles and with the ANC no. 2014-03 code updated by ANC no. 2016-07 code on Nov. 04, 2016.

Non-current assets

Non-current assets of all types are stated at historical cost.

Intangible assets

Intangible rights are amortized over a maximum of 5 years.

Property, plant and equipment

Amortizable items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, ranging from 3 to 10 years. Lands are not depreciated.

Shares in subsidiaries and affiliates

Shares in subsidiaries and affiliates are stated at acquisition cost.

Provisions for impairment may be funded where the carrying amount is higher than the estimated value in use at the end of the financial year. This estimate is primarily determined on the basis of the underlying net assets, earnings outlook and economic forecasts. For listed securities, the average stock price over the month before the closing is used. Unrealized gains resulting from such estimates are not recognized.

Own shares

Treasury stocks are assessed by category (shares in subsidiaries and affiliates, marketable securities), according to the FIFO method "first-in, first-out".

The accounting classification of treasury stocks depends on the purpose for which they are held:

- own shares are classified in marketable securities if they are the object of an explicit allocation to cover performance share distribution plans or if they are bought to regulate the share price of the Group;
- own shares are classified in long-term investments if they are not the object of an explicit allocation to cover an option plan or if they are bought with the aim of their use within the context of a liquidity contract by an investment services provider, or of their later cancellation within the framework of a capital reduction.

The accounting of an impairment of own shares depends on the purpose for which they are held:

- when own shares are allocated to cover of performance share distribution plans, there is no reason to record a provision for impairment;
- in other cases, it is necessary to book an impairment if the average stock market price of the month before the closing is lower than the weighted average cost.

3. Notes to the financial statements

Pension obligations

The present value of termination benefits is determined using the projected unit credit method. Provisions are funded for the supplementary pension benefits provided by the company on the basis of the contractual terms of top-hat agreements, granting a level of benefits exceeding the general regimes. The company applies the corridor method to actuarial gains and losses arising from changes in estimates. Under this method, the portion of net cumulative actuarial gains and losses exceeding 10% of the projected benefit obligation is amortized over 10 years.

Currency risk

When necessary, a contingency provision is put in place for unrealized exchange losses. However, when there are unrealized exchange gains and losses on back-to-back transactions in the same currency and with the same maturity, the amount of the provision is then limited to the net loss.

Bonds

Issue costs are amortized over the life of the bonds and are booked under "deferred expenses". Issuance premiums are booked under "Call premiums" & amortized over the duration of the bonds.

In the case of convertible bond (OCEANE), at conversion, the bond will be reclassified as equity for its nominal conversion amount.

3.3 Notes

Note 1: Non-current assets

1.1 Intangible assets

This item primarily consists of share issue and merger expenses, which are fully amortized.

1.2 Property, plant and equipment

(in thousands of euros)

| Property, plant and equipment | Dec. 31, 2019 | Additions | Disposals | Dec. 31, 2020 |
|-------------------------------|---------------|-----------|-----------|---------------|
| Cost | 4,301 | – | – | 4,301 |
| Depreciation | (290) | – | – | (290) |
| NET | 4,011 | – | – | 4,011 |

Property, plant and equipment are mainly comprised of land not built.

Note 2: Investments

2.1 Shares in subsidiaries and affiliates

(in thousands of euros)

| Shares in subsidiaries and affiliates | Dec. 31, 2019 | Additions | Disposals | Dec. 31, 2020 |
|---------------------------------------|------------------|-----------|------------------|------------------|
| Cost | 5,596,996 | – | (219,897) | 5,377,099 |
| Provisions | (111,288) | – | 80,820 | (30,468) |
| NET | 5,485,708 | – | (139,077) | 5,346,631 |

During the financial year, Cofimines has been liquidated for 139 million, its shares were released for 220 million and the provision has been reversed for 81 million.

The main investments at December 31, 2020 were as follows:

| Shares in subsidiaries and affiliates | Carrying value |
|---------------------------------------|------------------|
| Schneider Electric Industries SAS | 5,343,544 |
| Schneider Electric Japan Holding | 2,049 |
| Other (less than EUR5 million) | 1,038 |
| TOTAL | 5,346,631 |

2.2 Other investment securities

(in thousands of euros)

| Other investment securities | Dec. 31, 2019 | Increases | Decreases | Dec. 31, 2020 |
|--|------------------|---------------|--------------------|----------------|
| Schneider Electric SE shares | 1,518,439 | 49,518 | (1,109,993) | 457,964 |
| Other | 131 | – | (131) | – |
| Provisions for other Shares and own shares | (77) | – | 77 | – |
| NET | 1,518,493 | 49,518 | (1,110,047) | 457,964 |

Other investment securities primarily include Schneider Electric SE shares acquired for allocation on the exercise of certain stock options.

In compliance with the resolution adopted by the Shareholders' Meeting dated April 24, 2018, the company bought back 650,307 of its own shares for a total of EUR50 million.

In compliance with the Board resolution of February 2020, 15 million treasury shares were canceled for EUR989 million (including the amount of additional paid-in capital).

In compliance with the Board's decision of February 2020, September 2020, and December 2020 to fund the performance shares of plans 24,28,29 bis, 36 and 37 with Schneider Electric treasury shares, 2,169,743 shares for a total amount of EUR137 million have been classified as marketable securities. 250,453 shares for EUR16 million were reclassified from marketable securities to "Other investment securities" following the departure of the beneficiaries.

2.3 Advances to subsidiaries and affiliates

(in thousands of euros)

| Advances to subsidiaries and affiliates | Dec. 31, 2019 | Increases | Decreases | Dec. 31, 2020 |
|---|------------------|------------------|------------------|------------------|
| Cost | 3,223,997 | 1,368,264 | (609,604) | 3,982,656 |
| NET | 3,223,997 | 1,368,264 | (609,604) | 3,982,656 |

At December 31, 2020, this item mainly consisted of a loan of EUR2,500 million granted to Schneider Electric Industries SAS with a maturity date of 2021, a loan granted in 2012 to Boissière Finance for a total amount of USD800 million valued at EUR652 million at the end of 2020 and with a maturity date of 2022, a loan granted to Schneider Electric Investment AG for a total amount of EUR819 million with a maturity date of 2021 and accrued interests for a total amount of EUR12 million. The revaluation of USD loan resulted in a translation gain of EUR31 million.

Note 3: Accounts receivables

(in thousands of euros)

| | Dec. 31, 2020 | Dec. 31, 2019 |
|-------------------|----------------|----------------|
| Trade receivables | 574,675 | 455,460 |
| Other | 129,770 | 102,049 |
| NET | 704,445 | 557,509 |

Trade receivables mainly include the re invoicing of the performance shares to SEISAS.

At December 31, 2020, the "Other receivables" are mainly composed of tax receivables and R&D tax credits.

Note 4: Marketable securities

| (in thousands of euros) | Dec. 31, 2019 | | Acquisitions | Disposals | Dec. 31, 2020 | |
|-------------------------|------------------|----------------|----------------|------------------|----------------|------------------|
| | Number of shares | Value | Value | Value | Value | Number of shares |
| TREASURY SHARES | | | | | | |
| Gross | 8,437,254 | 450,722 | 137,426 | (198,421) | 389,727 | 6,381,401 |
| Provisions | – | – | – | – | – | – |
| TOTAL NET | – | 450,722 | 137,426 | (198,421) | 389,727 | – |

Marketable securities primarily represent own shares held by the company for allocation to future performance shares plans and, if appropriate, stock-options.

3. Notes to the financial statements

In 2020, following the decision of the board to fund the performance share distribution plans 24, 28, 29bis, 36 and 37 with existing shares, 2,169,743 shares for a total amount of EUR137 million has been transferred into marketable securities. The performance shares plans, 24, 26, 28, 29 and 29bis have expired, the company has distributed 4 million shares for a total amount of EUR182 million re-invoiced to the concerned Group entities.

Following the loss of the rights of employees who left the group, the company switched back 250,453 shares for a total amount of EUR16 million to "Other investment securities".

Note 5: Cash and cash equivalent Group

This item consists of interest-bearing advances by Schneider Electric SE to the Group cash pool (Boissière Finance) that are immediately recoverable on demand.

Note 6: Prepayment and other assets

6.1 Prepaid expenses

The prepaid expenses relates mainly on insurance costs and fees.

6.2 Bond issue expenses

(in thousands of euros)

| Bond issue expenses | Dec. 31, 2019 | Increases | Decreases | Dec. 31, 2020 |
|--|---------------|---------------|----------------|---------------|
| July 20, 2010 due 2020 (EUR500 million) | 109 | – | (109) | – |
| Sep. 27, 2012 due 2022 (USD800 million) | 986 | – | (410) | 576 |
| Sep. 6, 2013 due 2021 (EUR600 million) | 577 | – | (342) | 235 |
| Mar. 11, 2015 due 2025 (EUR750 million) | 1,668 | – | (315) | 1,353 |
| Sep. 8, 2015 due 2023 (EUR800 million) | 1,521 | – | (410) | 1,111 |
| Oct. 13, 2015 due 2025 (EUR200 million) | 586 | – | (118) | 468 |
| Oct. 13, 2015 due 2025 (EUR100 million) | 228 | – | (38) | 190 |
| Sep. 9, 2016 due 2024 (EUR800 million) | 2,096 | – | (443) | 1,653 |
| Dec. 13, 2017 due 2026 (EUR750 million) | 2,048 | – | (286) | 1,762 |
| June. 21, 2018 due 2027 (EUR750 million) | 1,900 | – | (256) | 1,644 |
| Sept. 9, 2019 due 2024 (EUR200 million) | 513 | 140 | (150) | 503 |
| Jan. 15, 2019 due 2028 (EUR250 million) | 720 | – | (90) | 630 |
| Jan. 15, 2019 due 2028 (EUR500 million) | 1,614 | – | (201) | 1,413 |
| Mar. 11, 2020 due 2029 (EUR800 million) | – | 2,430 | (218) | 2,212 |
| Apr. 9, 2020 due 2027 (EUR500 million) | – | 1,549 | (161) | 1,388 |
| Jun. 12, 2020 due 2023 (EUR500 million) | – | 1,259 | (232) | 1,027 |
| Nov. 24, 2020 due 2026 (EUR650 million) | – | 5,878 | (111) | 5,767 |
| TOTAL | 14,568 | 11,256 | (3,890) | 21,933 |

6.3 Issuance premiums

(in thousands of euros)

| Issuance premiums | Dec. 31, 2019 | Increases | Decreases | Dec. 31, 2020 |
|---|---------------|-----------------|----------------|-----------------|
| July 20, 2010 due 2020 (EUR500 million) | 325 | – | (325) | – |
| Sep. 27, 2012 due 2022 (USD800 million) | 400 | – | (184) | 216 |
| Sep. 6, 2013 due 2021 (EUR600 million) | 347 | – | (206) | 141 |
| Mar. 11, 2015 due 2025 (EUR750 million) | 4,694 | – | (886) | 3,808 |
| Sep. 8, 2015 due 2022 (EUR800 million) | 2,121 | – | (572) | 1,549 |
| Oct. 13, 2015 due 2025 (EUR100 million) | (1,073) | – | 343 | (730) |
| Sep. 9, 2016 due 2024 (EUR800 million) | 4,761 | – | (1,009) | 3,752 |
| Dec. 13, 2017 due 2026 (EUR750 million) | 4,036 | – | (590) | 3,446 |
| June 21, 2018 due 2027 (EUR750 million) | 6,040 | – | (810) | 5,230 |
| Sept. 9, 2019 due 2024 (EUR200 million) | (2,752) | – | 588 | (2,164) |
| Jan. 15, 2019 due 2028 (EUR250 million) | (11,889) | – | 1,481 | (10,408) |
| Jan. 15, 2019 due 2028 (EUR500 million) | 112 | – | (14) | 98 |
| Mar. 11, 2020 due 2029 (EUR800 million) | – | 5,592 | (502) | 5,090 |
| Apr. 9, 2020 due 2027 (EUR500 million) | – | 2,885 | (300) | 2,585 |
| Jun. 12, 2020 due 2023 (EUR500 million) | – | 1,200 | (221) | 979 |
| Nov. 24, 2020 due 2026 (EUR650 million) | – | (50,360) | 919 | (49,441) |
| TOTAL | 7,123 | (40,683) | (2,288) | (35,849) |

Note 7: Shareholders' equity and retained earnings

| <i>(in millions of euros)</i> | Share capital | Additional paid-in capital | Reserves and retained earnings | Net income for the year | Regulated provisions | Total |
|---|---------------|----------------------------|--------------------------------|-------------------------|----------------------|---------------|
| December 31, 2018 before allocation of net income for the year | 2,317 | 2,976 | 327 | 4,457 | – | 10,078 |
| Change in share capital | 11 | 156 | – | – | – | 167 |
| Allocation of 2018 net income | – | – | 3,161 | (3,161) | – | – |
| 2018 dividend | – | – | – | (1,296) | – | (1,296) |
| Cancellation of own shares | – | – | – | – | – | – |
| 2019 net income | – | – | – | 57 | – | 57 |
| December 31, 2019 before allocation of net income for the year | 2,328 | 3,133 | 3,489 | 57 | – | 9,007 |
| Change in share capital | – | – | – | – | – | – |
| Allocation of 2018 net income | – | – | 57 | (57) | – | – |
| 2019 dividend | – | – | (1,413) | – | – | (1,413) |
| Cancellation of own shares | (60) | (929) | – | – | – | (989) |
| Reimbursement withholding tax 2003 | – | – | 33 | – | – | 33 |
| 2020 net income | – | – | – | (31) | – | (31) |
| DECEMBER 31, 2020 BEFORE ALLOCATION OF NET INCOME FOR THE YEAR | 2,268 | 2,204 | 2,166 | (31) | – | 6,607 |

7.1 Capital

Share capital

The company's share capital at December 31, 2020 amounted to EUR 2,268,274,220 consisting of 567,068,555 shares with a par value of EUR4, all fully paid up.

Changes in share capital

The decrease in share capital of EUR60 million recorded over the year corresponding to a cancellation of 15 million treasury shares.

Own shares

At the reporting date, the total number of own shares held is 12,740,423 including 6,359,022 shares not affected to performance share distribution plans for a total amount of EUR458 million and 6,381,401 shares affected to distribution plans for a total amount of EUR 390 million.

7.2 Additional paid-in capital

Additional paid-in capital decreased by EUR929 million over the financial year, mainly coming from capital reduction by the way of cancellation of own treasury shares.

7.3 Allocation of previous year net income

Pursuant to the 3rd resolution of the Ordinary and Extraordinary Shareholders' Meeting of April 22, 2020, the 2019 gain of EUR57 million was allocated to retained earnings. EUR1,413 million of dividends were distributed and EUR71 million not distributed corresponding to SE own treasury shares.

Note 8: Provisions for contingencies and expenses

| <i>(in thousands of euros)</i> | Dec. 31, 2019 | Increases | Decreases | Dec. 31, 2020 |
|---|----------------|----------------|------------------|----------------|
| PROVISIONS FOR CONTINGENCIES | | | | |
| Disputes | 15 | – | (15) | – |
| Provision for fees on own shares distribution | 450,722 | 137,426 | (198,421) | 389,727 |
| Other | 1,897 | 256 | – | 2,153 |
| TOTAL | 452,634 | 137,682 | (198,436) | 391,880 |

Management is confident that overall the balance sheet provisions for disputes of which it is currently aware and in which the company is involved should be sufficient to ensure that these disputes do not have a material impact on its financial position or income.

A provision for risk of EUR390 millions was booked to cover the decision of the board to allocate performance shares plans with SESE own shares.

3. Notes to the financial statements

Note 9: Bonds

| (in thousands of euros) | Share capital | | Interest rate | Maturity |
|----------------------------|------------------|------------------|-------------------------|---------------|
| | Dec. 31, 2020 | Dec. 31, 2019 | | |
| Schneider Electric SE 2019 | 94,325 | 150,244 | Euribor +0.60% Floating | July 23, 2022 |
| Schneider Electric SE 2020 | – | 500,000 | 3.625% Fixed | July 20, 2020 |
| Schneider Electric SE 2022 | 651,944 | 712,124 | 2.95% Fixed | Sep. 27, 2022 |
| Schneider Electric SE 2021 | 600,000 | 600,000 | 2.50% Fixed | Sep. 06, 2021 |
| Schneider Electric SE 2025 | 750,000 | 750,000 | 0.875% Fixed | Mar. 11, 2025 |
| Schneider Electric SE 2023 | 800,000 | 800,000 | 1.50% Fixed | Sep. 08, 2023 |
| Schneider Electric SE 2025 | 200,000 | 200,000 | 1.841% Fixed | Oct. 13, 2025 |
| Schneider Electric SE 2025 | 100,000 | 100,000 | 1.841% Fixed | Oct. 13, 2025 |
| Schneider Electric SE 2024 | 800,000 | 800,000 | 0.25% Fixed | Sep. 09, 2024 |
| Schneider Electric SE 2024 | 200,000 | 200,000 | 0.25% Fixed | Sep. 09, 2024 |
| Schneider Electric SE 2026 | 750,000 | 750,000 | 0.875% Fixed | Dec. 13, 2026 |
| Schneider Electric SE 2027 | 750,000 | 750,000 | 1.375% Fixed | June 21, 2027 |
| Schneider Electric SE 2028 | 500,000 | 500,000 | 1.5% Fixed | Jan. 15, 2028 |
| Schneider Electric SE 2028 | 250,000 | 250,000 | 1.5% Fixed | Jan. 15, 2028 |
| Schneider Electric SE 2029 | 800,000 | – | 0.25% Fixed | Mar. 11, 2029 |
| Schneider Electric SE 2027 | 500,000 | – | 1% Fixed | Apr. 09, 2027 |
| Schneider Electric SE 2023 | 500,000 | – | 0% Fixed | Jun. 12, 2023 |
| TOTAL | 8,246,269 | 7,062,368 | | |

Fixed: fixed rate.

Floating: floating rate.

The revaluation of USD800 million bonds Schneider Electric SE 2022 resulted in a translation loss of EUR31 million.

Convertible bonds (OCEANE)

| (in thousands of euros) | Share capital | | Interest rate | Maturity |
|----------------------------|----------------|---------------|---------------|---------------|
| | Dec. 31, 2020 | Dec. 31, 2019 | | |
| Schneider Electric SE 2026 | 650 000 | – | 0% | Jun. 15, 2026 |
| TOTAL | 650 000 | | | |

Schneider Electric SE has issued bonds during past years on different markets:

- in the United States, through a private placement offering following (SEC 144A rule) for USD800 million worth of bonds issued in September 2012, at a rate of 2.950%, due in September 2022;
- as part of its Euro Medium-Term Notes (EMTN) program, for which bonds are traded on the Luxembourg stock exchange.

During the year, the company reimbursed one bond amounting EUR500 million matured on July 20, 2020.

The company issued three bonds as follows:

- EUR800 million at 0.25%, maturing on March 11 2029;
- EUR500 million at 1%, maturing on April, 09 2027;
- EUR250 million at 0%, maturing on June, 12 2023.

The Group has issued in November 2020 a bond that is convertible into or exchangeable for a new or existing shares (OCEANES) for EUR 650 million at a rate of 0.00%, maturing in June 2026.

The initial conversion and/or exchange ratio of the Bonds is one share per Bond with a nominal value set at EUR 176. According to Sustainability-Linked Financing Framework, if the average sustainability performance score (calculated as the arithmetic average of the scores of the three key performance indicators) does not reach a certain level by December 31, 2025, the Group will pay an amount equal to 0.50% of the face value.

The three key performance indicators from the 11 new Schneider Sustainability Impact (SSI) 2021-2025 indicators are the following:

- Climate: Deliver 800 megatons of saved and avoided CO₂ emissions to our customers;
- Equality: Increase gender diversity, from hiring to front-line managers and leadership teams (50/40/30);
- Generation: Train 1 million underprivileged people in energy management.

The detailed rating methodology and approach are presented in the Group's Sustainability-Linked Financing Framework. For all those transactions, issue premium and issue costs are amortized per the effective interest rate method.

At December 31, 2020, the other remaining bonds are as follows:

- EUR177 million worth of floating-rate bonds issued in July 2008 and maturing on July 23, 2022, decreased to EUR150 million through the repayment in June 2014 of EUR27 million; decreased to EUR94 million through the repayment in July 2020 of EUR56 million;
- EUR100 million worth of 1.841% bonds issued in October 2015 and maturing on October 13, 2025;
- EUR800 million worth of 0.25% bonds issued in September 2016 and maturing on September 9, 2024 and described above;
- EUR600 million worth of 2.50% bonds issued in September 2013 and maturing on September 6, 2021;
- EUR200 million worth of 1.841% bonds issued in October 2015 and maturing on October 13, 2025;
- EUR800 million worth of 1.50% bonds issued in September 2015 and maturing on September 8, 2023;
- EUR750 million worth of 0.875% bonds issued in March 2015 and maturing on March 11, 2025;
- EUR750 million worth of 0.875% bonds issued in December 2017 and maturing on December 13, 2026;
- EUR750 million worth of 1.375% bonds issued in June 2018 and maturing on June 21, 2027;
- EUR200 million worth of 0.25% bonds issued in September 2019 and maturing on September 09, 2024;
- EUR500 million worth of 1.5% bonds issued in January 2019 and maturing on January 15, 2028;
- EUR250 million worth of 1.5% bonds issued in January 2019 and maturing on January 15, 2028.

The issue premiums and issuance costs are amortized in line with the effective interest method.

Note 10: Other borrowings

Other borrowings at December 31, 2020 included accrued interest on bonds and other debt issued by the company.

Accrued interest amounted to EUR43 million, compared to EUR44 million at end-2019.

Other debt issued by the company correspond to an intercompany loan amounted to EUR42 million, compared to EUR22 million at end of 2019.

Note 11: Borrowings and financial liabilities

| Borrowing and financial liabilities (in thousands of euros) | Dec. 31, 2019 | Increase | Decrease | Dec. 31, 2020 |
|--|---------------|------------------|--------------------|------------------|
| Commercial paper | – | 4,237,000 | (2,935,000) | 1,302,000 |
| Overdrafts | – | – | – | – |
| Other | – | – | – | – |
| NET | – | 4,237,000 | (2,935,000) | 1,302,000 |

Note 12: Maturities of receivables and payables

| (in thousands of euros) | Total | Due within 1 year | Due in 1 to 5 years | Due beyond 5 years |
|---|-----------|----------------------|------------------------|-----------------------|
| NON-CURRENT ASSETS | | | | |
| Advances to subsidiaries and affiliates | 3,982,656 | 3,330,712 | 651,944 | – |
| CURRENT ASSETS | | | | |
| Accounts receivable – trade | 574,675 | 574,675 | – | – |
| Other receivables | 129,770 | 98,572 | 31,198 | – |
| Marketable securities | 389,727 | 389,727 | – | – |
| Prepaid expenses | 1,280 | 1,280 | – | – |
| DEBT | | | | |
| Bonds | 8,896,269 | 600,000 | 5,496,269 | 2,800,000 |
| Other borrowings | 84,814 | 84,814 | – | – |
| Commercial paper | 1,302,000 | 1,302,000 | – | – |
| Accounts payable – trade | 680 | 680 | – | – |
| Accrued taxes and payroll costs | 107,252 | 107,252 | – | – |
| Other | 5,677 | 5,677 | – | – |
| Deferred income | 40 | 40 | – | – |

Invoices received and issued during the period have not been subject to late payment.

3. Notes to the financial statements

Note 13: Related-party transactions (minimum 10% stake)

| <i>(in thousands of euros)</i> | Gross | Net |
|---|-----------|-----------|
| Shares in subsidiaries and affiliates | 5,377,099 | 5,346,631 |
| Advances to subsidiaries and affiliates | 3,982,656 | 3,982,656 |
| Accounts receivable | 574,675 | 574,675 |
| Cash and cash equivalents | 6,522,060 | 6,522,060 |
| Revenues: | | |
| • rebilled performance shares | | 121,013 |
| • interest | | 49,172 |

Note 14: Net financial income/(loss)

| <i>(in thousands of euros)</i> | Full year 2020 | Full year 2019 |
|------------------------------------|-------------------|-------------------|
| Dividends | 1,553 | 49,896 |
| Net interest income (expense) | (64,355) | (61,776) |
| Other | (6,917) | (7,103) |
| NET FINANCIAL INCOME/(LOSS) | (69,719) | (18,983) |

In 2020, the company received EUR1,6 million of dividends from Schneider Electric Japan Holding Ltd. In 2019, dividends received from Schneider Electric Industries SAS were EUR 50 million.

Note 15: Net non-recurring income/(loss)

| <i>(in thousands of euros)</i> | Full year 2020 | Full year 2019 |
|---|-------------------|-------------------|
| Net gains/(losses) on fixed asset disposals | (81,089) | 1,930 |
| Provisions net of reversals | 80,897 | 18,092 |
| Other non-recurring income/(expense) | 22,900 | (168) |
| NET NON-RECURRING INCOME/(LOSS) | 22,708 | 19,854 |

In 2020, the company received EUR23 million of interest relative to reimbursement of withholding tax.

Note 16: Net income tax benefit

The "income tax expense" line item in the statement of income mainly consists of the Group tax relief recorded by the tax group headed by Schneider Electric SE, net of 2020 income tax due, for EUR35 million.

Schneider Electric SE is the parent company of the tax group comprising all French subsidiaries that are over 95%-owned. Tax loss carry forwards available to the company in this capacity totaled EUR2,303 million at December 31, 2020.

Note 17: Pension benefit commitment

The company had taken commitments towards its executives, active managers and retirees. In 2015, the company closed the top-hat executive pension plans. Since 2015, there is no more active beneficiary. The company has outsourced to AXA France VIE the commitments towards the retirees beneficiaries the top-hat executive pension plans.

Note 18: Off-balance sheet commitments

18.1 Partnership obligations

The share of liabilities of "SC" non-trading companies attributable to Schneider Electric SE as partner is not material.

The share of liabilities of "SNC" flow-through entities attributable to Schneider Electric SE as partner is not material.

18.2 Guarantees given and received

Commitments given

Counter-guarantees of bank guarantees: None

Other guarantees given: EUR1,974 million, mainly to Group companies

Commitments received

Bank counter-guarantees: None

18.3 Financial instruments

Schneider Electric Group hedging transactions, exchange guarantees and the establishment of financial instruments are carried out by the manager of the Group cash pool, Boissière Finance, a wholly-owned subsidiary of Schneider Electric Industries SAS, which in turn is wholly-owned by Schneider Electric SE.

Schneider Electric SE does not hold any hedging instruments at December 31, 2020.

Note 19: Contingencies

As part of its normal operations, the entity is exposed to a number of potential claims and litigations. Except for those for which it is probable that the entity will occur a liability and a provision established for such outcome, the entity is not aware of other potentially material claims and litigations.

Specifically, the entity has not been advised to date of any claim/allegations related to the investigation conducted in France by French public agencies. The entity is fully cooperating with the French authorities on these matters.

Note 20: Other information

20.1 Workforce

The average number of employees is 1 over 2020.

20.2 Consolidated financial statements

Schneider Electric SE is the parent company of the Group and accordingly publishes the consolidated financial statements of the Schneider Electric Group.

20.3 Subsequent events

At the date of financial statements approval by the board of directors, there is no material subsequent event.

4. Statutory auditors' report on the annual financial statements

4. Statutory auditors' report on the annual financial statements

To the Annual General Meeting of Schneider Electric SE,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Schneider Electric S.E. for the year ended December 31, 2020.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the audit and risks committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of rules required by the French Commercial Code (*code de commerce*) and the French Code of ethics (*code de déontologie*) for statutory auditors for the period from January 1st, 2020 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) N° 537/2014.

Justification of Assessments – Key Audit Matters

Due to the global crisis related to the COVID-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organisation and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R.823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of investments in subsidiaries and affiliates and advances to subsidiaries and affiliates

"Accounting principles" and note 2 "Investments" of the notes to the parent company financial statements

| | |
|------------------------|---|
| Risk identified | <p>As at December 31, 2020, investments in subsidiaries and affiliates and the related advances amount to M€ 5,347 and M€ 3,983 respectively in the balance sheet of Schneider Electric S.E., net of any impairment loss.</p> <p>As described in the accounting principles of the notes to the financial statements, investments are recognized at their acquisition cost and impaired, should their carrying amount exceed their estimated value in use at closing date. The estimated value in use of investments is determined primarily based on the subsidiaries' and affiliates' net assets as well as on their earnings outlook and the underlying economic forecasts. For listed securities, the average stock price over the month before the closing is used.</p> <p>Due to the judgment exercised by management as part of this estimate, especially when relying on forecasts, we considered the valuation of investments in subsidiaries and affiliates, as well as the valuation of related advances, to be a key audit matter.</p> |
|------------------------|---|

| | |
|---------------------|--|
| Our response | <p>As part of our audit, we analyzed the procedures implemented by your Company to determine the value in use of investments in subsidiaries and affiliates. Our work consisted in:</p> <ul style="list-style-type: none"> • comparing the shares in the subsidiaries' and affiliates' net assets, when used as a proxy for their value in use, with their underlying accounting data, which were subject to an audit or to analytical procedures; • assessing the appropriateness of the valuation method used to determine the value in use when based on forecasts; • assessing the reasonableness of key assumptions used to estimate values in use, mainly the long-term growth rate and the discount rate, by inquiring of Management and with the assistance of our experts, when needed; • verifying the arithmetical accuracy of the computations performed by your Company. <p>We also assessed the recoverability of advances to subsidiaries and affiliates, based on the impairment tests results of the corresponding investments.</p> |
|---------------------|--|

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law and regulations.

Information provided in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

In accordance with French law, we report to you that the information relating to payment times referred to in Article D. 441-6 of the French Commercial Code (*code de commerce*) is fairly presented and consistent with the financial statements.

Information relating to corporate governance

We attest that the Board of Directors' section of the management report devoted to corporate governance sets out the information required by Articles L.225-37-4, L.22-10-10 et L.22-10-9 of the French Commercial Code (*code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code (*code de commerce*) relating to remunerations and benefits received by or allocated to the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlled companies which are part of its consolidation perimeter. Based on this work, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code (*code de commerce*), we have verified their compliance with the source documents communicated to us. Based on our work, we have no observation to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Format of presentation of the financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, 1 of the French Monetary and Financial Code (*code monétaire et financier*), prepared under the responsibility of the Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Schneider Electric S.E. by the Annual General Meetings held on May 6, 2004 for MAZARS and on June 25, 1992 for ERNST & YOUNG et Autres.

As at December 31, 2020, MAZARS was in the seventeenth year of its engagement without interruption and ERNST & YOUNG et Autres in the twenty-ninth year.

4. Statutory auditors' report on the annual financial statements

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The audit and risks committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the audit and risks committee

We submit a report to the audit and risks committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the audit and risks committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the audit and risks committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the audit and risks committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, March 10, 2021

The Statutory Auditors
French original signed by

| | |
|-----------------|------------------------------------|
| MAZARS | ERNST & YOUNG et Autres |
| Loïc Wallaert | Jean-Yves Jégourel |
| Mathieu Mougard | Alexandre Resten |

5. List of securities held at December 31, 2020

5. List of securities held at December 31, 2020

| Number of securities (in thousands of euros) | Company | Carrying amount of securities |
|---|-----------------------------------|----------------------------------|
| A. MAJOR INVESTMENTS | | |
| (Carrying amounts over EUR5 million) | | |
| 58,018,657 | Schneider Electric Industries SAS | 5,343,544 |
| 6,359,022 | Electric SE Own Shares | 457,964 |
| | | 5,801,508 |
| B. OTHER INVESTMENTS | | |
| (Carrying amounts under EUR5 million) | | |
| | | 1,038 |
| C. INVESTMENTS IN REAL ESTATE COMPANIES | | |
| - | | |
| D. INVESTMENTS IN FOREIGN COMPANIES | | |
| 2,049 | | |
| Total | | 5,804,595 |
| MARKETABLE SECURITIES | | |
| 6,381,401 | Schneider Electric SE own shares | 389,727 |
| TOTAL | | 6,194,322 |

6. Subsidiaries and affiliates

6. Subsidiaries and affiliates

| Company (in thousands of euros) | Capital | Reserves and retained earnings & retained earnings prior to appropriation of earnings* |
|---|---------|---|
| I. DETAILED INFORMATION ON SUBSIDIARIES AND AFFILIATES WITH A CARRYING AMOUNT OF OVER 1% OF THE SHARE CAPITAL OF SCHNEIDER ELECTRIC SE | | |
| A. Subsidiaries (at least 50% owned) | | |
| Schneider Electric Industries SAS 35, rue Joseph-Monier 92500 Rueil-Malmaison, France | 928,299 | 5,835,969 |
| B. Affiliates (10 to 50%-owned) | | |
| II. OTHER SUBSIDIARIES AND AFFILIATES | | |
| A. Subsidiaries not included in Section I: (+50%) | | |
| a) French subsidiaries (aggregate) | 38 | 8,241 |
| b) Foreign subsidiaries (aggregate) | – | – |
| B. Affiliates not included in Section I: (0-50%) | | |
| a) French companies (aggregate) | – | – |
| b) Foreign companies (aggregate) | 21,008 | 141,643 |

* Including income or loss in prior financial year.

| Share interest held (%) | Gross value | Net value | Loans and advances provided by the company and still outstanding | Amount of guarantees given by the company | 2020 Revenues (ex. VAT) | 2020 Profit or loss(-) | Dividends received by the company during 2020 |
|-------------------------|-------------|-----------|--|---|-------------------------|------------------------|---|
| 100,00 | 5,343,544 | 5,343,544 | 2,506,319 | – | 3,408,652 | 1,911,992 | – |
| 99,84 | 12,305 | 1,038 | – | – | – | – | – |
| – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – |
| 4.8 | 21,249 | 2,049 | – | – | – | 1,576 | 1,553 |

7. The company's financial results over the last 5 years

7. The company's financial results over the last 5 years

| Description | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|--------------------------|---------------------|-------------|-------------|-------------|
| FINANCIAL POSITION AT DECEMBER 31 | | | | | |
| Share capital (<i>in thousands of euros</i>) | 2,268,274 | 2,328,274 | 2,316,675 | 2,387,665 | 2,369,995 |
| Number of shares in issue | 567,068,555 | 582,068,555 | 579,168,769 | 596,916,242 | 592,498,759 |
| Number of convertible bonds in issue | 3,683,972 | | | | |
| Maximum number of shares to be created: | | | | | |
| • through conversion of bonds | – | – | – | – | – |
| • through exercise of rights | – | – | 8,371 | 8,271 | 9,562 |
| RESULTS OF OPERATIONS (IN THOUSANDS OF EUROS) | | | | | |
| Sales (ex. VAT) | 450 | 2,385 | 174 | 170 | 228 |
| Investment revenue, interest income and other revenue | 1,553 | 49,896 | 4,551,232 | 147,031 | 52,276 |
| Earnings before tax, depreciation, amortization and provisions | (201,902) | (18,659) | 4,412,483 | (22,861) | (146,799) |
| Income tax | 32,287 | 71,684 | 1,215 | 55,213 | (53,632) |
| Earnings after tax, depreciation, amortization and provisions | (31,273) | 57,108 | 4,457,994 | 121,488 | (99,730) |
| Dividends paid ⁽¹⁾ excluding tax credit and withholdings | 1,474,378 ⁽²⁾ | 1,413,455 | 1,361,047 | 1,313,216 | 1,208,697 |
| RESULTS OF OPERATIONS PER SHARE (in euros) | | | | | |
| Earnings before depreciation, amortization and provisions | (0.30) | 0.09 | 7.62 | 0.05 | (0.14) |
| Earnings after tax, depreciation, amortization and provisions | (0.06) | 0.1 | 7.70 | 0.20 | (0.17) |
| Net dividend per share | 2.60 ⁽²⁾ | 2.55 ⁽²⁾ | 2.35 | 2.20 | 2.04 |
| EMPLOYEES | | | | | |
| Average number of employees during the financial year | 1 | 1 | 1 | 2 | 1 |
| Total payroll for the financial year (<i>in thousands of euros</i>) | 1,961 | 3,693 | 2,544 | 1,670 | 1,507 |
| Total of employee benefits paid over the financial year | – | – | – | – | – |
| (Social security, other benefits, etc.) (<i>in thousands of euros</i>) | 916 | 944 | 1,010 | 796 | 974 |

(1) Dividends on shares held in treasury on the dividend payment date and the associated withholding are credited to retained earnings.

(2) Pending approval by the Annual Shareholders' Meeting of April 28, 2021.



Bolloré Logistics drives its green promises forward with the help of EcoStruxure™ from Schneider Electric.

6

Information on the Company and its capital

| | | | |
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1. General information on the Company

This chapter includes elements of the Board of Directors' Governance Report.

Sections 2.1 (Annual Shareholders' Meetings), 2.2 (Voting rights), 2.3 (Publication of information of Article L.22-10-11 of the French Commercial Code), the table of section 3.3 (pending delegations relating to share capital increase and decrease) and Chapter 3 constitute the Board of Directors' Governance Report prepared in accordance with Article L.225-37 of the French Commercial Code. They are indicated with a special mention.

1. General information on the Company

As a European Company (*Societas Europaea*) with a Board of Directors (since June 18, 2014), domiciled in France, Schneider Electric SE is governed by European Council Regulation (EC) No. 2157/2001 of October 8, 2001, governing the status of European Companies (SE Regulation). Issues not covered by the SE Regulation are governed by the provisions of the French Commercial Code (*Code de commerce*) applicable to limited-liability companies (*société anonyme*), as well as by their Articles of Association. The provisions of the French Commercial Code regarding the management and governance of limited-liability companies are applicable to the European Company.

As of December 31, 2020, the Company's share capital was EUR2,268,274,220. Its head office is located at 35, rue Joseph Monier, 92500 Rueil-Malmaison, France, telephone: +33 (0)1 41 29 70 00.

Schneider Electric SE is registered with the commercial court registry of Nanterre under No. 542 048 574, APE code (principal activity code) 7010Z, Legal Entity Identifier (LEI) 969500A1YF1XUYYS284.

The Company was incorporated in 1871. It is due to expire on July 1, 2031. It was first called Spie Batignolles, then changed its name to Schneider SA when it merged with Schneider SA in 1995, and then to Schneider Electric SA in May 1999, before becoming Schneider Electric SE in 2014.

As stated in Article 2 of its Articles of Association, the Company has the following corporate purpose, directly or indirectly, in any form, in France and in all other countries:

- (i) the design, development, and sale of products, equipment, and solutions related to the metering, management, and use of energy in all its forms and delivering reliability, efficiency, and productivity, in particular through engaging in, whether by creating, acquiring, or otherwise, all activities related to:
 - electrical equipment manufacturing, electrical distribution, and secured power supply,
 - building control, automation, and safety,
 - industrial control and automation, including software,
 - management of all types of data centers, networks, equipment, and other infrastructure;
- (ii) the acquisition, purchase, sale, and use of any intellectual and/or industrial property rights relative to these industries;
- (iii) involvement in any way in any enterprise, company, or consortium, whatever the type, undertaking activities related to the Company's business or such as to encourage its industry and commerce, and, more generally, all industrial, commercial and financial, asset and real estate operations related directly or indirectly in any way to the above objective.

The Company may enter into any transactions that fall within the scope of its objectives either alone for its own account or on behalf of third parties, either by having an interest in, or by the purchase, subscription, contribution, or exchange of company shares, partnership shares and the purchase of any company, irrespective of type, in pursuance of a similar or related purpose, or that promote its expansion or development.

The Articles of Association, minutes of Annual Shareholders' Meetings, statutory auditors' reports and other legal documents concerning the Company are available for consultation at the Company's head office (office of the Secretary to the Board of Directors) located at 35, rue Joseph Monier, 92500 Rueil-Malmaison, France.

The Articles of Association, regulated information, registration documents, sustainable development reports, notice of the General Meeting, and other documents are also available on the Company's website (www.se.com).

2. Shareholders' rights and obligations

2. Shareholders' rights and obligations

2.1 Annual Shareholders' Meetings (Article 19 of the Articles of Association)

This section is part of the Board of Directors' governance report.

Annual Shareholders' Meetings are called and run in accordance with the conditions prescribed by law.

The meetings are held at the head office or any other address provided in the call to meeting. The Board may decide, when each meeting is called, to organize the public transmission of all or part of the meeting by video conference and/or using teletransmission techniques.

All shareholders may attend meetings, in person or by proxy, after providing proof of identity and share ownership in accordance with applicable laws and regulations.

When the decision is made to call an Annual Shareholders' Meeting, the Board of Directors may also decide to allow shareholders to participate or vote at Annual Shareholders' Meetings using video conferencing facilities and/or any other telecommunication medium allowed under applicable legislation.

Remote voting procedures are governed by the applicable laws and regulations. In particular, shareholders may send proxy and mail ballot forms before Annual Shareholders' Meetings either in paper form or, if approved by the Board of Directors and stated in the meeting announcement and/or notice, electronically.

When the decision is made to call an Annual Shareholders' Meeting, the Board of Directors may authorize shareholders to fill out and sign these forms electronically through a secure site set up by the Annual Shareholders' Meeting organizer using a process that complies with applicable laws and regulations (Paragraph 2 of Article 1367 of the French Civil Code) and consisting of a username and password.

Proxies or votes so submitted electronically before the Annual Shareholders' Meeting, as well as the related acknowledgments of receipt, will be considered irrevocable and binding documents. However, in the event that shares are sold before the applicable record date (midnight Paris time two business days before the meeting date), the Company will cancel or amend, as appropriate, any related proxy or electronic votes submitted before the Annual Shareholders' Meeting.

Meetings shall be chaired by the Chairman of the Board of Directors or in his absence by the Vice-Chairman, or in his absence by a member of the Board of Directors specially appointed for that purpose by the Board of Directors. In the event that no chairman has been selected, the Annual Shareholders' Meeting elects its chairman.

The two shareholders present who hold the largest number of votes and who accept shall act as scrutineers. The Board appoints a secretary, who is not required to be a shareholder.

As required by law, a register of attendance is kept.

Copies or extracts of the meeting's minutes are certified either by the Chairman or Vice-Chairman of the Board of Directors, or the Annual Shareholders' Meeting's secretary.

2. Shareholders' rights and obligations

2.2 Voting rights

This section is part of the Board of Directors' governance report.

1 – Double voting rights (Article 20 of the Articles of Association)

Voting rights attached to shares are proportionate to the equity in the capital they represent, assuming that they all have the same nominal value. Each capital share or dividend share confers the right to one vote except where compulsory legal provisions limit the number of votes a shareholder may have. Notwithstanding the foregoing, double voting rights are attributed to fully paid-up shares registered in the name of the same holder for at least two years prior to the end of the calendar year preceding that in which the Annual Shareholders' Meeting takes place, subject to compliance with the provisions of the law. In the case of a bonus share issue paid up by capitalizing reserves, earnings, or additional issue premiums, each bonus share allotted in respect of shares carrying double voting rights will also have double voting rights.

The shares are stripped of their double voting rights if they are converted into bearer shares or transferred, except in the case of the transfer from one registered holder to another as part of an inheritance or family gift.

Double voting rights may also be stripped by a decision of the Extraordinary Annual Shareholders' Meeting after ratification by a Special Shareholders' Meeting of beneficiaries benefiting from double voting rights.

The minimum holding period to qualify for double voting rights was reduced from four to two years by decision of the Ordinary and Extraordinary Shareholders' Meeting of June 27, 1995.

2 – Ceiling on voting rights (Article 20 of the Articles of Association)

At the Annual Shareholders' Meeting, no shareholder may exercise, either in person or through a proxy, by virtue of single voting rights conferred by the shares they hold directly and indirectly and by virtue of the proxy votes entrusted to them, more than 10% of the total number of the voting rights conferred by shares in the Company. However, if a shareholder also holds double voting rights directly or indirectly and/or as proxy, the limit set may be exceeded taking into consideration only the resulting additional voting rights, without the total voting rights thereby held exceeding 15% of the total number of the voting rights conferred by the shares in the Company.

To apply these provisions:

- the total number of voting rights allowed are calculated as of the date of the Annual Shareholders' Meeting and announced to the shareholders at the beginning of such Annual Shareholders' Meeting;
- the number of voting rights held directly and indirectly are understood to include those conferred by shares held personally by a shareholder, those conferred by shares held by a legal entity controlled by a shareholder as defined by Article L.233-3 of the French Commercial Code, and those shares that are assimilated to the shares owned, as defined by the provisions of Articles L.233-7 *et seq.* of the Code;
- shareholders' proxies returned to the Company that do not appoint a representative are subject to the above ceilings. However, these ceilings do not apply to the meeting chairman voting on behalf of such proxies.

The above ceilings will no longer apply, without it being necessary to put the matter to the vote again by the Extraordinary Shareholders' Meeting, if any individual or legal entity, acting alone or jointly with one or other individuals or legal entities, acquires or increases its stake to at least two-thirds of the Company's capital through a public tender offer for all the Company's shares. The Board of Directors takes note of this nullity and undertakes the formalities necessary to amend the Articles of Association. The ceiling on voting rights was approved by the Ordinary and Extraordinary Shareholders' Meetings of June 27, 1995.

In accordance with Article L.225-96, Paragraph 1 of the French Commercial Code, any amendment to the Articles of Association must be approved by the Extraordinary Shareholders' Meeting, by a majority of at least two-thirds of the voting rights represented by shareholders in attendance or participating by proxy.

2.3 Allocation of income (Article 22 of the Articles of Association)

Net income for the year less any losses brought forward from prior years is appropriated in the following order:

- 5% to the legal reserve (this appropriation is no longer required once the legal reserve represents one-tenth of the capital, provided that further appropriations are made in the case of a capital increase);
- to discretionary reserves, if appropriate, and to retained earnings;
- to the payment of the balance in the form of a dividend.

The General Meeting may decide to offer shareholders the opportunity to receive the dividend in cash or in the form of new shares. Dividends not claimed within five years from the date of payment are forfeited and paid to the government, in accordance with the law.

2.4 Holding of shares (Article 7 Paragraph 1 of the Articles of Association)

Shareholders may elect to hold their shares in registered or bearer form. To establish proof of ownership, the shares must be recorded in the shareholder's account in accordance with the procedures and conditions defined by current legislation and regulations.

2.5 Disclosure thresholds (Article 7 Paragraph 2 of the Articles of Association)

The Articles of Association stipulate that any individual or legal entity that owns or controls (as these terms are defined in Article L.233-9 of the French Commercial Code) directly or indirectly, shares or voting rights representing at least 1% of the total number of shares or voting rights outstanding, or a multiple thereof, is required to disclose the total number of shares, voting rights and share equivalents held directly, indirectly or in concert to the Company by registered letter with return receipt requested, within five trading days of the disclosure threshold being crossed. In addition, effective November 1, 2009 the shareholder must notify the Company, in the disclosure letter, the number of existing shares it is entitled to acquire by virtue of agreements or financial instruments referred to in point b) of the third paragraph of Article L.233-7 of the French Commercial Code and of the number of existing shares covered by any agreement or financial instrument referred to in point c) of said paragraph. Shareholders are also required to notify the Company if the number of shares or voting rights held falls below one of the thresholds defined above. In the case of failure to comply with these disclosure obligations, the shares in excess of the disclosure threshold will be stripped of voting rights at the request of one or several shareholders owning at least 2.5% of the share capital, subject to compliance with the relevant provisions of the law. These provisions are from the Ordinary and Extraordinary Shareholders' Meetings of June 27, 1995, May 5, 2000, and April 23, 2009.

2.6 Identifiable holders of bearer shares (Article 7 Paragraph 3 of the Articles of Association)

The Company may at any time request Euroclear to identify holders of bearer securities conferring immediate or future voting rights. This provision was adopted by the Ordinary and Extraordinary Shareholders' Meetings of June 30, 1988 and May 5, 2000.

2.7 Disposal of shares (Article 8 of the Articles of Association)

Shares in the Company are freely negotiable and transferable.

2.8 Publication of information of Article L.22-10-11 of the French Commercial Code

This section is part of the Board of Directors' governance report.

Items that could have an impact in the event of a public tender offer include:

- agreements calling for payments to the Chairman and Chief Executive Officer (see see pages 289 *et seq.*) or to employees if they resign or are terminated without real cause or if their employment ends due to a public tender offer;
- certain loans with conditional provisions of anticipated reimbursement in the event of change of control. Under these provisions, the debt holders may request for repayment if a shareholder or shareholders acting together hold more than 50% of the Company's shares, and for the majority of contracts, this event triggers a downgrading of the Company's rating. As of December 31, 2020, EUR8.8 billion of the Group's financing and lines of credit had these type of provisions; and
- statutory restrictions in the Articles of Association on the exercise of voting rights (see page 386) relating to the non-application of the ceiling on voting rights when a public tender offer is successfully completed.

3. Capital

3. Capital

3.1 Share capital and voting rights

The Company's share capital at December 31, 2020 amounted to EUR2,268,274,220 represented by 567,068,555 shares with a par value of EUR4, all fully paid up. 593,189,057 voting rights were attached to the 567,068,555 outstanding shares as at December 31, 2020.

3.2 Potential capital

At December 31, 2020, the potential capital consisted of 259,175 shares under the Performance Shares or stock grant plans 30, 31bis, 32, 34 and 37bis relating to existing shares or shares to be issued, as may be determined later and 3,683,972 OCEANES.

The potential maximum dilution in case of issue of all the shares resulting from the stock grants and Performance Shares would be 0.04% of share capital at December 31, 2020 and the one that could result from the conversion of the OCEANES is 0.65% of the share capital.

3.3 Authorizations to issue and cancel shares

3.3.1 Authorizations granted by the Annual Shareholders' Meeting

The Ordinary and Extraordinary Shareholders' Meetings of April 25, 2019 authorized the Board of Directors:

- 1) to increase the Company's capital by capitalizing reserves, earnings, or additional paid-in-capital;
- 2) to increase the share capital by a maximum nominal value of EUR800 million (200 million shares) by issuing shares or share equivalents with a ceiling of:
 - in the case of an issue with preferential subscription rights, the ceiling stands at a nominal value of EUR800 million (200 million shares),
 - in the case of an issue without preferential subscription rights, the ceiling stands at a nominal value of EUR230 million (57.5 million shares) through public offering with the possibility of:
 - (i) proceeding to issue by private placements of shares subject to a ceiling with a nominal value of EUR115 million (28.75 million shares),
 - (ii) paying for securities contributed to the Company in connection with a public exchange offer initiated by the Company,
 - (iii) within the limit of 9.93% of capital, making payment for contributions in kind of shares or share equivalents of unlisted companies;
- 3) to grant existing shares or shares to be issued to employees and corporate officers of the Company and its affiliates under the provisions of Article L.225-197-1 *et seq.* of the French Commercial Code, within a limit of 2% of the Company's issued share capital as of April 25, 2019.

These authorizations include, in case of oversubscription, the power to increase the nominal amount of the issues within the limit set on the ceiling on the number of shares or share equivalents to be issued.

- 4) to cancel the Company's own shares up to a maximum of 10% of the capital over a 24-month period.

In addition, the Ordinary and Extraordinary Shareholders' Meetings of April 23, 2020 authorized the Board of Directors:

- 1) to issue new shares to members of the Company Savings Plan, within a limit of 2% of the issued capital on the date of the implementation of the authorization;
- 2) to issue new shares under programs to promote share ownership among employees in non-French companies of the Group, within a limit of 1% of the Company's share capital as of April 25, 2019 to be applied to the ceiling for the authorization given in 1) above.

At its meeting of December 14, 2020, the Board of Directors authorized the issue of new shares to employees, within a limit of 0.65% of the capital. These capital increases reserved for employees, whether part of the Company Savings Plan or not, will take place in June 2021 and the subscription prices will be set by that date, before the subscription period.

The Annual Shareholders' Meeting to be held on April 28, 2021 (see pages 401 to 421) will be requested to renew all the authorizations for share capital increase including the authorizations for share capital increase reserved for employees.

3.3.2 Use of authorizations granted by the Annual Shareholders' Meeting: issuance of OCEANES

This section constitutes the complementary report referred to in Articles L.225-129-5 and R.225-116 of the French Commercial Code. It has been drawn up by the Board of Directors at its meeting of February 10, 2021.

Legal framework of the issuance of the OCEANES

The Annual Shareholders' Meeting of Schneider Electric SE (the "Company") held on April 25, 2019 (the "General Meeting") has, pursuant to its twentieth resolution and acting in accordance with the quorum and majority requirements required for extraordinary meetings, in accordance with the provisions of the French Commercial Code, in particular Articles L.225-129 to L.225-129-6, L.225-135 (L.22-10-51 since January 1st, 2021), L.225-136 (L.22-10-52 since January 1st, 2021), L.228-93, and of paragraph II of Article L.411-2 of the French Monetary and Financial Code delegated to the Board of Directors, with the power to subdelegate, in compliance with applicable laws and regulations, the authority to decide without the shareholders' preferential subscription right through an offer referred to in Paragraph II of Article L.411-2 of the French Monetary and Financial Code (since the entry into force on 23 October 2019 of ordinance n°2019-1067 amending the provisions in relation to securities public offerings, an offer referred to in "Article L.411-2, 1° of the French Monetary and Financial Code"), on one or several occasions, in the proportion and at the times it deems appropriate, in France and/or abroad, in Euros or in any other currency or unit of account set by reference to several currencies, capital increase through the issue of ordinary shares or securities, governed by Articles L.228-91 et seq. of the French Commercial Code granting access by any means, immediately and/or in the future, to ordinary shares of the Company or of a company in which it directly or indirectly owns more than half of the share capital, it being specified that (a) the subscription of shares and other securities may be performed either in cash or by offsetting receivables, and (b) the new shares will grant the same rights as the old shares subject to their dividend date. The Annual Shareholders' Meeting decided that the delegation shall be valid for a twenty-six (26) month-period and granted within a maximum nominal amount of capital increase of €115 million being deducted from the capital increase ceiling of €230 million provided for in the 17th resolution and to the capital increase ceiling of €800 million provided for in the 15th resolution, of said Annual Shareholders' Meeting

At its meeting of October 21, 2020, the Board of Directors decided to use the powers granted to it by the General Meeting of April 25, 2019 in its 20th resolution and to approve the principle of an issuance, by the Company, of securities giving access to the share capital, represented by OCEANES, in the context of a public offering referred to in Article L.411-2, 1° of the French Monetary and Financial Code to qualified investors in France and outside France (as the case may be, except in the United States of America, Australia, Japan, Canada and/or South Africa), without the shareholders' preferential subscription right within the limits of a total nominal amount of such issuance of OCEANES of €750 million and a maximum total nominal amount of the corresponding capital increase(s) resulting from the potential conversion of the OCEANES into new ordinary shares of €21 million (excluding any adjustments to preserve the rights of holders of OCEANES). The Board of Directors subdelegated until January 30, 2021 to the Chairman and Chief executive officer all powers to decide the issuance of OCEANES and to set its conditions. The Chairman and Chief executive officer using this subdelegation decided on November 17, 2020 to issue 3,683,972 OCEANES with a nominal value of €176.44 and a per-unit price of €190.11.

Main features of the issuance of the OCEANES

In pursuance of the above mentioned Board's decision, OCEANES has been issued under the main terms and conditions as follows:

- **date of announcement and launching of the issuance:** November 17, 2020
- **settlement-delivery of the OCEANES:** November 24, 2020
- **terms of issue of the OCEANES:** by way of a placement to qualified investors only (within the meaning of Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation")), in accordance with Article L. 411-2-1° of the French Monetary and Financial Code in France and outside of France (excluding, in particular, the United States of America, Australia, Japan, Canada and/or South Africa),
- **number and nominal value of the OCEANES to be issued:** 3,683,972 OCEANES with a nominal value of €176.44
- **corresponding nominal amount of the issuance:** €650,000,019.68
- **issue price of the OCEANES:** €190.11 representing 107.75% of the nominal value
- **interest rate:** zero-coupon
- **yield to maturity:** – 1.33% per annum
- **maturity of the OCEANES:** June 15, 2026
- **conditions for redemption:** redemption at nominal value
- **premium payment amount:** in line with Schneider Electric's Sustainability-Linked Financing Framework, if the average sustainability performance score (calculated as the arithmetic average of the three key performance indicators), which should be published by the Company together with the 2025 annual audited financial statements and no later than 28 February 2026, does not reach a minimum level by 31 December 2025 payment by the Company of an amount equal to €0.88, representing 0.50% of their nominal unit value in respect of each bond which would neither be repaid or converted/exchange before
- **conditions for early redemption:** at the option of the Company at par plus any applicable premium payment amount at the Company's option at any time from 15 January 2024 (inclusive), subject to a prior notice of at least 30 (but not more than 60) calendar days, if the arithmetic mean, calculated over a period of 10 consecutive trading days, chosen by the Company from among the 20 consecutive trading days ending on (and including) the trading day immediately preceding the day of the publication of the early redemption notice, of the daily products on each of such 10 consecutive trading days of the volume weighted average price of the Company's shares on Euronext Paris and the applicable conversion/exchange ratio on each such trading day, exceeds 130% of the nominal value of each bond
- **dates, deadlines and conditions of conversion/exchange:** right to convert or exchange the bonds into new and/or existing shares of the Company exercisable at any time from 4 January 2021 up to the 7th business day (inclusive) preceding June 15, 2026 (or on the following business day if this date is not a business day) or, as the case may be, the relevant early redemption date
- **conversion/exchange ratio:** 1 share per bond (adjustments: French standard protection against dilution and dividend protection if the yearly dividend is above 2.55€ per year)

3. Capital

Impact on the holder of securities of the Company

- **Impact of the issuance on the share in equity of the Company**

For information purpose, on the assumption that the Company decides to issue new shares only in case of exercise of the right to convert or exchange the bonds into shares of the Company, the impact of the issuance of these new shares on the share in equity of the Company (on the basis of Company's equity and the number of shares making up the share capital as of December 31, 2020) would be as follows:

| | Share in equity (in euros) | |
|--|----------------------------|----------------|
| | Non diluted basis | Diluted basis* |
| Before issuance of OCEANEs | 11.65 | 11.64 |
| After issuance of OCEANEs and exercise of the right to attribution of shares | 12.71 | 12.71 |

* In the event that all performance shares not yet qualified are delivered from shares to be issued (i.e., as of December 31, 2020: 259,175 new shares to be issued).

- **Impact of the issuance on the shareholder's situation**

For information purpose, on the assumption that the Company decides to issue new shares only in case of exercise of the right to convert or exchange the bonds into shares of the Company, the impact of the issuance of these new shares on the shareholder's ownership holding 1% of the Company's share capital prior to the issuance and who does not subscribe to it (on the basis of the number of shares making up the share capital as of December 31, 2020) would be as follows:

| | Shareholder's ownership (in %) | |
|--|--------------------------------|----------------|
| | Non diluted basis | Diluted basis* |
| Before issuance of OCEANEs | 1% | 0.9995% |
| After issuance of OCEANEs and exercise of the right to attribution of shares | 0.9935% | 0.9931% |

* In the event that all performance shares not yet qualified are delivered from shares to be issued (i.e., as of December 31, 2020: 259,175 new shares to be issued).

Theoretical impact of the issuance on the current market value of the Schneider Electric SE share

The theoretical impact of the issuance on the current market value of the Schneider Electric share is insignificant.

Table summarizing the outstanding delegations relating to share capital increase and decreases granted by the Annual Shareholders' Meeting

This table is part of the Board of Directors' governance report.

| | Maximum par value of authorized capital increases (in euros) | Number of shares | Authorization date/authorization expires | Use of the resolution (number of shares whose issuance has been authorized) | Amount available (in number of shares) |
|--|--|--------------------|---|---|--|
| Issues with preferential subscription rights | | | | | |
| Issuance of shares or other securities, giving access immediately or in the future to the capital (15th resolution of the AGM of April 25, 2019) | 800 million ⁽¹⁾ | 200,000,000 | Apr. 25, 2019/ Jun. 24, 2021 | None | 195,435,563 ⁽³⁾⁽⁸⁾ |
| Issues without preferential subscription rights | | | | | |
| Issuance, in cash or in compensation of listed securities, shares or other securities giving access immediately or in the future to the capital (17th resolution of the AGM of April 25, 2019) | 230 million ⁽¹⁾⁽²⁾ | 57,500,000 | Apr. 25, 2019/ Jun. 24, 2021 | None | 53,816,028 ⁽³⁾⁽⁸⁾ |
| Issuance of shares and other securities through an offer referred to in Paragraph II of Article L.411-2 of the French Monetary and Financial Code ⁽⁷⁾ (20th resolution of the AGM of April 25, 2019) | 115 million ⁽¹⁾ | 28,750,000 | Apr. 25, 2019/ Jun. 24, 2021 | 3,683.972 ⁽⁸⁾ | 25,066,028 |
| Issuance of shares and other securities as consideration for unlisted securities (19th resolution of the AGM of April 25, 2019) | 230 million ⁽¹⁾⁽²⁾ | 57,500,000 | Apr. 25, 2019/ Jun. 24, 2021 | None | |
| Overall limits on issuance made under the above resolutions | 800 million⁽¹⁾ | 200,000,000 | Apr. 25, 2019/ Jun. 24, 2021 | None | 195,435,563⁽³⁾⁽⁸⁾ |
| Employee share issues | | | | | |
| Company savings plan (20th resolution of the AGM of April 23, 2020) | 46 million ⁽⁶⁾ | 11,584,000 | Apr. 23, 2020/ Jun. 22, 2022 | | 7,884,000 ⁽³⁾ |
| Share issues to promote share ownership among employees in foreign companies of the Group (21st resolution of the AGM of April 23, 2020) | 23 million ⁽⁴⁾⁽⁶⁾ | 5,792,000 | Apr. 23, 2020/ Oct. 22, 2021 | | 2,092,000 ⁽³⁾ |
| Free shares or Performance Shares (21st resolution of the AGM of April 25, 2019) | 46 million ⁽⁶⁾ | 11,584,000 | Apr. 25, 2019/ Jun. 24, 2022 | 2,216,791 | 9,367,209 ⁽⁵⁾ |
| | Maximum amount of the authorized cancellation (in euros) | Number of shares | Authorization date/ authorization expires | | Amount available (in number of shares) |
| Reduction in capital through cancellation of shares | | | | | |
| Cancellation of own shares (24th resolution of the AGM of April 25, 2019) | 291 million per 24-month period | 58,206,855 | Apr. 25, 2019/ Apr. 24, 2021 | | 43,206,855 ⁽⁹⁾ |

(1) The overall ceiling for issues is capped at EUR800 million in aggregate.

(2) All issuance made without preference right (17, 19 and 20th resolutions) are globally limited to EUR230 million.

(3) The 15th resolution of the AGM held on April 25, 2019 specifies that any issuance based on the 16th resolution of the AGM held on April 24, 2018 will be deducted from the limit set in the 15th resolution of the AGM held on April 25, 2019. Using the authorization of the 16th resolution of the AGM held on April 24, 2018 and the delegation of the Board of Directors granted on December 12, 2018, 880,465 shares were issued for French employees participating in a Company savings plan.

(4) Issuances of shares reserved for employees in non-French subsidiaries will be deducted from the ceiling for capital increases reserved for employees participating in a Company savings plan.

(5) At the Board of Directors' meeting of March 24, 2020, 2,113,740 shares were granted under the 2020 Long-term incentive plan. At the Board of Directors' meeting of October 21, 2020, 103,051 shares were granted under the 2020 Long-term incentive plan.

(6) On the date of the 2019 Annual Shareholders' Meeting, the share capital was EUR2,317 million.

(7) Since the entry into force on October 23, 2019 of ordinance n°2019-1067 amending the provisions in relation to securities public offerings, an offer referred to in "Article L. 411-2, 1° of the French Monetary and Financial Code".

(8) At its meeting of October 21, 2020, the Board of Directors decided to use the powers granted to it by the General Meeting of April 25, 2019 in its 20th resolution and grant full powers to the Chief Executive Officer to carry out the issuance of the OCEANES within certain limits. On November 17, 2020, the CEO decided the issuance by the Company, of 3,683.972 OCEANES, in the context of an offering referred to in Article L.411-2, 1° of the French Monetary and Financial Code to qualified investors in France and outside France without the shareholders' preferential subscription right, each OCEANE giving right to conversion or exchange into one new and/or existing shares of the Company (excluding any adjustments to preserve the rights of holders of OCEANES).

(9) At its meeting of February 19, 2020, the Board of Directors decided to use the powers granted to it by the General Meeting of April 25, 2019 in its 24th resolution and to proceed with the cancellation of 15,000,000 treasury shares, representing 2.58% of the share capital as of January 31, 2020.

3. Capital

3.4 Three-year summary of changes in capital

The following table shows changes in Schneider Electric SE's share capital and additional paid-in-capital since December 31, 2017 through capital increases/decrease and the exercise of stock options:

| | Number of shares issued or cancelled | Cumulative number of shares | Total |
|---|---|--------------------------------|-------------------------|
| Employee share issue | 2,413,368 | | |
| Exercise of stock options and Performance Shares issued | 2,004,115 | | |
| Capital as of Dec. 31, 2017⁽¹⁾ | | 596,916,242 | EUR2,387,664,968 |
| Decrease in capital | 22,000,000 | | |
| Employee share issue | 2,406,585 | | |
| Exercise of stock options and Performance Shares issued | 1,845,942 | | |
| Capital as of Dec. 31, 2018⁽²⁾ | | 579,168,769 | EUR2,316,675,076 |
| Employee share issue | 2,676,018 | | |
| Exercise of stock options and Performance Shares issued | 223,768 | | |
| Capital as of Dec. 31, 2019⁽³⁾ | 582,068,555 | | EUR2,328,274,220 |
| Decrease in capital | 15,000,000 | | |
| Performance Shares issued | – | | |
| CAPITAL AS OF DEC. 31, 2020⁽⁴⁾ | | 567,068,555 | EUR2,268,274,220 |

(1) Increase in share capital (EUR17.7 million), increase in additional paid-in-capital (EUR149 million).

(2) Decrease in share capital (EUR71 million) and in additional paid-in-capital (EUR2,171 million).

(3) Increase in share capital (EUR11.6 million), increase in additional paid-in-capital (EUR156.2 million).

(4) Decrease in share capital (EUR60 million) and in additional paid-in-capital (EUR929.4 million).

3.5 Share buybacks

Current share buyback program

The Annual Shareholders' Meeting of April 25, 2019 authorized the Company to buy back shares. This authorization was renewed by the Annual Shareholders' Meeting of April 23, 2020.

Pursuant to these authorizations, the Company bought back 650,307 of its own shares during the year. The Company suspended the buyback of its shares aligned with the withdrawal of its 2020 guidance pursuant to its March 23, 2020 communication. EUR316 million of buyback had been completed prior to the suspension of the program.

At its meeting of February 19, 2020, the Board of Directors decided to proceed with the cancellation of 15,000,000 treasury shares, representing 2.58% of the share capital as of January 31, 2020, in pursuance with the authorization granted to it at the Annual Shareholders' Meeting of April 25, 2019 in its 24th resolution. Further to this cancellation, the Company held 16,043,977 of treasury shares, representing 2.76% of the share capital as of January 31, 2020, after capital reduction.

We remind you that on February 14, 2019 Schneider Electric initiated a new EUR1.5 billion to EUR2.0 billion share buyback program over the period 2019 – 2021. The program has been launched under the 15th resolution approved at the 2018 Annual Shareholders' Meeting and pursued under the 14th and 17th resolutions approved respectively at the 2019 and 2020 Annual Shareholders' Meetings. These buybacks were part of a policy to neutralize the dilution resulting from capital increases reserved for employees or from Performance Shares plans and the exercise of options. All the shares acquired by the Company as part of the share buyback program are held to cover Performance Shares plans.

Share buyback program to be submitted to the Annual Shareholders' Meeting of April 28, 2021

Details of this share buyback program are as follows:

| | |
|--|---|
| Number of shares and percentage of share capital held directly and indirectly by Schneider Electric SE* | <ul style="list-style-type: none"> own shares: 12,740,423 shares, <i>i.e.</i> 2.25% of share capital treasury shares: 1,058 shares total: 12,741,481 shares, <i>i.e.</i> 2.25% of share capital |
| Overview of purposes for which shares have been held* | <ul style="list-style-type: none"> for all own shares* held: allocation of Performance Shares |
| Share buyback program objectives | <ul style="list-style-type: none"> allotment to employees or Corporate Officers as a long-term compensation tool delivery as a result of the exercise of rights attached to securities giving access to the Company's capital cancellation delivery in connection with external growth operations disposal in the course of a share management agreement |
| Maximum number of shares that may be acquired | <ul style="list-style-type: none"> 10% of the issued share capital as of the date of the Annual Shareholders' Meeting: <ul style="list-style-type: none"> on the basis of the issued share capital*: 56,706,855 Schneider Electric SE shares with a nominal value of €4 taking into account treasury stock and own shares*: 43,965,375 shares or 7.75% |
| Maximum purchase price and maximum aggregate amount of share purchases | <ul style="list-style-type: none"> the maximum purchase price is set at €150 per share, <i>i.e.</i> €8,506,028,250 |
| Duration of the buyback program | <ul style="list-style-type: none"> 18 months maximum, expiring on October 27, 2022 |
| Transactions carried out pursuant to the program authorized by the Annual Shareholders' Meeting 2020 between April 24, 2020 and February 10, 2021 | <ul style="list-style-type: none"> Number of shares acquired: 0 Number of shares transferred: 30,828 |

* As of January 31, 2021.

4. Ownership structure

4. Ownership structure

Three-year summary of changes in capital⁽¹⁾

| | Dec. 31, 2020 | | | | Dec. 31, 2019 | | Dec. 31, 2018 | |
|---|---------------|--------------------|---------------|----------------------------------|---------------|---------------|---------------|---------------|
| | Capital | Number of shares | Voting rights | Number of voting rights | Capital | Voting rights | Capital | Voting rights |
| | % | | % | | % | % | % | % |
| Sun Life Financial, Inc. ⁽²⁾ | 8.3 | 47,038,307 | 7.9 | 47,038,307 | 8.5 | 8.1 | 8.6 | 8.2 |
| BlackRock, Inc. | 6.4 | 36,546,116 | 7.7 | 36,546,116 | 6.2 | 6.0 | 5.8 | 5.5 |
| Employees | 3.7 | 20,640,934 | 6.1 | 36,363,692 | 3.7 | 6.3 | 4.3 | 7.2 |
| Treasury shares | 2.3 | 12,741,481 | – | – | 5.3 | – | 5.1 | – |
| Public | 79.3 | 450,101,717 | 78.3 | 473,240,942 | 76.2 | 79.6 | 76.2 | 79.1 |
| TOTAL | 100.0 | 567,068,555 | 100.0 | 593,189,057⁽³⁾ | 100.0 | 100.0 | 100.0 | 100.0 |

(1) Table lists ownership stakes that have breached 5% ownership voting rights threshold in the previous three years, to the best of the Company's knowledge.

(2) These shares are mainly held by funds managed by MFS Investment Management which is part of Sun Life Financial, Inc.

(3) Number of voting rights as defined in article 223-11 of the AMF General Regulation, which includes shares deprived of voting rights.

Disclosure thresholds

To the best of the Company's knowledge, no shareholders other than Sun Life Financial, Inc. and BlackRock Inc., both listed above, hold, either directly or indirectly, more than 5% of Schneider Electric's capital or voting rights.

Changes in holdings (for stake equal to or greater than 5%)

To the best of the Company's knowledge, no shareholders have made a change in holding during 2020 that crosses 5% threshold for either capital or voting rights.

Pledges on Schneider Electric SE shares

441,290 shares are pledged.

Pledges on subsidiaries' shares

Schneider Electric SE has not pledged any shares in significant subsidiaries.

5. Employee incentive plans – Employee shareholding

5. Employee incentive plans – Employee shareholding

5.1 Profit-sharing plans

Most of the Group's French companies have profit-sharing and other profit-based incentive plans. The amounts paid by the Group's French entities over the last five years were:

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|-------------|------|------|------|------|
| Profit-based incentive plans and profit-sharing plans (<i>in millions of euros</i>) | 57.0 | 59.3 | 66.9 | 71.7 | 65.2 |

In 2020, 52% of the total from incentives and profit-sharing was invested in the Schneider Electric shareholder fund and 17% was received by employees in cash.

5.2 The “Schneider Electric” employee shareholding

Schneider Electric wants employees to “Act Like Owners” of the Company, taking responsibility and ownership in everything they do.

In line with this strong belief, since 1995, the Group offers to most employees throughout the world, the opportunity to become actual owners of the Company, at preferred conditions.

Through the Employee Share Ownership program, Schneider Electric shares Company value creation with employees, thus aligning both Company and employees' interests. In countries where regulations permit, Schneider Electric offers its employees the opportunity to invest during share capital increases reserved for its employees.

The Group's last employee share issue took place in July 2019. In March 2020, the program was cancelled, and focus turned towards short-term priorities, starting with employee health and safety.

On December 31, 2020, Group employees were holding a total of 20.6 million Schneider Electric SE shares either directly, through the corporate mutual funds (FCPE), or through Performance Share plans, representing 3.6% of the share capital and 6.1% of the voting rights, taking into account double voting rights.

Voting rights attached to shares held by corporate mutual funds are exercised by the supervisory boards of the corporate mutual funds.

The Group's employee shareholders are spread across over 50 countries, as follows: 30% in France, representing 43% of employee shareholding, 13% in China, 11% in India, 9% in the United States, and 37% elsewhere. Approximately half of all employees are shareholders of the Group.

6. Stock market data

6. Stock market data

In France, Schneider Electric is listed on Euronext Paris (sub-fund A), where it is traded on a per-share basis under ISIN code FR0000121972. Schneider Electric SE shares are included on the CAC 40 index established by Euronext.

18-month trading data in Paris

| Year | Month | Number of securities traded (in thousands of shares) | Value (in millions of euros) | High ⁽¹⁾ | Low ⁽¹⁾ | Number of trading sessions |
|-------------------|-----------|---|---------------------------------|---------------------|--------------------|-------------------------------|
| 2019 | July | 27,330 | 2,136 | 81.36 | 75.78 | 23 |
| | August | 28,708 | 2,116 | 78.74 | 70.78 | 22 |
| | September | 26,767 | 2,113 | 82.20 | 74.24 | 21 |
| | October | 31,268 | 2,526 | 85.46 | 74.50 | 23 |
| | November | 23,229 | 2,022 | 88.92 | 83.28 | 21 |
| | December | 25,823 | 2,334 | 94.58 | 85.66 | 20 |
| 2020 | January | 25,795 | 2,388 | 95.02 | 90.10 | 22 |
| | February | 31,772 | 3,057 | 105.5 | 88.20 | 20 |
| | March | 77,068 | 6,062 | 98.24 | 61.72 | 22 |
| | April | 31,453 | 2,547 | 87.34 | 71.40 | 20 |
| | May | 24,391 | 2,020 | 90.40 | 75.04 | 20 |
| | June | 33,408 | 3,172 | 99.70 | 87.78 | 22 |
| | July | 26,036 | 2,584 | 104.70 | 95.34 | 23 |
| | August | 18,138 | 1,880 | 108.20 | 98.26 | 21 |
| | September | 25,932 | 2,726 | 108.90 | 100.65 | 22 |
| | October | 22,107 | 2,369 | 111.75 | 101.25 | 22 |
| | November | 28,820 | 3,364 | 121.80 | 104.20 | 21 |
| | December | 21,589 | 2,501 | 121.15 | 112.25 | 22 |
| Total 2020 | | 366,509 | 34,670 | 121.80 | 61.72 | 257 |
| 2021 | January | 21,484 | 2,665 | 128.15 | 119.10 | 20 |

(1) The data corresponds to trading volumes on NYSE Euronext.

Five-year trading summary

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|-----------------|----------|----------|----------|----------|
| Average daily trading volume on the Paris stock exchanges (NYSE Euronext): | | | | | |
| • Number of shares (in thousands) | 1,426.11 | 1,347.22 | 1,608.40 | 1,317.91 | 1,689.00 |
| • in million of euros | 134.90 | 100.98 | 110.98 | 91.37 | 94.56 |
| High and low share prices (in euros): | | | | | |
| • high | 121.80 | 94.58 | 78.56 | 75.94 | 66.63 |
| • low | 61.72 | 57.58 | 57.54 | 63.36 | 45.32 |
| Year-end closing price (in euros) | 118.30 | 91.50 | 59.72 | 70.86 | 66.11 |
| Yield (%) | 2.20 | 2.79 | 3.94 | 3.10 | 3.09 |

The Schneider Electric SE share results versus the CAC 40 index (rebased) over five years



Monep

Schneider Electric SE shares have been traded on the MONEP market since December 20, 1996.

Ordinary bonds

The information is disclosed in Note 9 to the financial statements (chapter 5, section 3.3, pages 370 and 371).

7. Investor relations

7. Investor relations

7.1 Person responsible for financial information

Hilary Maxson
EVP & Group CFO
35, rue Joseph-Monier – CS30323
92506 Rueil-Malmaison Cedex – France
Tel: +33 (0)1 41 29 71 34

7.2 Contacts

Any information or document may be requested from:
Amit Bhalla – Head of Investor Relations

For institutional investors and financial analysts: Tel: +44 (0)207 592 8747

For individual investors:

- email: actionnaires@se.com or via the contact form available on the institutional website www.se.com.

7.3 Shareholders' Advisory Committee

The committee is the voice of Schneider Electric's individual shareholders. The committee consists of 8 to 10 independent volunteers appointed by Schneider Electric.

The Shareholders' Advisory Committee meets 3 to 4 times a year to discuss various topics with a strong emphasis on the Company's strategy towards individual shareholders (enhancing communication material and defining dedicated events). The committee also plays a role in the Annual Shareholders' Meeting as one of its members opens the Q&A session with the Chairman and CEO.

Shareholder documents

The Company provides the following documents to its shareholders:

- the annual report;
- the integrated report;
- newsletters to shareholders;
- information on financial results, corporate governance and strategic updates through specific press releases, videos and presentations available in a dedicated section on the corporate website: www.se.com/finance.



With EcoStruxure™ from Schneider Electric, Berto Coffee Roaster can remotely monitor its assets anytime, from anywhere.

7

Annual Shareholders' Meeting

| | |
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1. Explanatory comments & draft resolutions submitted to the Annual Shareholders' Meeting

1. Explanatory comments & draft resolutions submitted to the Annual Shareholders' Meeting

This section presents the draft resolutions that will be submitted to the Annual Shareholders' Meeting of the Company that will be convened on April 28, 2021 and the report of the Board of Directors (explanatory comments) for those resolutions. The Board of Directors' report and the draft resolutions are the one approved by the Board of Directors in its meeting of February 10, 2021. They may be subject to further amendments in the final Notice of Meeting to be published in the BALO official journal, where necessary, in order to take into account subsequent decisions of the Board of Directors.

Agenda

ORDINARY SHAREHOLDERS' MEETING:

Resolution 1

Approval of statutory financial statements for the 2020 fiscal year

Resolution 2

Approval of consolidated financial statements for the 2020 fiscal year

Resolution 3

Appropriation of profit for the fiscal year and setting the dividend

Resolution 4

Approval of regulated agreements governed by Article L. 225-38 *et seq.* of the French Commercial Code

Resolution 5

Approval of the information on the Directors and Corporate officers' compensation paid or granted for the fiscal year ending December 31, 2020 mentioned in Article L. 22-10-9 of the French Commercial Code

Resolution 6

Approval of the components of the total compensation and benefits of all types paid during the 2020 fiscal year or awarded in respect of the said fiscal year to Mr. Jean-Pascal Tricoire

Resolution 7

Approval of the Chairman and Chief executive officer's compensation policy

Resolution 8

Approval of the Directors' compensation policy

Resolution 9

Renewal of the term of office of Mr. Jean-Pascal Tricoire

Resolution 10

Appointment of Mrs. Anna Ohlsson-Leijon as a Director

Resolution 11

Appointment of Mr. Thierry Jacquet as Director representing the employee shareholders

Resolution 12

Appointment of Mrs. Zennia Csikos as Director representing the employee shareholders

Resolution 13

Renewal of the term of office of Mrs. Xiaoyun Ma as Director representing the employee shareholders

Resolution 14

Appointment of Mrs. Malene Kvist Kristensen as Director representing the employee shareholders

Resolution 15

Authorization granted to the Board of Directors to buy back Company shares

EXTRAORDINARY SHAREHOLDERS' MEETING:

Resolution 16

Delegation of authority to the Board of Directors to increase the capital by issuing ordinary shares or securities giving access to share capital of the Company with shareholders' preferential subscription right

Resolution 17

Delegation of authority to the Board of Directors to increase the capital by issuing ordinary shares or securities giving access to share capital of the Company without shareholders' preferential subscription right through a public offering other than those referred to in Article L. 411-2 1° of the French Monetary and Financial Code

Resolution 18

Delegation of authority to the Board of Directors to increase the capital by issuing ordinary shares or securities giving access to share capital of the Company without shareholders' preferential subscription right through an offering in accordance with Article L. 411-2 1° of the French Monetary and Financial Code

Resolution 19

Delegation of authority to the Board of Directors to increase the number of shares to be issued in the event of a capital increase with or without shareholders' preferential subscription

Resolution 20

Delegation of authority to the Board of Directors to increase the capital by issuing ordinary shares or securities giving access to share capital of the Company without shareholders' preferential subscription in consideration for contributions in kind to the Company

Resolution 21

Delegation of authority to the Board of Directors to increase the capital by capitalizing additional paid-in capital, reserves, earnings or other

Resolution 22

Delegation of authority to the Board of Directors to undertake capital increases reserved for participants in a company savings plan without shareholders' preferential subscription right

Resolution 23

Delegation of authority to the Board of Directors to undertake capital increases reserved for employees of certain non-French subsidiaries of the Group, directly or via entities acting to offer those employees benefits comparable to those offered to participants in a company savings plan without shareholders' preferential subscription right

Resolution 24

Authorization to the Board of Directors to cancel shares of the Company bought back by the Company under the share buyback programs

Resolution 25

Amendment of the Article 13 of the Articles of Association to correct a material error

Resolution 26

Powers for formalities

1.1 Ordinary Shareholders' Meeting

1st, 2nd and 3rd resolutions: Approval of annual financial statements and setting the distribution

Explanatory statement

Under the **1st** and the **2nd resolutions**, shareholders are invited to approve:

- the statutory financial statements of Schneider Electric SE for the year 2020 which show a loss of €31,272,867.44;
- the consolidated financial statements for the year 2020 which show a net income for the Group of €2,126 million.

The activity and the results for the 2020 fiscal year are presented in the 2020 Universal Registration Document as well as in the Brochure available on the Company's website.

Under the **3rd resolution**, we recommend a distribution of €2.60 per share, representing a distribution rate of 56.8% of the Group's net adjusted income and an estimated total distribution of €1,441,250,392⁽¹⁾ (based on the number of shares ranking for dividends at December 31, 2020). No dividend will be paid on treasury shares held by the Company on the payment date. This distribution will be paid out of the retained earnings amounting to €1,922,674,794.39.

The distribution will be paid according to the following schedule:

- Dividend ex-date: May 10, 2021
- Record date: May 11, 2021
- Dividend payment date: May 12, 2021

For individual beneficiaries who are tax resident in France, the dividend is subject upon payment to a social security tax of 17.2% and, in principle, to a mandatory non-definitive levy of 12.8%. This tax is levied at source and is computed on the gross amount of the dividend.

For its taxation in 2022, this dividend will fully be eligible for the 40% tax rebate referred to in Article 158.3.2° of the French Tax Code where an express, global and irrevocable election is made for taxation under the progressive scale of personal income tax. Where this option is not made, the dividend will be taxed at a final flat-rate income 12.8% and will not be eligible for this 40% rebate. In both cases, the levy of 12.8% borne at the time of the payment of the dividend is deducted from the individual income tax due.

Text of the first resolution

(Approval of statutory financial statements for the 2020 fiscal year)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary meetings, having heard the Board of Directors' report and the statutory auditors' report, approves the statutory financial statements for the 2020 fiscal year as presented, as well as the transactions reflected in these statements or summarized in these reports showing a loss of €31 272 867,44.

In addition, pursuant to Article 223 quater of the French Tax Code (Code général des impôts), the Shareholders' Meeting takes note that there was no non-deductible expenses and charges referred to in Article 39-4 of said Code.

Text of the second resolution

(Approval of consolidated financial statements for the 2020 fiscal year)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary meetings, having heard the Board of Directors' report and the statutory auditors' report, approves the consolidated statements for the 2020 fiscal year as presented, as well as the transactions reflected in these statements or summarized in these reports.

Text of the third resolution

(Appropriation of profit for the financial year and setting the dividend)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary meetings, having noted that the Company's fiscal year ending December 31, 2020 closed with a loss of €31,272,867.44 and the retained earnings amounted to €1,922,674,794.39 upon proposal of the Board of Directors, decides:

- the allocation of the loss of the fiscal year to the "Retained earnings" account; and
- the distribution to the shareholders of a dividend of €2.60 per share, i.e., €1,441,250,392⁽¹⁾ on the basis of the number of shares ranking for dividends at December 31, 2020 paid from the retained earnings which after allocation of the loss of the fiscal year amounts to €1,891,401,926.95.

(1) This amount is calculated based on the number of shares ranking for dividends at December 31, 2020 and could therefore change if this number varies between January 1, 2021 and the ex-dividend date.

1. Explanatory comments & draft resolutions submitted to the Annual Shareholders' Meeting

The ex-dividend date will be May 10, 2021 and the dividend will be payable from May 12, 2021. If, at the time of payment of the dividend, the number of treasury shares held by the Company has changed compared to that held on December 31, 2020, the fraction of the dividend relating to this variation will either increase or reduce retained earnings.

For individual beneficiaries who are tax resident in France, the dividend is subject upon payment to a social security tax of 17.2% and, in principle, to a mandatory non-definitive levy of 12.8%. This tax is levied at source and is computed on the gross amount of the dividend.

For its taxation in 2022, this dividend will fully be eligible for the 40% tax rebate referred to in Article 158.3.2° of the French Tax Code where an express, global and irrevocable election is made for taxation under the progressive scale of personal income tax. Where this option is not made, the dividend will be taxed at a final flat-rate income 12.8% and will not be eligible for this 40% rebate. In both cases, the levy of 12.8% borne at the time of the payment of the dividend is deducted from the individual income tax due.

Dividends/coupons paid by Schneider Electric SE for the three most recent fiscal years are as follows:

| | 2017 | 2018 | 2019 |
|---|------|------|------|
| Net dividend paid per share (in euros) | 2.20 | 2.35 | 2.55 |

4th resolution: Regulated agreements

Explanatory statement

In the **4th resolution**, you are invited to take due note of the absence of any new regulated agreement since the last General Meeting. As a reminder, an agreement was already approved by the General Meeting of April 23, 2020 which produced effects during 2020. The Board of Directors, in its meeting of February 28, 2020, based on the recommendation of the Governance & Remunerations Committee, has indeed authorized the Company to enter with Mr. Emmanuel Babeau an agreement regarding the financial terms of his departure which was executed on March 2, 2020 in accordance with the procedure of the regulated agreements of Article L.225-38 of the French Commercial Code. The general meeting held on April 23, 2020 approved this agreement both in accordance with the regulated agreements' procedure (5th resolution) and the compensation policy applicable in 2020 to Mr. Emmanuel Babeau as part of his departure (10th resolution).

Text of the fourth resolution

(Approval of regulated agreements governed by Article L. 225-38 et seq. of the French Commercial Code)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary meetings, and having considered the Statutory Auditors' special report on related party agreements referred to in Article L. 225-38 of the French Commercial Code, approves this report in all its provisions and notes that no new agreement has been concluded since the last Shareholders' Meeting.

5th and 6th resolution: Approval of the information on the Directors and Corporate Officers compensation paid or granted for 2020 (Say on pay ex-post)

Explanatory statement

Under the **5th resolution**, in pursuance of Article L. 22-10-34 I of the French Commercial Code, you are invited to approve the information listed in Article L. 22-10-9 of the French Commercial Code relating to the compensation of Directors and Corporate Officers that are presented to you in the corporate governance report referred to in Article L. 225-37 of the French Commercial Code. You will find all this information set out in detail in section 2 of Chapter 3 of the Universal Registration Document and in section 2.2 of the Brochure.

Under the **6th resolution**, in pursuance of Article L. 22-10-34 II of the French Commercial Code, you are asked to approve fixed, variable and exceptional components of the total compensation and benefits of all types paid during the last fiscal year or awarded in respect of the said year, to the Chairman and CEO, Mr. Jean-Pascal Tricoire. They have been paid or awarded in accordance with the compensation policy approved by the Annual Shareholders' Meeting of April 24, 2020. These components are detailed in section 2.2.2 of Chapter 3 of the Universal Registration Document and in section 2.2 of the Brochure.

Text of the fifth resolution

(Approval of the information on the Directors and Corporate officers' compensation paid or granted for the fiscal year ending December 31, 2020 mentioned in Article L. 22-10-9 of the French Commercial Code)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary meetings and reviewed the corporate governance report referred to in Article L. 225-37 of the French Commercial Code, approves, in pursuance of Article L. 22-10-34 I of the said Code, the information mentioned in Article L. 22-10-9 of the French Commercial Code as stated in the 2020 Universal Registration Document, Chapter 3, Section 2.2.

Text of the sixth resolution

(Approval of the components of the total compensation and benefits of all types paid during the 2020 fiscal year or awarded in respect of the said fiscal year to Mr. Jean-Pascal Tricoire)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary meetings and reviewed the corporate governance report referred to in Article L. 225-37 of the French Commercial Code, approves, in pursuance of Article L. 22-10-34 II of the French Commercial Code, the fixed, variable and exceptional components of the total compensation and benefits of all types paid during the 2020 financial year or awarded in respect of the 2020 fiscal year to the Chairman and Chief executive officer, Mr. Jean-Pascal Tricoire as stated in the 2020 Universal Registration Document, Chapter 3, Section 2.2.2.

7th and 8th resolution: Approval of the 2021 compensation policy applicable to Directors and Corporate Officers (Say on pay ex-ante)

Explanatory statement

Under the **7th resolution**, in pursuance of Article L. 22-10-8 II of the French Commercial Code, shareholders are invited to approve the compensation policy for the Chairman and CEO. This policy as well as the manner in which it serves the corporate interest, supports the Company strategy, and contributes to the sustainability of the Company are presented in section 2.3.1 of Chapter 3 of the Universal Registration Document.

Under the **8th resolution**, in pursuance of Article L. 22-10-8 II of the French Commercial Code, we ask you to approve the compensation policy of the Directors, which means, firstly, the maximum amount that is proposed to be allocated to the Board members annually and secondly, the allocation rules of this amount. These elements are presented in detail in section 2.3.2 of Chapter 3 of the Universal Registration Document.

Text of the seventh resolution

(Approval of the Chairman and Chief executive officer's compensation policy)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary meetings and reviewed the corporate governance report referred to in Article L. 225-37 of the French Commercial Code, approves, in pursuance of Article L. 22-10-8 II of the French Commercial Code, the compensation policy of the Chairman and Chief executive officer as stated in the 2020 Universal Registration Document, Chapter 3, Section 2.3.1.

Text of the eighth resolution

(Approval of the Directors' compensation policy)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary meetings and reviewed the corporate governance report referred to in Article L. 225-37 of the French Commercial Code, approves, in pursuance of Article L. 22-10-8 II of the French Commercial Code, the compensation policy of the Directors as stated in the 2020 Universal Registration Document, Chapter 3, Section 2.3.2.

1. Explanatory comments & draft resolutions submitted to the Annual Shareholders' Meeting

9th and 10th resolutions: Renewal of Mr. Jean-Pascal Tricoire and appointment of Mrs. Anna Ohlsson-Leijon

Explanatory statement

As part of the Board's continuous review of its composition, the Board of Directors asked the Governance & Remuneration Committee to work on the search for candidates. In doing so, the Committee identified the skills that would be required to diversify and strengthen the Board composition and hired an external recruitment firm (Heidrick & Struggles) to search for suitable candidates. Among these candidates, the Governance & Remuneration Committee preselected a short list and the members of the Committee interviewed the short-listed candidates. Following these interviews, the Committee recommended a candidate to the Board of Directors, Mrs. Anna Ohlsson-Leijon who, on February 10, 2021, was appointed as an Observer with the aim to propose her appointment to the Shareholders' Meeting. Mrs. Anna Ohlsson-Leijon, a Swedish citizen, will bring to the Board her professional experience and skills based on her wide-ranging finance and business background, and will further add to the gender diversity of the Board of Directors. She will qualify as an independent Director with regard to all the criteria set by Article 9.5 of the AFEP/MEDEF Corporate Governance Code and, if appointed, will join the Audit & Risks Committee.

Besides, we remind you that the terms of office of Mr. Jean-Pascal Tricoire expires at the close of this Shareholders' Meeting. On February 10, 2021, the Board, following the recommendation from the Governance & Remuneration Committee, decided to propose to the General Meeting to renew Mr. Jean-Pascal Tricoire's office as Director for a four-year term with the intention to renew his office as Chairman & Chief executive officer. The performance by Mr. Jean-Pascal Tricoire of the duties of Chairman and CEO seems particularly appropriate to the Board of Directors taking into account:

- The results of the external Board assessment conducted in October 2020 that confirmed that (i) all Board members individually support the current leadership structure and (ii) the level of transparency between management team and the Board of Directors is considered as excellent;
- Jean-Pascal Tricoire's profile, his excellent track record within the Company, his leadership, and his openness to the Board members' recommendations;
- The current unprecedented COVID-19 crisis which reinforces the leadership needs of the Group, especially with the renewal of the Executive Committee made in February 2020;
- The governance mechanisms in place to safeguard the balance of power between the Board and the management (appointment of a Lead Independent Director with specific powers, high rate of independent Directors within the Board (73%), independence of the committees mainly chaired by independent Directors, executive session proposed systematically at the end of each Board meeting);
- The requirement for the Board to deliberate each year on the unification of the functions of Chairman and Chief executive officer in pursuance of its internal regulations.

On the occasion of its annual review of the governance mode of the Company, the Board has, however, expressed the wish to separate the roles of Chairman and Chief executive officer in the future. The Board is planning a separation of the two roles during Mr. Tricoire's upcoming term.

Acting upon recommendation of the Governance & Remuneration Committee, the Board of Directors propose to shareholders:

- in the **9th resolution** to renew the terms of office of Mr. Jean-Pascal Tricoire for a four-year (4) term; and
- in the **10th resolution**, to appoint Mrs. Anna Ohlsson-Leijon as Director for a four-year (4) term.

Should these resolutions be approved, the Board of Directors would consist in 15 members (including one Director representing the employee shareholders and two Directors representing the employees), with an independence rate of 75% and 42 % of women Director and 73 % of non-French origin or nationalities.

Mr. Jean-Pascal Tricoire's and Mrs. Anna Ohlsson-Leijon's biographies are provided on section 1.1 of the Chapter 3 of this Universal Registration Document.

Text of the ninth resolution

(Renewal of the term of office of Mr. Jean-Pascal Tricoire)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary meetings, having heard the Board of Directors' report, takes note that the term of office of Mr. Jean-Pascal Tricoire as a Director expires at the close of this Shareholders' Meeting and decides to renew it for a four-year (4) term expiring at the close of the Annual Shareholders' Meeting to be held in 2025 to approve the financial statements for the 2024 fiscal year.

Text of the tenth resolution

(Appointment of Mrs. Anna Ohlsson-Leijon as a Director)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary meetings, having heard the Board of Directors' report, decides to appoint Mrs. Anna Ohlsson-Leijon as Director for a four-year (4) term expiring at the close of the Annual Shareholders' Meeting to be held in 2025 to approve the financial statements for the 2024 fiscal year.

11th, 12th, 13th and 14th resolutions: Appointment of the employee shareholders Director

Explanatory statement

We remind you that Ms. Xiaoyun Ma was appointed Director to represent employee shareholders pursuant to Article 11-3 of the Articles of Association and her term of office expires at the close of this Shareholders' Meeting. As a consequence, her successor must be appointed according to the procedure provided in this Article which provides that when employee shareholders hold more than 3% of the capital at the close of a given financial year, their representative must be elected by the Annual Shareholders' Meeting from the candidates appointed by the supervisory boards of the FCPEs invested in company shares and by the employee shareholders directly when their shares are held directly and not via FCPEs.

The candidates designated by this procedure are:

- Mr. Thierry Jacquet on the proposal of the French FCPE;
- Mrs. Zennia Csikos and Xiaoyun Ma on the proposal of the international FCPE;
- Mrs. Malene Kvist Kristensen for the employee shareholders holding their shares directly.

You will find their biographies below.

The Board of Directors, upon the report from the Governance & Remunerations Committee, decided to support the resolution n°13 providing for the appointment of Mrs. Xiaoyun Ma as member of the Board of Directors representing employee shareholders. Xiaoyun Ma's profile fits in with the Group's objectives in terms of experience within the Group and internationalization, as set by the Board of Directors in relation to its composition.

As a result, the Board of Directors invites you:

- to vote only in favour of the **13th resolution**; and
- to vote against on the **11th, 12th and 14th resolutions**.



Thierry Jacquet

Customer Project Management
Execution Medium Voltage Business

Age: 56 years

Nationality: French

Business address: Rue de la Verrerie,
ZI du Fontanil, 38120 Saint Egreve,
France

336⁽¹⁾ Schneider Electric SE shares

Experience and qualifications

Thierry Jacquet holds a Higher National Diploma in Electrical Engineering option industrial automation from the Technical Training Institutes of Grenoble (France) and a Master's Degree in Management from the Grenoble Business School (France). After two years spent at the Schneider School (Paul Louis Merlin) in Grenoble, Thierry Jacquet began his career at Schneider Electric in 1982 as Operator and wireman for the SF₆ insulated Very High Voltage Equipment. In 1985, he became Designer in a design office for the Technical Service, Very High Voltage activity. From 1987 to 1999, he worked for the Customer Project Management Execution Medium Voltage Business. Meanwhile, from 1995, he occupied various elected positions within Central and Local Works Councils. Since 1997, he has served as a member of the Supervisory Boards of various Schneider Electric Mutual Funds. Since 2007, he has been a member of the European Works Council of which he is currently the Secretary since 2009. In 2019, he became Deputy Coordinator of the CFDT trade union for Schneider Electric Group in France.

Term of office

Candidate for election as a Director representing the employee shareholders: April 2021

Current external appointments

Other directorships at listed companies

None

Other directorships or functions within Schneider Electric Group:

Secretary of the European Works Council, Member of Supervisory Boards of various FCPE Schneider

Other directorships or functions outside Schneider Electric Group:

None

Previous directorships

Previous directorships held in the past five years:

None

Note: **bold** indicates the names of companies whose securities are listed on a regulated market.

(1) Held directly or through the FCPE.

1. Explanatory comments & draft resolutions submitted to the Annual Shareholders' Meeting



Zennia Csikos

Head of Tax Pacific Zone and Japan

Age: 49 years

Nationality: Australian

Business address: 2 Banfield Road,
2113 Macquarie Park, New South
Wales, Australia

256⁽¹⁾ Schneider Electric SE shares

Experience and qualifications

Zennia Csikos holds a Master of Tax from the University of Melbourne (Australia), a Bachelor of Science from the University of Sydney (Australia) and a Graduate Diploma in Accounting from Macquarie University (Australia). She is a Chartered Accountant from the Chartered Accountants Australia and New Zealand and Chartered Tax Advisor with the Tax Institute of Australia. She began her career in 1994 at PricewaterhouseCoopers within the corporate tax practice of the Melbourne (Australia) office. In 2000, she joined first Nufarm Limited, an Australian listed company manufacturing and distributing Agricultural chemical products, as Group Tax Manager, before joining in 2007 Hospira, an American listed pharmaceutical company as Manager Taxation Asia Pacific and then Coffey International Limited, an Australian listed engineering consulting company, in 2009 as Group Tax Manager. Zennia Csikos, is currently Head of Tax Pacific Zone and Japan of Schneider Electric, a position that she has been holding since 2013.

Term of office

Candidate for election as a Director representing the employee shareholders: April 2021

Current external appointments

Other directorships at listed companies:

None

Other directorships or functions within Schneider Electric

Group:

Member of the Supervisory Board of FCPE Schneider

Other directorships or functions outside Schneider

Electric Group:

Director of Csikos Investments Pty Limited, Csikos Super Fund Pty Ltd, ZS Super Property No.1 Pty Ltd and ZS Super Property No.2 Pty Ltd (Australia)

Previous directorships

Previous directorships held in the past five years:

None



Xiaoyun Ma

CFO for Schneider's China Operations

Age: 57 years

Nationality: Chinese

Business address: 8F, Schneider
Electric Building, No. 6, East
WangJing Rd. Chaoyang District
Beijing 100102, China

23,097⁽¹⁾ Schneider Electric SE shares

Experience and qualifications

Graduating from top Chinese universities and holding China Certificate of Public Accountant, Xiaoyun Ma started her career as a finance professional at an audit firm (PWC). She joined Schneider Electric in 1997 as the controller of Schneider (Beijing) Medium Voltage Co., Ltd. in Beijing China. Since then, she has worked in many different controller and CFO positions, covering manufacturing, supply chain and front office, in the China and Asia Pacific zone, while getting an MBA from New York City University in 2004. She is currently the CFO for Schneider's China Operations, in charge of China daily finance operations, organization simplification and internal digital transformation.

Term of office

First appointed: 2017/Term ends: 2021

Current external appointments

Other directorships or functions at listed companies:

None

Other directorships within Schneider Electric Group:

Chairwoman of the Board of Directors of Schneider Electric IT (China) Co., Ltd.; Vice-Chairwoman of the Board of Directors of Citic Schneider Smart Building Technology (Beijing) Co., Ltd., Beijing BipBop Efficiency and Automation Application Technology Center (China); Director of Full Excel (Hong Kong) Limited (Hong Kong), Schneider Electric (China) Co., Ltd., Schneider Shanghai Power Distribution Electrical Apparatus Co., Ltd., Schneider Shanghai Low Voltage Terminal Apparatus Co., Ltd., Schneider Shanghai Industrial Control Co., Ltd., Schneider Busway (Guangzhou) Ltd., Schneider (Beijing) Medium and Low Voltage Co., Ltd., Schneider Merlin Gerin Low Voltage (Tianjin) Co., Ltd., Schneider Shanghai Apparatus Parts Manufacturing Co., Ltd., Schneider Wingoal (Tianjin) Electric Equipment Co., Ltd., Shanghai ASCO Electric Technology Co., Ltd. (formerly known as Schneider Automation Solutions (Shanghai) Co., Ltd.), Schneider (Shaanxi) Baoguang Electrical Apparatus Co., Ltd., Clipsal Manufacturing (Huizhou) Co., Ltd., Schneider Switchgear (Suzhou) Co., Ltd., Schneider Smart Technology Co., Ltd.; Supervisor of Zircon Investment (Shanghai) Co., Ltd.; Executive Director of Beijing Leader Harvest Energy Efficiency Investment Co., Ltd. (China).

Other directorships or functions outside Schneider Electric Group:

Vice-Chairwoman of the Board of Directors of Sunten Electric Equipment Co., Ltd. (China).

Previous directorships

Previous directorships held in the past five years:

Chairwoman of the Board of RAM Electronic Technology and Control (Wuxi) Co., Ltd., Beijing Chino Harvest Wind Power Technology Co., Ltd., Schneider Electric Trading (Wuhan) Co., Ltd.; Vice-Chairwoman of the Board of Directors of Schneider Electric (Xiamen) Switchgear Co., Ltd., Schneider Electric (Xiamen) Switchgear Equipment Co., Ltd.; Director of Pelco (Shanghai) Trading Co., Ltd., Schneider (Wuxi) Drives Co., Ltd., Schneider Electric Manufacturing (Wuhan) Co., Ltd., Telvent Control Systems (China) Co., Ltd., Schneider Automation & Control Systems (Shanghai) Co., Ltd., Ennovation Systems Control Co., Ltd., Schneider (Suzhou) Transformer Co., Ltd., Telvent-BBS High & New Tech (Beijing) Co., Ltd., Beijing Leader Harvest Electric Technologies Co., Ltd., Schneider Electric Equipment and Engineering (Xi'an) Co., Ltd., Shanghai Foxboro Co., Ltd., Shanghai Invensys Process Systems Co., Ltd., Schneider Great Wall Engineering (Beijing) Co., Ltd., Tianjin Merlin Gerin Co., Ltd., Schneider (Beijing) Medium Voltage Co., Ltd., Shanghai Schneider Electric Power Automation Co., Ltd., Tianjin Wingoal Electric Equipment Co., Ltd., Schneider South China Smart Technology (Guangdong) Co. Ltd.

Note: **bold** indicates the names of companies whose securities are listed on a regulated market.

(1) Held directly or through the FCPE.



Malene Kvist Kristensen

Digital Program Director

Age: 48 years

Nationality: Danish

Business address: 201 Washington St, Suite 2700, One Boston Place, 2108 Boston, United States
294⁽¹⁾ Schneider Electric SE shares

Experience and qualifications

Malene Kvist Kristensen holds a Master of Science in International Business from the Copenhagen Business School (Denmark) & the London School of Economics (England) and a Master of Business Administration from the Massachusetts Institute of Technology (MIT) (United States). Malene Kvist Kristensen began her career in 1999 at Morgan Stanley as an Analyst within Corporate Finance and M&A. From 2002 to 2006, she worked at The Industrialization Fund for Developing Countries (IFU), a Government owned investment fund, before joining BankInvest, Private Equity New Markets (PENM) as an Associate. From 2009 she pursued her career in Denmark at Dako, a company operating within the field of tissue based cancer diagnostics, where she served as Market Development Manager for Emerging Markets, then as Senior Manager Corporate Projects & Global Market Development as well as Acting Finance Manager for the Asia Pacific Region. In 2011 she moved to Novozymes, a bio-innovation company, serving as Key Account Development Centre Manager until 2012 where she joined JGH Marine, a company specialized in ship building and provider of maintenance services and marine related trade focused on East Africa, serving as CFO East Africa & Business Development. From 2013 to 2017, she held various positions as Advisor, Partner and Chief Operating Officer at Knudsen&Co, a consulting and business development company, in China. She joined Schneider Electric in 2017 in the United States as Digital Program Director, a position she has been holding since then.

Term of office

Candidate for election as a Director representing the employee shareholders: April 2021

Current external appointments

Other directorships at listed companies:

None

Other directorships or functions within Schneider Electric

Group:

None

Other directorships or functions outside Schneider

Electric Group:

None

Previous directorships

Previous directorships held in the past five years:

None

Note: **bold** indicates the names of companies whose securities are listed on a regulated market.

(1) Held directly or through the FCPE.

Text of the eleventh resolution

(Appointment of Mr. Thierry Jacquet as Director representing the employee shareholders)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary meetings, having heard the Board of Directors' report, decides to appoint Mr. Thierry Jacquet as Director representing the employee shareholders for a four-year (4) term expiring at the close of the Annual Shareholders' Meeting to be held in 2025 to approve the financial statements for the 2024 fiscal year.

Text of the twelfth resolution

(Appointment of Mrs. Zennia Csikos as Director representing the employee shareholders)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary meetings, having heard the Board of Directors' report, decides to appoint Mrs. Zennia Csikos as Director representing the employee shareholders for a four-year (4) term expiring at the close of the Annual Shareholders' Meeting to be held in 2025 to approve the financial statements for the 2024 fiscal year.

Text of the thirteenth resolution

(Renewal of the term of office of Mrs. Xiaoyun Ma as Director representing the employee shareholders)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary meetings, having heard the Board of Directors' report, takes note that the term of office of Mrs. Xiaoyun Ma as a Director representing the employee shareholders expires at the close of this Shareholders' Meeting and decides to renew it for a four-year (4) term expiring at the close of the Annual Shareholders' Meeting to be held in 2025 to approve the financial statements for the 2024 fiscal year.

Text of the fourteenth resolution

(Appointment of Mrs. Malene Kvist Kristensen as Director representing the employee shareholders)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary meetings, having heard the Board of Directors' report, decides to appoint Mrs. Malene Kvist Kristensen as Director representing the employee shareholders for a four-year (4) term expiring at the close of the Annual Shareholders' Meeting to be held in 2025 to approve the financial statements for the 2024 fiscal year.

1. Explanatory comments & draft resolutions submitted to the Annual Shareholders' Meeting

15th resolution: Share buybacks

Explanatory statement

As the pre-existing authorization comes to its term in October 2021, it is hereby proposed in the **15th resolution** submitted to the General Meeting to reconduct, for a new eighteen-month period starting after the present General Meeting, the authorization given to the Board of Directors to purchase the Company's shares as part of a share buyback program subject pursuant to the provisions of Article L. 22-10-62 of the French Commercial Code and European Regulation (EU) no. 596/2014 of April 16, 2014 on market abuse.

We remind you that on February 14, 2019 Schneider Electric initiated a new €1.5bn to €2.0bn share buyback program over the period 2019-2021. The program has been launched under the 15th resolution approved at the 2018 Annual Shareholders' Meeting and pursued under the 14th and 17th resolutions approved respectively at the 2019 and 2020 Annual Shareholders' Meetings. These buybacks were part of a policy to neutralize the dilution resulting from capital increases reserved for employees or from Long-term incentive plans. Pursuant to the authorization granted at the Annual Shareholders' Meeting on April 23, 2020, Schneider Electric didn't proceed from April 24, 2020 to February 10, 2021 to any buyback due to the COVID-19 crisis. Since the beginning of the program, February 14, 2019, the Company bought back 4.1 million shares for €315.8 million.

Due to the ongoing economic uncertainty, and as the OSIsot transaction has not yet completed, the current share buyback program of €1.5 – €2.0 billion remains on-hold in the near term, with likely extension for its full completion beyond 2021.

All the 12,740,423 treasury shares held on December 31, 2020 (representing 2.25% of the share capital) are allocated to employees and Corporate Officers as a long-term compensation tool.

The authorization that you would give to the Board would allow to proceed to purchase of shares for the purposes, amongst others, of:

- their allotment to employees or Corporate Officers as a long-term compensation tool;
- their delivery as a result of the exercise of rights attached to securities giving access to the Company's capital;
- their cancellation;
- their delivery in connection with external growth operations;
- their disposal in the course of a share management agreement.

Shares bought back may be cancelled under the authorization adopted by this Annual Shareholders' Meeting (24th resolution).

The number of shares thus purchased and the number of shares held may not exceed 10% of the share capital at any time (for reference purposes, based on the issued capital on December 31, 2020: 56,706,855 shares). The maximum purchase price of the shares would be set at €150 and the total amount allocated to the share repurchase program will not exceed €8,506,028,250. As for previous years, the resolution prevents that the authorization be used during a public offering on the Company's shares.

Further information on the Company's share buyback programs can be found section 3.5 of the Chapter 6 of the Universal Registration Document.

Text of the fifteenth resolution

(Authorization granted to the Board of Directors to buy back Company shares)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary meetings, having heard the Board of Directors' report, hereby authorizes the Board of Directors, pursuant to the provisions of Article L. 22-10-62 of the French Commercial Code, Regulation (EU) no. 596/2014 of April 16, 2014 on market abuse and its delegated regulations and the French Financial Market Authority's General rules, to buyback or arrange for the buyback of the Company's shares for the purpose of:

- *the allotment or transfer of shares to employees or Corporate Officers of the Company and/or of current or future related companies, for the purposes of implementing any stock option or Performance Share plan, or any other grant, allocation or disposal to employees and Corporate Officers of the Company;*
- *the delivery of shares as a result of the exercise of rights attached to securities giving access to the Company's capital by redemption, conversion, exchange, presentation of a warrant or by any other mean;*
- *the cancellation by way of share capital decrease of all or part of these repurchased shares;*
- *the delivery of shares (for exchange, payment or otherwise) in connection with external growth operations (up to a limit of 5% of the share capital);*
- *their provision for the purposes of a share management agreement entered into with an investment services provider in order notably to maintain a liquid market; or*
- *the implementation of any market practice which would be allowed by the AMF.*

This authorization also allows the Company to trade in its shares for any other purposes authorized or that may be authorized by law or regulation. In such a case, the Company would inform its shareholders through a public release.

Shares acquired may also be canceled, subject to compliance with the provisions of Articles L. 225-204 and L. 225-205 of the French Commercial Code and in accordance with the 24th resolution of this Annual Shareholders' Meeting.

The number of shares that may be purchased shall be subject to following limits:

- (i) the number of shares that the Company may purchase during the term of the buyback program should not exceed 10% of the Company's share capital on the date of the Annual Shareholders' Meeting (i.e. for information purposes, 56,706,855 shares on the basis of the share capital as of December 31, 2020), it being specified that the number of shares acquired in view of their retention and their future delivery for the purpose of an external growth operation cannot exceed 5% of the Company's share capital; and
- (ii) the number of shares that the Company can hold at any time may not exceed 10% of the Company's share capital.

The maximum share purchase price is set at €150 per share without exceeding the maximum price set by applicable laws and regulations. The total amount allocated to the share repurchase program will not exceed €8,506,028,250.

The purchase, exchange, disposal or transfer of shares can be decided by the Board of Directors on one or more occasions, at any time except during takeover bid involving the Company's shares, and by any means, provided that laws and regulations in force are complied with, on or off the stock market, over the counter, in whole or in part in blocks of shares, by takeover bid in cash or in shares, by using options or derivatives, either directly or indirectly through the intermediation of an investment services provider, or in any other way.

The General Shareholders' Meeting grants authority to the Board of Directors, which may further delegate as permitted by law, to adjust the prices set forth above in the event of transactions on the Company's share capital, and in particular an increase in capital through the capitalization of reserves, the allocation of free shares, a stock split or reverse stock split, the distribution of reserves or any other assets, impairment of share capital or any other transaction involving share capital or shareholders' equity, to take into account the impact of these transactions on the stock value.

The General Shareholders' Meeting gives full powers to the Board of Directors with powers to subdelegate under the conditions set out by law, to use this authorization, in particular to give any and all orders, enter into any and all agreements, allocate or reallocate the shares acquired to the objectives pursued under the applicable legal and regulatory conditions, set the terms and conditions under which the rights of holders of securities giving access to the share capital or other rights giving access to the share capital will be preserved, if applicable, in accordance with legal and regulatory provisions and, if applicable, contractual provisions providing for other cases of adjustment, prepare all documents and press releases, carry out any and all formalities and make all appropriate declarations to the authorities, and in general take all necessary measures.

This authorization supersedes, for the unused portion, the authorization given to the Board of Directors by the Shareholders' Meeting of April 23, 2020 in its 17th resolution and is granted for an 18 (eighteen) month period as from this Shareholders' Meeting.

1. Explanatory comments & draft resolutions submitted to the Annual Shareholders' Meeting

1.2 Extraordinary Meeting

16th, 17th, 18th, 19th, 20th and 21st resolutions: Delegations of authority to the Board of Directors to increase the share capital with or without shareholders' preferential subscription rights

Explanatory statement

As is the case every two years, you are requested to approve a set of resolutions, giving the Board of Directors authority to increase or reduce the share capital, immediately or over time, with preferential subscription rights or without, through the issuance of shares and/or equity-linked securities, for a limited period.

These resolutions involve financial delegations that will give the Board of Directors the authority to select, at any moment and from among a broad range of securities providing access to the share capital, the transaction most suited to Schneider Electric's needs and growth, based on market characteristics at the time.

Under the **16th resolution**, you are requested to delegate to the Board of Directors the authority to issue, in France and abroad, with shareholders' preferential subscription rights, ordinary shares and/or equity-linked securities. The maximum nominal amount of the capital increases that may be carried under this resolution shall not exceed €800 million in aggregate, *i.e.* 200 million shares representing 35.27% of the capital as of December 31, 2020. The capital increases that may be realized in accordance with the 17th, 18th, 19th, 20th and 21st resolutions shall be counted against this aggregate ceiling.

For the **17th and 18th resolutions**, you are requested to cancel the preferential subscription rights to shares. Indeed, depending on market conditions, the types of investors involved and the type of securities issued, it may be preferable, or even necessary, to cancel the preferential subscription rights in order to carry out a securities placement under optimal conditions, particularly when the speed of transactions is a prerequisite to success, or when the issuances are carried out on overseas financial markets. The cancellation of the preferential subscription rights can facilitate the Company's access to capital due to more favorable issuance conditions. Capital increases without preferential subscription rights may take the form of a public offering except those in which case a priority period for shareholders can be established (17th resolution) or of an offering in accordance with Article L. 411-2-1° of the French Monetary and Financial Code (18th resolution). In compliance with the French Commercial Code (Code de commerce), the issue price of shares issued without preferential subscription rights will be at least equal to the lowest price provided for according to the regulatory provisions applicable on the date of issue (currently, the average market price of the shares in the three (3) trading days on the regulated market Euronext Paris preceding the setting of the price, reduced by a discount of 10%). Regarding the issuance of securities giving access, immediately or in the future, to the Company's share capital, the issuance price of these securities will be so that the amount received by the Company, immediately or in the future, for each share to which such securities give the right, is at least equal to the minimum issuance price of the shares as defined above. The maximum nominal amount of the capital increases that may be carried under these resolutions shall not exceed €224 million, *i.e.* 56 million shares representing 9.88% of the capital as of December 31, 2020.

In the **19th resolution**, we are asking you to authorize the Board of Directors to increase the number of securities to be issued under the 16th, 17th and 18th resolutions in the event of an over-subscription (greenshoe). An additional capital increase could thus be carried out within the timeframe and limits provided for by the legislation applicable as of the date of issue (currently, within 30 days of the closing of the subscription period and up to 15% of the initial issuance).

The **20th resolution** concerns the issuance of share and/or securities giving immediate or deferred access to the Company's capital with a view to remunerate contributions in kind granted to the Company. This resolution allows the Board of Directors to realize external growth operations with a consideration in shares within a limit of €224 million, *i.e.* 56 million shares representing 9.88% of the capital as of December 31, 2020.

If granted, these delegations would be valid for 26 months. The Board of Directors may not use this delegation from the date of filing of a takeover bid for the shares of the Company by a third party and for the duration of the bid period.

Under the **21st resolution**, we are asking you to authorize the Board of Directors to increase the share capital by incorporating premiums, reserves or profits. The rights of shareholders are not affected by this transaction, which results in free shares allotment, an increase in the nominal value of the existing shares, or a combination of both. This transaction does not change the Company's shareholders' equity.

Summary of the proposed Financial authorizations and delegations

| Resolution number | Financial delegations | Duration and expiration | Possibility of use during a takeover period | Individual ceiling | | Global ceiling |
|---|--|-------------------------|---|---|--|---|
| | | | | Maximum nominal amount for equity-linked securities | Maximum ceiling in euros or as % of the share capital | |
| Issuance with shareholders' preferential subscription right | | | | | | |
| 16 th | Delegation of authority to the Board of Directors to increase the capital by issuing ordinary shares or securities giving access to share capital of the Company with shareholders' preferential subscription right | 26 months (June 2023) | No | €7Bn | €800m (200 million shares) <i>i.e.</i> 35.27% of the share capital | Issuance of shares €800m (200 million shares) <i>i.e.</i> 35.27% of the share capital |
| 21 st | Delegation of authority to the Board of Directors to increase the capital by capitalizing additional paid-in capital, reserves, earnings or other | 26 months (June 2023) | Yes | | €800m (200 million shares) <i>i.e.</i> 35.27% of the share capital | |
| Issuance without shareholders' preferential subscription right | | | | | | |
| 17 th | Delegation of authority to the Board of Directors to increase the capital by issuing ordinary shares or securities giving access to share capital of the Company without shareholders' preferential subscription right through a public offering other than those referred to in Article L. 411-2 1° of the French Monetary and Financial Code | 26 months (June 2023) | No | €7Bn | €224m (56 million shares) <i>i.e.</i> 9.88% of the share capital | Issuance of shares €224m (56 million shares) <i>i.e.</i> 9.88% of the share capital Equity-linked securities: €7Bn |
| 18 th | Delegation of authority to the Board of Directors to increase the capital by issuing ordinary shares or securities giving access to share capital of the Company without shareholders' preferential subscription right through an offering in accordance with Article L. 411-2 1° of the French Monetary and Financial Code (private placement) | 26 months (June 2023) | No | €7Bn | €120m (30 million shares) <i>i.e.</i> 5.29% of the share capital | |
| 20 th | Delegation of authority to the Board of Directors to increase the capital by issuing ordinary shares or securities giving access to share capital of the Company without shareholders' preferential subscription in consideration for contributions in kind to the Company | 26 months (June 2023) | No | €7Bn | €224m (56 million shares) <i>i.e.</i> 9.88% of the share capital | |
| 19 th | Delegation of authority to the Board of Directors to increase the number of shares to be issued in the event of a capital increase with or without shareholders' preferential subscription (greenshoe) | 26 months (June 2023) | No | €7Bn | +15% | |
| In the event of an over-subscription | | | | | | |
| Issuances reserved for employees | | | | | | |
| 22 nd | Delegation of authority to the Board of Directors to undertake capital increases reserved for participants in a company savings plan up , without shareholders' preferential subscription right | 26 months (June 2023) | No | | €46m (11.5 million shares) <i>i.e.</i> 2.03% of the share capital | €46m (11.5 million shares) <i>i.e.</i> 2.03% of the share capital |
| 23 rd | Delegation of authority to the Board of Directors to undertake capital increases reserved for employees of certain non-French subsidiaries (outside of a group savings plan) , without shareholders' preferential subscription right | 18 months (Oct. 2022) | No | | €24m (6 million shares) <i>i.e.</i> 1.06% of the share capital | |
| Cancellation of shares bought back by the Company under the share buyback programs | | | | | | |
| 24 th | Authorization to the Board of Directors to cancel shares of the Company bought back by the Company under the share buyback programs | 24 months (June 2023) | Yes | | €224m (56 million shares) <i>i.e.</i> 9.88% of the share capital | |

1. Explanatory comments & draft resolutions submitted to the Annual Shareholders' Meeting

Text of the sixteenth resolution

(Delegation of authority to the Board of Directors to increase the capital by issuing ordinary shares or securities giving access to share capital of the Company with shareholders' preferential subscription right)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for extraordinary shareholders' meetings, having heard the Board of Directors' report and the statutory auditors' special report, and in accordance with the provisions of Articles L. 225-129, L. 225-129-2 to L. 225-129-6, L. 225-130, L. 225-132, L. 225-134, L. 228-91 to L. 228-93, L. 22-10-49 and L. 22-10-50 of the French Commercial Code:

1. delegates to the Board of Directors the authority, with the power to subdelegate in accordance with applicable law and regulations, to decide one or several capital increases through the issue, in the proportions and at the times it deems appropriate, in France and/or abroad, of ordinary Company shares and/or securities providing access through any means, immediately and/or in the future, to ordinary shares of the Company, or of a company in which it directly or indirectly owns more than half the capital, in Euros or any other currency or unit of account determined by reference to several currencies, it being specified that (i) the subscription of shares and other securities may be performed, either in cash, or by offsetting receivables, and (ii) the shares to be issued shall grant the same rights as the old shares; it being specified that the issuance of any shares or securities giving access to preferred shares is excluded;
2. decides that the nominal amount of the capital increases which may be undertaken immediately and/or in the future on the basis of this resolution may not exceed €800 million representing on an indicative basis 35.27% of the capital as of December 31, 2020, it being specified that:
 - a. this amount would be increased by the nominal amount of the capital increase resulting from the issuance of shares to be carried out as the case may be, in accordance with legal and regulatory provisions, and, where applicable, relevant contractual provisions providing for other adjustments, in order to preserve the rights of holders of securities giving access to the share capital, and
 - b. the maximum aggregate nominal amount of capital increases that may be undertaken immediately and/or in the future on the basis of this resolution and the 17th, 18th, 19th, 20th and 21st resolutions of this Annual Shareholders' Meeting, is set at €800 million;
3. decides that the maximum nominal amount of issuances of debt equity-linked securities which could be carried out pursuant to this delegation, shall not exceed a nominal amount of €7 billion (or the equivalent in any other currency or monetary unit), it being specified that the maximum aggregate nominal amount of debt equity-linked securities that may be issued on the basis of this resolution and the 17th, 18th, 19th and 20th resolutions of this Annual Shareholders' Meeting, is set at €7 billion;
4. should the Board of Directors make use of this delegation:
 - a. decides that the issuance(s) of shares shall be reserved in priority to shareholders who may subscribe as of right (à titre irréductible) under the conditions provided by law,
 - b. grants to the Board of Directors the power to provide shareholders with a prorata subscription right (à titre réductible) for the number of shares in excess of those to which they could subscribe as a matter of right, in proportion to the number of shares to which they have the right to subscribe and, in any case, up to the number of shares requested,
 - c. decides that, if the subscriptions as of right (à titre irréductible) and, as the case may be, on a prorata basis (à titre réductible), do not absorb the entirety of the share issuance, the Board of Directors may use, under the conditions set by law and in such order as it shall determine, either one of the options provided under Article L. 225-134 of the French Commercial Code, listed below: (i) limit the capital increase to the amount of the subscriptions, provided that they reach at least three-quarters of the initially approved increase, (ii) freely distribute all or part of the issued and unsubscribed securities among persons it may choose, (iii) offer to the public, on the French market or the international market, all or part of the issued and unsubscribed shares,
 - d. decides that any issuance of share subscription warrants of the Company may be carried out either pursuant to a subscription offer under the conditions described above, or by granting free shares to owners of existing shares,
 - e. takes note and decides, as necessary, that this delegation of authority automatically entails by operation of law, in favour of holders of equity-linked securities issued pursuant to this delegation giving access or which may give access to shares of capital of the Company, the express waiver by the Company's shareholders' of their preferential subscription rights to the shares to be issued to which such issued securities shall give right;
5. decides that the Board of Directors shall have all powers, with the power to subdelegate under the conditions provided by law, to implement this delegation, in order, in particular, to:
 - a. set the terms and conditions of the capital increase(s) and/or the issuance(s) of shares or securities,
 - b. determine the number of shares and/or securities to be issued, the issue price and the premium payment, of which, as the case may be, may be requested upon issuance,
 - c. determine the dates and conditions of the issuance, the nature and form of the securities to be issued, which may be subordinated or unsubordinated securities, with or without a specific maturity date, and, in particular, with respect to issuances of debt equity linked securities, their interest rate, maturity, their fixed or variable redemption price, with or without premium and the conditions for redemption,
 - d. decide how shares and/or securities are to be paid for,
 - e. set, if necessary, the terms of the exercise of the rights attached to the shares or securities issued or to be issued and, in particular, set the date, even if retroactive, from which the new shares to be issued would bear dividend rights, as well as all other terms and conditions for completing the issuance(s),
 - f. set the terms and conditions under which the Company would have the right, as the case may be, to purchase or exchange, at any time or during fixed periods, securities issued or to be issued,
 - g. provide the ability to suspend the exercise of rights attached to such securities,

- h. establish, as required, the conditions for preserving the rights of holders of equity-linked securities with future rights to shares of the Company, in accordance with applicable laws and regulations, and, where applicable, applicable contractual provisions,
 - i. off-set the costs, fees and expenses of the capital increase(s) against the amount of the premium related thereto and, where applicable, deduct from this amount the amounts required to bring the legal reserve to one-tenth of the new share capital after each capital increase, and
 - j. generally, enter into any agreement, in particular to ensure the successful completion of the contemplated issuance(s), take all measures and carry out all formalities necessary for the financial servicing of the securities issued pursuant to this delegation as well as the exercise of rights attached thereto, to acknowledge the completion of each capital increase and modify the bylaws accordingly;
6. decides that the Board of Directors may not use this delegation from the filing of a takeover bid by a third party and for the duration of the offer period.

This delegation (i) supersedes, for the portion not yet used, the previous delegation given to the Board of Directors by the General Shareholders' Meeting of April 25, 2019 in its 15th resolution and (ii) is granted for a twenty-six (26) months period as from this Annual Shareholders' Meeting.

Text of the seventeenth resolution

(Delegation of authority to the Board of Directors to increase the capital by issuing ordinary shares or securities giving access to share capital of the Company without shareholders' preferential subscription right through a public offering other than those referred to in Article L. 411-2-1° of the French Monetary Code)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for extraordinary shareholders' meetings, having heard the Board of Directors' report and the statutory auditors' special report, and in accordance with the provisions of Articles L. 225-129, L. 225-129-2 to L. 225-129-6, L. 225-135, L. 225-136, L. 228-91 to L. 228-93, L. 22-10-49, L. 22-10-51, L. 22-10-52 and L. 22-10-54 of the French Commercial Code:

1. delegates to the Board of Directors the authority, with the power to subdelegate, in compliance with applicable laws and regulations, to decide, by public offer with the exception of offering provided for by Article L. 411-2-1° of the French Monetary Code, one or several capital increases through the issue, in the proportions and at the times it deems appropriate, in France and/or abroad, of ordinary Company shares and/or securities providing access through any means, immediately and/or in the future, to ordinary shares of the Company, or of a company in which it directly or indirectly owns more than half the capital, in Euros or any other currency or unit of account determined by reference to several currencies, it being specified that (i) the subscription of shares and other securities may be performed, either in cash, or by offsetting receivables, and (ii) the shares to be issued shall grant the same rights as the old shares; it being specified that the issuance of any shares or securities giving access to preferred shares is excluded and that shares and/or securities giving access to the Company's share capital could be issued in consideration for shares which may be tendered to the Company as part of public exchange offers initiated by the Company in compliance with the conditions set forth in Article L. 22-10-54 of the French Commercial Code;
2. decides that the nominal amount of the capital increases which may be undertaken immediately and/or in the future on the basis of this resolution may not exceed €224 million representing on an indicative basis 9.88% of the capital as of December 31, 2020, it being specified that:
 - a. this amount would be increased by the nominal amount of the capital increase resulting from the issuance of shares to be carried out as the case may be, in accordance with legal and regulatory provisions, and, where applicable, relevant contractual provisions providing for other adjustments, in order to preserve the rights of holders of securities giving access to the share capital,
 - b. the maximum aggregate nominal amount of capital increases that may be undertaken immediately and/or in the future on the basis of this resolution and the 16th, 18th, 19th, 20th and 21st resolutions of this Annual Shareholders' Meeting is set at €800 million, and
 - c. the maximum aggregate nominal amount of capital increases that may be undertaken immediately and/or in the future on the basis of this resolution and the 18th and 20th resolutions of this Annual Shareholders' Meeting is set at €224 million;
3. decides that the maximum nominal amount of issuances of debt equity-linked securities which could be carried out pursuant to this delegation, shall not exceed a nominal amount of €7 billion (or the equivalent in any other currency or monetary unit), it being specified that the maximum aggregate nominal amount of debt equity-linked securities that may be issued on the basis of this resolution and the 16th, 18th, 19th and 20th resolutions of this Annual Shareholders' Meeting, is set at €7 billion;
4. decides to cancel the shareholders' preferential subscription rights to the Company's shares and/or other equity-linked securities to be issued pursuant to this resolution, and to offer such shares or securities in the framework of a public offering with the exception of offering provided for by Article L. 411-2-1° of the French Monetary Code, while allowing the Board of Directors, under the terms of Article L. 22-10-51 of the French Commercial Code, sole discretion to grant the shareholders, for a period of time and on terms to be determined by the Board of Directors in accordance with applicable laws and regulations and for some or all of the issuance, a priority subscription period which does not constitute a negotiable right and which must be exercised in proportion to the number of shares held by each shareholder and which may be supplemented by an application to subscribe for shares on a prorata basis (à titre réductible); it being specified that securities which are not subscribed by virtue of this right shall form the object of a public placement in France and/or abroad, and/or on the international market;

1. Explanatory comments & draft resolutions submitted to the Annual Shareholders' Meeting

5. *decides that, should the Board of Directors make use of this delegation, if the subscriptions to the capital increase, including, if any, those of the shareholders, have not absorbed the aggregate capital increase, the Board of Directors may use, as permitted by law and in such order as it may determine, either one of the options described by Article L. 225-134 of the French Commercial Code, listed below:*
 - a. *limit the capital increase to the amount of the subscriptions, provided that they reach at least three-quarters of the initially approved increase, and/or*
 - b. *freely distribute all or part of the unsubscribed securities among persons it may choose;*
6. *acknowledges and decides, if applicable, that any decision taken by virtue of this delegation of authority will automatically entail, in favor of the holders of equity-linked securities giving access to the Company's share capital or may give access to Company's shares to be issued, the waiving by shareholders of their preferential subscription rights to securities to be issued to which equity-linked securities entitle their holders;*
7. *acknowledges that, in accordance with Article L. 22-10-52 of the French Commercial Code:*
 - a. *the issue price of shares issued directly will be not less than the minimum price set by applicable regulations on the date of issuance (as of the date hereof, the weighted average of the quoted market prices during the last three trading sessions on the regulated market of Euronext Paris preceding the beginning of the offer to the public, less a discount of 10%) after correction, if any, to take into account the difference dates of entitlement to dividend of the shares,*
 - b. *the issue price of the equity-linked securities will be such that the cash amount received immediately by the Company plus any cash amount to be received subsequently by the Company will, for each ordinary share issued as a consequence of the issuance of such securities, be not less than the minimum issue price defined in the previous paragraph;*
8. *decides that the Board of Directors shall have all powers, with the power to subdelegate under the conditions provided by law, to implement this delegation, in order in particular to:*
 - a. *set the conditions of the capital increase(s) and/or of the issuance(s) of shares or securities,*
 - b. *determine the number of shares and/or securities to be issued, their issuance price as well as the amount of the premium that may be requested upon issuance, if any,*
 - c. *determine the dates and conditions of the issuance, the nature and form of the securities to be issued, which could be subordinated or unsubordinated securities and may or not have a specific maturity date, and in particular, for issuances of debt equity-linked securities, their interest rate, their maturity, their fixed or variable redemption price, with or without premium and the redemption methods,*
 - d. *decide how shares and/or securities are to be paid for,*
 - e. *set, if necessary, the terms of the exercise of the rights attached to the shares or securities issued or to be issued and, in particular, set the date, even if retroactive, from which the new shares to be issued would bear dividend rights, as well as all other conditions and specifics of implementing the issuance(s),*
 - f. *set the terms and conditions under which the Company would have the right to purchase or exchange, at any time or during fixed periods, securities issued or to be issued immediately or in the future,*
 - g. *provide an option to suspend the exercise of rights attached to such securities,*
 - h. *establish, if required, the conditions for preserving the rights of holders of equity-linked securities with future rights to shares of the Company, in accordance with applicable laws and regulations, and, where applicable, relevant contractual provisions,*
 - i. *offset the costs, fees and expenses of the capital increase(s) against the amount of the premium related thereto, and, where applicable, deduct from this amount the amounts required to bring the legal reserve to one-tenth of the new share capital after each capital increase, and*
 - j. *generally, enter into any agreement, in particular to ensure the successful completion of the contemplated issuance(s), take all measures and carry out all formalities necessary for the financial servicing of the securities issued pursuant to this delegation as well as the exercise of rights attached thereto, to acknowledge the completion of each capital increase and modify the Articles of Association accordingly;*
9. *decides that the Board of Directors may not use this delegation from the filing of a takeover bid by a third party and for the duration of the offer period.*

This delegation (i) supersedes, for the portion not yet used, the previous delegation given to the Board of Directors by the Shareholders' Meeting of April 25, 2019 in its 17th resolution and (ii) is granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

Text of the eighteenth resolution

(Delegation of authority to the Board of Directors to increase the capital by issuing ordinary shares or securities giving access to share capital of the Company without shareholders' preferential subscription right through an offering in accordance with Article L. 411-2 1° of the French Monetary and Financial Code)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for extraordinary shareholders' meetings, having heard the Board of Directors' report and the statutory auditors' special report, and in accordance with the provisions of Articles L. 225-129, L.225-2 to L. 225-129-6, L. 225-135, L. 225-136, L. 228-91 to L. 228-93, L. 22-10-49 and L. 22-10-52 of the French Commercial Code and Article L. 411-2 1° of the French Monetary and Financial Code:

1. delegates to the Board of Directors the authority, with the power to subdelegate, in compliance with applicable laws and regulations, to decide, through an offer in accordance with Article L. 411-2 1° of the French Monetary and Financial Code, one or several capital increases through the issue, in the proportions and at the times it deems appropriate, in France and/or abroad, of ordinary Company shares and/or securities providing access through any means, immediately and/or in the future, to ordinary shares of the Company, or of a company in which it directly or indirectly owns more than half the capital, in Euros or any other currency or unit of account determined by reference to several currencies, it being specified that (i) the subscription of shares and other securities may be performed, either in cash, or by offsetting receivables, and (ii) the shares to be issued shall grant the same rights as the old shares; it being specified that the issuance of any shares or securities giving access to preferred shares is excluded;
2. decides that the nominal amount of the capital increases which may be undertaken immediately and/or in the future on the basis of this resolution may not exceed €120 million representing on an indicative basis 5.29% of the capital as of December 31, 2020, it being specified that:
 - a. this amount would be increased by the nominal amount of the capital increase resulting from the issuance of shares to be carried out as the case may be, in accordance with legal and regulatory provisions, and, where applicable, relevant contractual provisions providing for other adjustments, in order to preserve the rights of holders of securities giving access to the share capital,
 - b. the maximum aggregate nominal amount of capital increases that may be undertaken immediately and/or in the future on the basis of this resolution and the 16th, 17th, 19th, 20th and 21st resolutions of this Annual Shareholders' Meeting is set at €800 million, and
 - c. the maximum aggregate nominal amount of capital increases that may be undertaken immediately and/or in the future on the basis of this resolution and the 17th and 20th resolutions of this Annual Shareholders' Meeting is set at €224 million;
3. decides that the maximum nominal amount of issuances of debt equity-linked securities which could be carried out pursuant to this delegation, shall not exceed a nominal amount of €7 billion (or the equivalent in any other currency or monetary unit), it being specified that the maximum aggregate nominal amount of debt equity-linked securities that may be issued on the basis of this resolution and the 16th, 17th, 19th and 20th resolutions of this Annual Shareholders' Meeting, is set at €7 billion;
4. decides to cancel the shareholders' preferential subscription rights to the Company's shares and/or other equity-linked securities to be issued pursuant to this resolution, and to offer such shares or securities by way of an offering provided for in Article L. 411-2 1° of the French Monetary and Financial Code in accordance with applicable laws and regulations;
5. decides that, should the Board of Directors make use of this delegation, if the subscriptions to the capital increase, including, if any, those of the shareholders, have not absorbed the aggregate capital increase, the Board of Directors may use, as permitted by law and in such order as it may determine, either one of the options described by Article L. 225-134 of the French Commercial Code, listed below:
 - a. limit the capital increase to the amount of the subscriptions, provided that they reach at least three-quarters of the initially approved increase, and/or
 - b. freely distribute all or part of the unsubscribed securities among persons it may choose;
6. acknowledges and decides, if applicable, that any decision taken by virtue of this delegation of authority will automatically entail, in favor of the holders of equity-linked securities giving access to the Company's share capital or may give access to Company's shares to be issued, the waiving by shareholders of their preferential subscription rights to securities to be issued to which equity-linked securities entitle their holders;
7. acknowledges that, in accordance with Article L. 22-10-52 of the French Commercial Code:
 - a. the issue price of shares issued directly will be not less than the minimum price set by applicable regulations on the date of issuance (as of the date hereof, the weighted average of the quoted market prices during the last three trading sessions on the regulated market of Euronext Paris preceding the beginning of the offer to the public, less a discount of 10%) after correction, if any, to take into account the difference dates of entitlement to dividend of the shares,
 - b. the issue price of the equity-linked securities will be such that the cash amount received immediately by the Company plus any cash amount to be received subsequently by the Company will, for each ordinary share issued as a consequence of the issuance of such securities, be not less than the minimum issue price defined in the previous paragraph;
8. decides that the Board of Directors shall have all powers, with the power to subdelegate under the conditions provided by law, to implement this delegation, in order in particular to:
 - a. set the conditions of the capital increase(s) and/or of the issuance(s) of shares or securities,
 - b. determine the number of shares and/or securities to be issued, their issuance price as well as the amount of the premium that may be requested upon issuance, if any,
 - c. determine the dates and conditions of the issuance, the nature and form of the securities to be issued, which could be subordinated or unsubordinated securities and may or not have a specific maturity date, and in particular, for issuances of debt equity-linked securities, their interest rate, their maturity, their fixed or variable redemption price, with or without premium and the redemption methods,
 - d. decide how shares and/or securities are to be paid for,
 - e. set, if necessary, the terms of the exercise of the rights attached to the shares or securities issued or to be issued and, in particular, set the date, even if retroactive, from which the new shares to be issued would bear dividend rights, as well as all other conditions and specifics of implementing the issuance(s),

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- f. set the terms and conditions under which the Company would have the right to purchase or exchange, at any time or during fixed periods, securities issued or to be issued immediately or in the future,
 - g. provide an option to suspend the exercise of rights attached to such securities,
 - h. establish, if required, the conditions for preserving the rights of holders of equity-linked securities with future rights to shares of the Company, in accordance with applicable laws and regulations, and, where applicable, relevant contractual provisions,
 - i. offset the costs, fees and expenses of the capital increase(s) against the amount of the premium related thereto, and, where applicable, deduct from this amount the amounts required to bring the legal reserve to one-tenth of the new share capital after each capital increase, and
 - j. generally, enter into any agreement, in particular to ensure the successful completion of the contemplated issuance(s), take all measures and carry out all formalities necessary for the financial servicing of the securities issued pursuant to this delegation as well as the exercise of rights attached thereto, to acknowledge the completion of each capital increase and modify the Articles of Association accordingly;
9. decides that the Board of Directors may not use this delegation from the filing of a takeover bid by a third party and for the duration of the offer period.

This delegation (i) supersedes, for the portion not yet used, the previous delegation given to the Board of Directors by the Shareholders' Meeting of April 25, 2019 in its 20th resolution and (ii) is granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

Text of the nineteenth resolution

(Delegation of authority to the Board of Directors to increase the number of shares to be issued in the event of a capital increase with or without shareholders' preferential subscription)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for extraordinary shareholders' meetings, having heard the Board of Directors' report and the statutory auditors' special report, and in accordance with the provisions of Article L. 225-135-1 of the French Commercial Code:

1. delegates to the Board of Directors, with the power to subdelegate under the conditions provided by law, should it notice an oversubscription when issuing shares or equity-linked securities giving access to the capital, with or without preferential subscription rights pursuant to the 16th, 17th and 18th resolutions, its capacity to decide to increase the number of securities to be issued in the event of issuances at the same price as that used for the initial issuance, within the time and limits specified in the applicable regulations as of the date of the issuance (as of the date hereof, within thirty days following the closure of subscriptions and up to 15% of the initial issuance), with a view to grant an over-allotment option in accordance with market practices;
2. decides that in the event of an issuance, immediately and in the future, of ordinary shares, the nominal amount of capital increases decided upon pursuant to this resolution will be charged on the ceiling applicable to the initial issuance stipulated in the relevant resolution of this Shareholders' Meeting;
3. acknowledges that, in accordance with Article L. 225-135-1 of the French Commercial Code, the limit of three-quarters of the issuance provided by 1^o of the I of Article L. 225-134 of the French Commercial Code will be increased in the same proportions if the Board of Directors decides, pursuant to this resolution, to increase the number of shares to be issued;
4. decides that the Board of Directors may not use this delegation from the filing of a takeover bid by a third party and for the duration of the offer period.

This delegation (i) supersedes, for the portion not yet used, the previous delegation given to the Board of Directors by the Combined Shareholders' Meeting of April 25, 2019 in 18th resolution and (ii) is granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

Text of the twentieth resolution

(Delegation of authority to the Board of Directors to increase the capital by issuing ordinary shares or securities giving access to share capital of the Company without shareholders' preferential subscription in consideration for contributions in kind to the Company)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for extraordinary shareholders' meetings, having heard the Board of Directors' report and the statutory auditors' special report, and in accordance with the provisions of Articles L. 225-147, L. 228-91 to L. 228-93 and L. 22-10-53 of the French Commercial Code:

1. delegates to the Board of Directors its capacity, in one or more occasions, either in France or abroad, in order to remunerate contributions in kind to the Company and constituted by shares or securities giving access immediately or in the future to the capital of third-party companies, when the provisions of Article L. 225-148 of the French Commercial Code are not applicable, to issue ordinary Company shares and/or securities providing access through any means, immediately and/or in the future, to ordinary shares of the Company, or of a company in which it directly or indirectly owns more than half the capital, in Euros or any other currency or unit of account determined by reference to several currencies, it being specified that the shares to be issued shall grant the same rights as the old shares; it being specified that the issuance of any shares or securities giving access to preferred shares is excluded;

2. decides that the nominal amount of the capital increases which may be undertaken immediately and/or in the future on the basis of this resolution may not exceed €224 million representing on an indicative basis 9.88% of the capital as of December 31, 2020, it being specified that:
 - a. this amount would be increased by the nominal amount of the capital increase resulting from the issuance of shares to be carried out as the case may be, in accordance with legal and regulatory provisions, and, where applicable, relevant contractual provisions providing for other adjustments, in order to preserve the rights of holders of securities giving access to the share capital,
 - b. the maximum aggregate nominal amount of capital increases that may be undertaken immediately and/or in the future on the basis of this resolution and the 16th, 17th, 18th, 19th and 21st resolutions of this Annual Shareholders' Meeting is set at €800 million, and
 - c. the maximum aggregate nominal amount of capital increases that may be undertaken immediately and/or in the future on the basis of this resolution and the 17th and 18th resolutions of this Annual Shareholders' Meeting is set at €224 million;
3. decides that the maximum nominal amount of issuances of debt equity-linked securities which could be carried out pursuant to this delegation, shall not exceed a nominal amount of €7 billion (or the equivalent in any other currency or monetary unit), it being specified that the maximum aggregate nominal amount of debt equity-linked securities that may be issued on the basis of this resolution and the 16th, 17th, 18th and 19th resolutions of this Annual Shareholders' Meeting, is set at €7 billion;
4. acknowledges that this delegation of authority entails, by operation of law, (i) in favour of the holders of securities, in respect of which the contributions in kind are made, the preferential subscription rights of shareholders to the shares and/or securities giving access to the share capital that will be issued pursuant to this delegation and (ii) the waiver by shareholders of their preferential subscription rights to Company shares to be issued, to which the equity-linked securities that may be issued pursuant to this delegation may give right, for the benefit of holders of securities giving access to the share capital or that may give access to shares issued by the Company pursuant to this delegation;
5. specifies that, in accordance with applicable law, the Board of Directors is to approve the Statutory Auditors' report, referred to in Article L. 225-147 of the French Commercial Code;
6. decides that the Board of Directors shall have all powers, with the power to subdelegate under the conditions provided by law, to implement this delegation, in order and in particular to:
 - a. set the conditions of the capital increase(s) and/or of the issuance(s),
 - b. determine the number of shares and/or equity securities to be issued, their issue price and the amount of the premium,
 - c. approve appraisals of the contributions and their consideration and acknowledge the completion of said contributions,
 - d. determine the dates and conditions of the issuance, the nature and form of the securities to be issued, which could be subordinated or unsubordinated securities and may or not have a specific maturity date, and in particular, for issuances of debt equity-linked securities, their interest rate, their maturity, their fixed or variable redemption price, with or without premium and the redemption methods,
 - e. decide how shares and/or securities are to be paid for,
 - f. set, if necessary, the terms of the exercise of the rights attached to the shares or securities issued or to be issued and, in particular, set the date, even if retroactive, from which the new shares to be issued would bear dividend rights, as well as all other conditions and specifics of implementing the issuance(s),
 - g. set the terms and conditions under which the Company would have the right to purchase or exchange, at any time or during fixed periods, securities issued or to be issued immediately or in the future,
 - h. provide the ability to suspend the exercise of rights attached to such securities,
 - i. off-set all costs, fees and expenses against the premium account, the balance of which will be allocated by the Board of Directors at its discretion,
 - j. establish, if required, the conditions for preserving the rights of holders of equity-linked securities with future rights to shares of the Company, in accordance with applicable laws and regulations, and, where applicable, relevant contractual provisions,
 - k. generally, enter into any agreement, in particular to ensure the successful completion of the contemplated issuance(s), take all measures and carry out all formalities necessary for the financial servicing of the securities issued pursuant to this delegation as well as the exercise of rights attached thereto, to acknowledge the completion of each capital increase and modify the Articles of Association accordingly;
7. decides that the Board of Directors may not use this delegation from the filing of a takeover bid by a third party and for the duration of the offer period.

This delegation of authority (i) supersedes, for the portion not yet used, the delegation granted to the Board of Directors by the Combined Shareholders' Meeting of April 25, 2019 in its 19th resolution and (ii) is granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

1. Explanatory comments & draft resolutions submitted to the Annual Shareholders' Meeting

Text of the twenty-first resolution

(Delegation of authority to the Board of Directors to increase the capital by capitalizing additional paid-in capital, reserves, earnings or other)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for ordinary shareholders' meetings, having heard the Board of Directors' report and in accordance with the provisions of Articles L. 225-129, L. 225-129-2, L. 225-130 and L. 22-10-50 of the French Commercial Code:

1. delegates to the Board of Directors its capacity to carry out, in such proportions and for such periods as it may deem appropriate, one or more capital increases by successive or simultaneous incorporation into the capital of premiums, reserves, profits or other amounts for which capitalization is legally and statutorily possible, in the form of raising the nominal amount of existing shares or assigning free new shares or by the joint use of these two procedures, said shares having the same rights as the old shares subject to the date of their entitlement to dividends;
2. decides that the maximum nominal amount of the capital increases that may be carried out pursuant to this delegation may not exceed €800 million, it being specified that this amount would be increased by the nominal amount of the capital increase resulting from the issuance of shares that may be carried out, in accordance with the legal and regulatory provisions and, where applicable,
3. decides, in accordance with the provisions of Article L. 225-130 of the French Commercial Code that in case where the Board of Directors makes use of the this delegation, the rights forming fractional amounts will not be negotiable or transferable and that the corresponding Company's shares will be sold; the amounts arising from the sale will be allocated to the holders of rights within the deadline specified by the regulations;
4. decides that the Board of Directors will have full powers, with the power to subdelegate, to implement this delegation, and more generally, to take all measures and carry out all formalities required for the successful conclusion of each capital increase, to acknowledge the completion of each capital increase and modify the by-laws accordingly.

This delegation of authority (i) supersedes, for the portion not yet used, the delegation granted to the Board of Directors by the Combined Shareholders' Meeting of April 25, 2019 in its 16th resolution and (ii) is granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

22nd and 23rd resolutions: Capital increases reserved for employees

Explanatory statement

Schneider Electric is convinced of the importance of developing the Company's employee shareholder base in order to align employee interests with those of shareholders and also stabilize the Company's share capital. The Board of Directors wishes to continue making the Company's share capital accessible to a large number of employees, in particular through employee share ownership plans ("WESOP"). As of December 31, 2020, employees held 3.6% of the capital.

The Company did not carry out capital increases reserved for Group employees in 2020 due to the COVID-19 crisis.

As part its policy to offer to Group employees on an annual basis, the Board decided that there will be a new employee share ownership plan implemented in 2021. As part of the 20th and the 21st resolutions of the Annual Shareholders' Meeting of April 23, 2020, the Board of Directors, at its meetings of December 14, 2020, decided to renew the annual employee shareholder plan in 2021, within a limit of 3.7 million shares (approximately 0.65% of the capital). This plan, which will not include a leveraged offer, will be offered in 40 countries representing more than 80% of the Group's employees. The shares will be offered with a discount on the share price of 15% to all subscribers and a maximum employer contribution of €1,400.

To allow for the implementation of a new global employee share ownership plan in 2022, you are requested to approve:

- the **22nd resolution** which will grant the Board of Directors the authority to carry out capital increases reserved for employees participating in the company savings plan within the limit of 2% of the Company's capital, with the provision that the maximum discount at which the shares could be offered is set at 30% (it will be valid for a period of 26 months; the authority in force as voted by the Annual Shareholders' Meeting of April 23, 2020 in its 20th resolution shall cease to be effective as from August 1st, 2021⁽¹⁾);
- the **23rd resolution** which will grant the Board of Directors the authority to carry out capital increases reserved for employees and Corporate Officers of non-French Group companies or to entities acting on their behalf, this authorization will not exceed 1% of the capital and will be deducted from the ceiling of 2% of the capital set for the issuance of shares to employees who are members of the company savings plan (this authorization will be valid for a period of 18 months and may only be used on or after August 1st, 2021⁽²⁾).

(1) The maximum amount of subscription applicable to the employee share ownership operations carried out before July 31, 2021 will be the ceiling applicable to the 20th resolution of the Annual Shareholders' Meeting of April 23, 2020.

(2) The maximum amount of subscription applicable to the employee share ownership operations carried out before July 31, 2021 will be the ceiling applicable to the 21st resolution of the Annual Shareholders' Meeting of April 23, 2020.

Text of the twenty-second resolution

(Delegation of authority to the Board of Directors to undertake capital increases reserved for participants in a company savings plan without shareholders' preferential subscription right)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for extraordinary shareholders' meetings, having heard the Board of Directors' report and the statutory auditors' special report, and in accordance with the provisions of Article L. 3332-1 et seq. of the French Labor Code and Articles L. 225-129 to L. 225-129-6, L. 225-138-1 and L. 228-91 et sec. of the French Commercial Code and in accordance with the provisions of that Code:

1. delegates to the Board of Directors the authority, with the power to subdelegate, for a period of 26 months from the date of this Annual Shareholders' Meeting, to undertake a capital increase on one or more occasions at its discretion by issuing ordinary shares or securities providing access through any means, immediately and/or in the future, to ordinary shares of the Company, under the terms and conditions set forth in Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code, reserved for participants in a company savings plan and French or non-French companies affiliated with the Company in a maximum nominal amount of 2% of the share capital on the date of this Shareholders' Meeting, with the possibility to issue shares against cash or by capitalizing reserves, profits or premium in case of grants of free shares or of securities granting access to share capital on account for the discount or the matching contribution, it being specified that this authorization may be used only from and after August 1st, 2021;
2. set the maximum discount to be offered in connection with company savings plan at 30% of an average of the trading price of the Company's shares on Euronext Paris during the 20 trading sessions preceding the date of the decision of the Board of Directors or of its authorized representative setting the date to begin taking subscriptions, it being specified that the Board of Directors may reduce the aforementioned discount within applicable legal and regulatory requirements, or not to grant one, in particular so as to take into account the laws and regulations applicable in countries where such offering may be implemented;
3. authorizes the Board of Directors, in application of Article L. 3332-21 of the French Labor Code, to make grants of free ordinary shares or other securities granting immediate or deferred access to ordinary share capital under all or part of the discount and/or, as the case may be, for the matching contribution, provided that the value of the benefit resulting from this grant on account for the discount or the matching contribution, shall not exceed the limits imposed by applicable law and regulations;
4. decides to waive, in favour of the above-mentioned beneficiaries, the shareholders' preferential subscription rights with respect to the shares or equity-linked securities that are the subject of this delegation which entails waiver of the shareholders' preferential subscription right to shares to which securities that may be issued under this resolution would give right;
5. decides that the Board of Directors shall have full powers to use this delegation, with the power to subdelegate as permitted by law, within the limits and subject to the conditions specified above in order to, and in particular:
 - a. set in accordance with applicable laws and regulations the scope of companies whose above mentioned beneficiaries may subscribe to the shares or equity-linked securities issued hereby and benefit, as the case may be, from shares or equity-linked securities,
 - b. decide that the subscriptions may be made directly or through Company mutual funds (fonds commun de placement d'entreprise) or other structures or entities as permitted by applicable laws and regulations,
 - c. determine the conditions, in particular those relating to seniority, which shall have to be met by the beneficiaries of the capital increases,
 - d. set the opening and closing dates of the subscription periods,
 - e. set the amounts of the issuances to be undertaken pursuant to this authorization and determine, in particular, the issuance prices, dates, time-periods, terms and conditions for the subscription, payment, settlement and dividend rights of the securities (which may be retroactive) as well as the other terms and conditions of the issuances, in accordance with applicable laws and regulations,
 - f. when granting free shares or equity-linked securities, set the number of shares or equity-linked securities to be issued, the number to be granted to each beneficiary, and determine the dates, time periods, terms and conditions of granting such shares or equity-linked securities in accordance with applicable laws and regulations and, in particular, choose either to fully or partially substitute the granting of such shares or equity-linked securities for the discount to the Reference Price provided for above, or to allocate the value of such shares or equity-linked securities to the total amount of the employer contribution, or to combine these two possibilities,
 - g. acknowledge the completion of capital increases in the amount of the shares that are subscribed (after possible reduction in the event of over-subscription),
 - h. as the case may be, allocate the expenses of capital increases to the amount of premiums related thereto and deduct from this amount the sums necessary to increase the legal reserve to one-tenth of the new share capital resulting from such capital increases, enter into any agreements, carry out directly or indirectly through an agent all transactions and terms, including any formalities following the capital increases and subsequent modifications to the Company's Articles of Association, generally, enter into any agreement in order to successfully complete the contemplated issuances, take all measures and decisions and carry out all formalities necessary for the completion of the issuance, listing and financial servicing of the securities issued pursuant to this authorization as well as the exercise of rights attached thereto or subsequent to the completed capital increases.

This delegation (i) cancels, effective August 1st, 2021, the authorization given by the Annual Shareholders' Meeting of April 23, 2020, in its 20th resolution, for its amounts unused by the Board of Directors and (ii) is granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

1. Explanatory comments & draft resolutions submitted to the Annual Shareholders' Meeting

Text of the twenty-third resolution

(Delegation of authority to the Board of Directors to undertake capital increases reserved for employees of certain non-French subsidiaries of the Group, directly or via entities acting to offer those employees benefits comparable to those offered to participants in a company savings plan without shareholders' preferential subscription right)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for extraordinary shareholders' meetings, having heard the Board of Directors' report and the statutory auditors' special report, and in accordance with the provisions of Articles L. 225-129 to L. 225-129-6, L. 225-138 and L. 228-92 et seq. of the French Commercial Code:

1. delegates to the Board of Directors, with the power to subdelegate, in compliance with applicable laws and regulations, the necessary powers to decide one or several capital increases through the issue, in the proportions and at the times it deems appropriate up to a maximum of 1% of the share capital on the date of this Shareholders' Meeting, by issuing ordinary shares or securities providing access through any means, immediately and/or in the future, to ordinary shares of the Company, such issue to be reserved for persons meeting the characteristics of the class defined below; it being specified that (i) such limit shall be charged against the limits set forth in the 22nd resolution of this Annual Shareholders' Meeting, and (ii) this delegation may be used only from and after August 1st, 2021;
2. decides to waive the shareholders' preferential right to subscribe for shares or other securities granting access to the share capital pursuant to this resolution and to reserve the right to subscribe to one and/or another class of beneficiaries or recipients having the following characteristics: (i) employees and officers of companies of Schneider Electric Group affiliated with the Company under the terms and conditions set forth in Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code and the head office of which is located outside France; (ii) and/or OPC mutual investment funds or other entities, with or without legal personality, of employee shareholders invested in equity securities of the Company, the unit holders or shareholders of which consist of persons described in (i) of this paragraph; (iii) and/or any banking institution or affiliate or subsidiary of such institution acting at the Company's request for purposes of implementing and giving effect to a shareholder incentive or investment or savings plan for the benefit of the persons described in (i) of this paragraph, to the extent that subscription of the person authorized in accordance with this resolution would make it possible for employees of subsidiaries located outside France to benefit from and take advantage of forms of shareholder incentive or investment or savings plans equivalent in terms of economic benefit to those from which the other employees of the Group benefit;
3. takes note that this authorization shall constitute automatically and by law an express waiver by the shareholders, in favour of the holders of securities granting access to Company capital, of their preferential right to subscribe for ordinary shares of the Company which such securities carry the right to acquire;
4. decides that the amount payable to the Company for all shares issued, or to be issued, and pursuant to this resolution shall be set by the Board of Directors on the basis of the trading price of the Company's shares on Euronext Paris; the issue conditions shall be determined at the discretion of the Board of Directors on the basis of either (i) the first or last quoted trading price of the Company's shares at the trading session on the date of the decision by the Board of Directors or the authorized representative thereof setting the issue conditions, or (ii) of an average of the quoted prices for the Company's shares during the 20 trading sessions preceding the date of the decision by the Board of Directors or the authorized representative thereof setting the issue conditions under this resolution or setting the issue price under the 22nd resolution of this Annual Shareholders' Meeting; the Board of Directors may set the issue price by applying a maximum discount of 30% of the trading price of the Company's shares determined in accordance with either of the two methods set forth in clauses (i) and (ii) of this paragraph; the percentage of such discount applied to the trading price of the Company's shares shall be determined by the Board of Directors taking into consideration, among other things, legal, tax, and regulatory provisions of foreign law applicable, as the case may be, to the persons benefiting from the issue;
5. hereby resolves that the Board of Directors shall have full authority, on the terms and conditions provided by law and within the limits set forth hereinabove, to implement and give effect to this authorization and determine the list of the beneficiaries and recipients within the classes described in this resolution and the number of securities to be offered to each thereof, provided that the Board of Directors may decide that the capital increase shall be completed for the amounts subscribed, on the condition that a minimum of 75% of the shares or other offered securities providing access to capital have been subscribed, as well as, among other things:
 - to determine the characteristics of the securities to be issued, to decide on the issue price, dates, time periods, terms and conditions of subscribing therefore, paying the paid-in capital, or nominal amount thereof, delivery and effectiveness of the shares and equity securities, the lock-up and early release period, within applicable limits of the law and regulations,
 - to record and determine the capital increase, to undertake the issuance of the shares and other securities carrying the right to acquire shares, to amend the Articles of Association accordingly,
 - and, as a general rule, to enter into any agreement, in particular to ensure the due and proper completion of the contemplated issuances, take all steps and complete any required formalities in connection with the issue, the listing and financial servicing of the securities issued under and this authorization, as well as the exercise of the rights attaching thereto, and, more generally, to do whatever may be necessary.

This delegation (i) cancels, effective August 1, 2021, the authorization given by the Annual Shareholders' Meeting of April 23, 2020, in its 21st resolution, for its amounts unused by the Board of Directors and (ii) is granted for a period of eighteen (18) months as from this Shareholders' Meeting.

24th resolution: Cancellation of treasury shares

Explanatory statement

Under the **24th resolution**, shareholders are invited to grant the Board of Directors authority to undertake share cancellations up to a limit of 10% of the capital, over a period of 24 months from the date of the Annual Shareholders' Meeting, to reduce the dilutive effect of capital increases undertaken or to be undertaken due mainly to capital increases reserved for employees and Long-term incentive plan, and to put in place, where applicable, share buyback programs for own shares with the aim of reducing the capital.

We remind you that this authorization granted by the Annual Shareholders' Meeting of April 25, 2019, which is to expire on April 24, 2021, has been used by the Board of Directors, at its meeting of February 19, 2020, to proceed with the cancellation of 15,000,000 treasury shares, representing 2.58% of the share capital as of January 31, 2020. Further to this cancellation, the Company held 16,043,977 of treasury shares, representing 2.76% of the share capital as of January 31, 2020 after capital reduction.

Text of the twenty-fourth resolution

(Authorization to the Board of Directors to cancel shares of the Company bought back by the Company under the share buyback programs)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for extraordinary shareholders' meetings, having heard the Board of Directors' report and the statutory auditors' special report, and in accordance with the provisions of Article L. 22-10-62 of the French Commercial Code:

1. *authorizes the Board of Directors, in accordance with Article L. 22-10-62 of the French Commercial Code, to cancel, on one or more occasions, up to 10% of the total amount of the shares comprising the Company's share capital on the date of the transaction, within a twenty-four (24) month period, some or all the shares that the Company holds or could hold, to reduce its share capital accordingly and charge the difference between the purchase price of the cancelled shares and their par value against premiums and reserves, including the legal reserve up to a maximum of 10% of the cancelled capital;*
2. *grants all powers to the Board of Directors, which may further delegate as permitted by law, to implement this authorization, carry out all actions, formalities and declarations, including amending the Articles of Association, and, in general, do whatever is necessary.*

This authorization supersedes the previous delegation given to the Board of Directors by the General Shareholders' Meeting of April 25, 2019 in its 24th resolution and is granted for a period of twenty-four (24) months as from this Shareholders' Meeting.

25th resolution: Amendments of the Articles of Association

Explanatory statement

Under the **25th resolution**, we present an amendment to the Articles of Association concerning Article 13.6 to correct a material error.

Text of the twenty-fifth resolution

(Amendment of Article 13 of the Articles of Association to correct a material error)

The Annual Shareholders' Meeting, having satisfied the quorum and majority requirements for extraordinary shareholders' meetings, after having heard the Board of Directors' report, decides to amend Article 13.6 of the Articles of Association to correct a material error as follows: in Article 13.6, the reference to Article "L. 813-29" is replaced by the reference to "L. 823-19". The other provisions of Article 13 of the Articles of Association remain unchanged.

A copy of the Articles of Association of Schneider Electric SE is attached to the minutes of this meeting.

26th resolution: Power for formalities

Explanatory statement

Finally, under the **26th resolution** we request that you grant us the powers necessary to carry out the formalities.

Text of the twenty-sixth resolution

(Powers for formalities)

The Annual Shareholders' Meeting confers full powers upon the bearer of a copy or excerpts of the minutes confirming these resolutions for the purposes of carrying out all legal and administrative formalities.

2. Statutory auditors' special reports

2. Statutory auditors' special reports

2.1 Statutory auditors' report on the issuance of shares and various securities with and/or without preferential subscription rights

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with articles L. 228-92 and L. 225-135 et seq. as well as article L. 22-10-52 of the French Commercial Code (*Code de commerce*), we hereby report on the proposed authorizations allowing your board of directors to decide on whether to proceed with various issues of shares and/or marketable securities, operations upon which you are called to vote.

Your board of directors proposes, on the basis of its report, that:

- it be authorised, with the right of subdelegation, for a period of twenty-six months, to decide on whether to proceed with the following operations and to determine the final conditions of these issues and proposes, where applicable, to cancel your preferential subscription rights:
 - issue, without cancellation of preferential subscription rights (sixteenth resolution), of ordinary shares and marketable securities of the company giving access, immediately and/or in the future, to ordinary shares of the company or of any company in which it owns directly or indirectly more than half of the share capital;
 - issue, with cancellation of preferential subscription rights through a public offering other than those referred to in Article L. 411-2-1° of the French Monetary and Financial Code (seventeenth resolution), of ordinary shares and marketable securities of the company giving access, immediately and/or in the future, to ordinary shares of the company or of any company in which it owns directly or indirectly more than half of the share capital, it being specified that these securities could be issued in consideration for shares which may be tendered to the company as part of public exchange offers initiated by the company in compliance with the conditions set forth in article L. 22-10-54 of the French Commercial Code (*Code de commerce*);
 - issue, with cancellation of preferential subscription rights through a public offering referred to in Article L. 411-2-1° of the French Monetary and Financial Code (eighteenth resolution), of ordinary shares and marketable securities of the company giving access, immediately and/or in the future, to ordinary shares of the company or of any company in which it owns directly or indirectly more than half of the share capital, within the annual limit of 20 % of the share capital;

- it be delegated, with the right of subdelegation, for a period of twenty-six months, the powers necessary to issue ordinary shares and/or marketable securities of the company giving access, immediately and/or in the future, to ordinary shares of the company or of any company in which it owns directly or indirectly more than half of the share capital, in consideration for the contributions in kind made to the company and consisting of equity securities or marketable securities giving access to the capital (twentieth resolution), within the limit of 10% of the share capital.

The overall nominal amount of increases in capital that can be implemented immediately or at a later date may not exceed M€ 800 in respect of the sixteenth, seventeenth, eighteenth and twentieth resolutions, it being specified that:

- the overall nominal amount of the increases in capital may not exceed M€ 224 in respect of the seventeenth, eighteenth and twentieth resolutions;
- the overall nominal amount of the increases in capital may not exceed M€ 120 in respect of the eighteenth resolution.

The overall nominal amount of debt securities that can be issued may not exceed Bn€ 7 in respect of the sixteenth, seventeenth, eighteenth and twentieth resolutions.

These ceilings reflect the additional number of securities to be created as part of the implementation of the delegations referred to in the sixteenth, seventeenth and eighteenth resolutions, in accordance with article L. 225-135-1 of the French Commercial Code (*Code de commerce*), if you adopt the nineteenth resolution.

It is the responsibility of the board of directors to prepare a report in accordance with articles R. 225-113 et seq. of the French Commercial Code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on other information relating to these operations provided in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the board of directors' report relating to these operations and the methods used to determine the issue price of the equity securities to be issued.

Subject to a subsequent examination of the conditions for the issues that would be decided, we have no matters to report as to the methods used to determine the issue price of the equity securities to be issued provided in the board of directors' report in respect of the seventeenth and eighteenth resolutions.

Moreover, as the methods used to determine the issue price of the equity securities to be issued in accordance with the sixteenth and twentieth resolutions are not specified in that report, we cannot report on the choice of constituent elements used to determine the issue price.

As the final conditions in which the issues would be performed have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights for the seventeenth and eighteenth resolutions.

Signed in Paris-La Défense and in Courbevoie on March 10, 2021

The Statutory Auditors
French original signed by

MAZARS

Loïc Wallaert
Mathieu Mougard

ERNST & YOUNG et Autres

Jean-Yves Jégourel
Alexandre Resten

In accordance with article R. 225-116 of the French Commercial Code (*Code de commerce*), we will issue a supplementary report, if necessary, when your board of directors has exercised these authorizations in case of the issue of marketable securities that are equity securities giving access to other equity securities or giving entitlement to the allotment of debt securities, in case of the issue of marketable securities giving access to equity securities to be issued and in case of the issue of shares with cancellation of preferential subscription rights.

2. Statutory auditors' special reports

2.2 Statutory auditors' report on the issuance of shares or securities giving access to capital reserved for members of a company savings plan

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with Articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code (*Code de commerce*), we hereby report on the proposal to authorize your board of directors to decide whether to proceed with an issue of shares or securities giving access to the share capital of your company with cancellation of preferential subscription rights, reserved for participants in a company savings plan of the company and of the French or non-French companies affiliated with it, in accordance with article L. 3344-1 of the French Labor code (*Code du travail*), an operation upon which you are called to vote.

The maximum nominal amount of the increase in capital that may result from this issue is 2% of the share capital on the date of this shareholders' meeting.

This operation is submitted for your approval in accordance with articles L. 225-129-6 of the French Commercial code (*Code de commerce*) and L. 3332-18 et seq. of the French Labor code (*Code du travail*).

Your board of directors proposes that, on the basis of its report, it be authorized, with the right of sub-delegation, for a period of twenty-six months, to decide on whether to proceed with issues and proposes to cancel your preferential subscription rights to the shares and securities to be issued. If applicable, it shall determine the final conditions of these issues.

This delegation cancels, effective August 1, 2021, the authorization given by the annual shareholders' meeting of April 23, 2020 in its twentieth resolution for its amounts unused by the board of directors.

It is the responsibility of the board of directors to prepare a report in accordance with articles R. 225-113 et seq. of the French Commercial code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights, and on other information relating to these issues provided in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the board of director's report relating to this operation and the methods used to determine the issue price of the equity securities to be issued.

Subject to a subsequent examination of the conditions for the issues that would be decided, we have no matters to report as to the methods used to determine the issue price of the equity securities to be issued provided in the board of director's report.

As the final conditions for the issues have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R. 225-116 of the French Commercial Code (*Code de commerce*), we will issue a supplementary report, if necessary, when your board of directors has exercised this authorization, in the event of the issue of shares or securities giving access to other equity securities and of the issue of securities giving access to equity securities to be issued.

Signed in Paris-La Défense and in Courbevoie on March 10, 2021

The Statutory Auditors
French original signed by

| | |
|-----------------|------------------------------------|
| MAZARS | ERNST & YOUNG et Autres |
| Loïc Wallaert | Jean-Yves Jégourel |
| Mathieu Mougard | Alexandre Resten |

2.3 Statutory auditors' report on the issuance of shares or securities reserved for a category of beneficiaries

To the Shareholders,

In our capacity as Statutory auditors of your company and in compliance with articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code (*Code de commerce*), we hereby report on the proposal to delegate to the Board of Directors the competence to decide on the issue of ordinary shares or securities giving access to the share capital of the company, with cancellation of preferential subscription right, an operation upon which you are called to vote.

This resolution is reserved to the following classes of beneficiaries: (i) employees and officers of companies of Schneider Electric Group affiliated with the Company under the terms and conditions set forth in Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code and the head office of which is located outside France; (ii) and/or OPC mutual investment funds or other entities, with or without legal personality, of employee shareholders invested in equity securities of the company, the unit holders or shareholders of which consist of persons described in (i) of this paragraph; (iii) and/or any banking institution or affiliate or subsidiary of such institution acting at the Company's request for purposes of implementing and giving effect to a shareholder incentive or investment or savings plan for the benefit of the persons described in (i) of this paragraph, to the extent that subscription of the person authorized in accordance with this resolution would make it possible for employees of subsidiaries located outside France to benefit from and take advantage of forms of shareholder incentive or investment or savings plans equivalent in terms of economic benefit to those from which the other employees of the Group benefit.

The maximum nominal amount of the increase in capital that may result from this issue is 1% of the share capital on the date of this shareholders' meeting, it being specified that this amount shall be deducted from the ceiling set under the twenty-second resolution of this annual shareholders' meeting.

Your board of directors proposes that, on the basis of its report, it be authorized, with the right of sub-delegation, for a period of eighteen months, to decide on whether to proceed with an increase

in capital and to cancel your preferential subscription rights to the ordinary shares and securities to be issued. If applicable, it shall determine the final conditions of this operation.

This delegation cancels, effective August 1, 2021, the authorization given by the annual shareholders' meeting of April 23, 2020 in its twenty-first resolution for its amounts unused by the board of directors.

It is the responsibility of the board of directors to prepare a report in accordance with articles R. 225-113 et seq. of the French Commercial code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights, and on other information relating to the share issue provided in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the board of director's report relating to this operation and the methods used to determine the issue price of the equity securities to be issued.

Subject to a subsequent examination of the conditions for the issue that would be decided, we have no matters to report as to the methods used to determine the issue price of the equity securities to be issued provided in the board of director's report.

As the final conditions for the issue have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R. 225-116 of the French Commercial Code (*Code de commerce*), we will issue a supplementary report, if necessary, when your board of directors has exercised this authorization, in the event of the issue of shares or securities giving access to other equity securities and of the issue of securities giving access to equity securities to be issued.

Signed in Paris-La Défense and in Courbevoie on March 10, 2021

The Statutory Auditors
French original signed by

| | |
|-----------------|------------------------------------|
| MAZARS | ERNST & YOUNG et Autres |
| Loïc Wallaert | Jean-Yves Jégourel |
| Mathieu Mougard | Alexandre Resten |

2. Statutory auditors' special reports

2.4 Statutory auditors' report on the reduction of capital

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with article L. 22-10-62 of the French Commercial Code (*Code de commerce*) in the event of a capital reduction by cancellation of acquired shares, we have prepared this report in order to inform you of our opinion on the causes for and the terms and conditions of the proposed capital reduction.

Your board of directors proposes that you delegate to the board, for a period of twenty-four months, all powers to cancel, up to 10% of company capital on the date of the transaction, per twenty-four month period, the shares purchased under the implementation of an authorization of purchase by your company of its own shares under the provisions of the aforesaid article.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. These procedures consisted in examining whether the causes for and the terms and conditions of the proposed capital reduction, which is not likely to adversely affect the equality of shareholders, are in order.

We have no comment to make on the causes for and the terms and conditions of the proposed capital reduction.

Signed in Paris-La Défense and in Courbevoie on March 10, 2021

The Statutory Auditors
French original signed by

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|-----------------|------------------------------------|
| MAZARS | ERNST & YOUNG et Autres |
| Loïc Wallaert | Jean-Yves Jégourel |
| Mathieu Mougard | Alexandre Resten |

2.5 Statutory Auditors' additional report on the issue of bonds convertible and/or exchangeable for new and/or existing shares (OCEANEs) without pre-emptive subscription rights

To the Annual General Meeting of Schneider Electric SE,

In our capacity as Statutory Auditors of your Company and in accordance with Article R.225-116 of the French Commercial Code (*Code de commerce*), and further to our report of March 8, 2019, we hereby report to you on the issue, with or without pre-emptive subscription rights for existing shareholders, of ordinary shares or securities carrying rights to shares through an offer referred to in Paragraph II of Article L.411-2 of the French Monetary and Financial Code (since the entry into force on 23 October 2019 of ordinance n°2019-1067 amending the provisions in relation to securities public offerings, an offer referred to in "Article L.411-2, 1° of the French Monetary and Financial Code"), as authorized by the Extraordinary Shareholders' Meeting of April 25, 2019.

The Extraordinary Shareholders' Meeting of April 25, 2019 authorized the Board of Directors – or any duly empowered representative – to issue ordinary shares of the Company or securities carrying rights to new and/or existing ordinary shares of the Company. The Annual Shareholders' Meeting decided that the delegation shall be valid for a twenty-six (26) month-period and granted within a maximum nominal amount of capital increase of €115 million being deducted from the capital increase ceiling of €230 million provided for in the 17th resolution and to the capital increase ceiling of €800 million provided for in the 15th resolution, of said Annual Shareholders' Meeting.

At its meeting of October 21, 2020, the Board of Directors decided to use the powers granted to it by the General Meeting of April 25, 2019 in its 20th resolution and to approve the principle of an issuance, by the Company, of securities giving access to the share capital, represented by OCEANEs, in the context of a public offering referred to in Article L.411-2, 1° of the French Monetary and Financial Code to qualified investors in France and outside France (as the case may be, except in the United States of America, Australia, Japan, Canada and/or South Africa), without the shareholders' preferential subscription right within the limits of a total nominal amount of such issuance of OCEANEs of €750 million and a maximum total nominal amount of the corresponding capital increase(s) resulting from the potential conversion of the OCEANEs into new ordinary shares of €21 million (excluding any adjustments to preserve the rights of holders of OCEANEs).

The Board of Directors subdelegated until January 30, 2021 to the Chairman and Chief executive officer all powers to decide the issuance of OCEANEs and to set its conditions.

The Chairman and Chief executive officer using this subdelegation decided on November 17, 2020 to issue 3,683,972 OCEANEs with a nominal value of €176,44 and a per-unit price of €190.11.

At its meeting of February 10, 2021, the Board of Directors placed on record the completion of this issuance.

Paris La Défense and Courbevoie, February 25, 2021

The Statutory Auditors
French original signed by

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| MAZARS | ERNST & YOUNG et Autres |
| Loïc Wallaert | Jean-Yves Jégourel |
| Mathieu Mougard | Alexandre Resten |

It is the responsibility of the Board of Directors to prepare an additional report in accordance with Articles R.225-115 et seq. of the French Commercial Code as well as in article R. 22-10-31. Our role is to report on the fairness of the financial information taken from the financial statements, on the cancellation of pre-emptive subscription rights and on certain other disclosures relating to the issue, contained in this report.

We performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures mainly consisted in verifying:

- the fairness of the financial information taken from the annual financial statements authorized for issue by the Board of Directors but not yet approved by the shareholders' meeting. These annual financial statements have been audited by us in accordance with professional standards applicable in France and our report on the annual financial statements is in the process of being issued.
- the compliance of the terms and conditions of the issue with the delegation of authority granted by the Extraordinary Shareholders' Meeting;
- the information provided in the Board of Directors' additional report on the choice of constituent elements used to determine the issue price and on its final amount.

We have no matters to report as to:

- the fairness of the financial information taken from the financial statements and included in the Board of Directors' additional report, being specified that the financial annual statements have not yet been approved by the annual general meeting;
- the compliance of the terms and conditions of the issue with the delegation of authority granted by the Extraordinary Shareholders' Meeting of April 25, 2019 and with the information provided to the shareholders;
- the choice of constituent elements used to determine the issue price and its final amount;
- the presentation of the impact of the issue on the situation of the holders of shares and securities carrying rights to shares, as expressed in relation to shareholders' equity, and on the Company's share price;
- the proposed cancellation of pre-emptive subscription rights, upon which you have voted.



Playing a major role in North Africa's digital transformation, DataXion optimizes energy and high availability with EcoStruxure™ from Schneider Electric.



8

Persons responsible for the Universal Registration Document and audit of the financial statements

| | |
|---|-----|
| Persons responsible for the Universal Registration Document | 430 |
| Persons responsible for the audit of the financial statements | 431 |

Persons responsible for the Universal Registration Document

Attestation

I declare, that the information contained in the Universal Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and that they present fairly the assets, financial position and results of the company and the consolidated Group. To the best of my knowledge, the business review accurately presents the changes in business, results and financial position of the company and the consolidated Group and describes their principal risks and contingencies.

March 23, 2021

The Chairman and CEO of Schneider Electric SE

Jean-Pascal Tricoire

Pursuant to article 19 of Commission regulation 1129/2017/EU, the following information is incorporated by reference in the present Universal Registration Document:

- the consolidated financial statements and corresponding auditors' reports provided in Chapter 5 of the registration document for the year ended December 31, 2018, registered with *Autorité des Marchés Financiers* (AMF) under number D.19-0155 on March 15, 2019;
- the consolidated financial statements and corresponding auditors' reports provided in Chapter 5 of the registration document for the year ended December 31, 2019, registered with *Autorité des Marchés Financiers* (AMF) under number D. 20-0137 on March 17, 2020;
- the parent company financial statements and corresponding auditors' reports provided in Chapter 6 of the registration document for the year ended December 31, 2018, registered with *Autorité des Marchés Financiers* (AMF) under number D.19-0155 on March 15, 2019;
- the parent company financial statements and corresponding auditors' reports provided in Chapter 6 of the registration document for the year ended December 31, 2019, registered with *Autorité des Marchés Financiers* (AMF) under number D. 20-0137 on March 17, 2020;
- the management report provided in Chapter 3 of the registration document for the year ended December 31, 2018, registered with *Autorité des Marchés Financiers* (AMF) under number D.19-0155 on March 15, 2019;
- the management report provided in Chapter 3 of the registration document for the year ended December 31, 2019, registered with *Autorité des Marchés Financiers* (AMF) under number D. 20-0137 on March 17, 2020;
- Passages not incorporated in these documents are either irrelevant for the investor or covered in another section of the Universal Registration Document.

Persons responsible for the audit of the financial statements

| | Date appointed | Appointment expires |
|--|----------------|---------------------|
| Statutory Auditors | | |
| Ernst & Young et Autres Tour First – 1, place des Saisons – 92037 Paris-la-Défense-Cedex Represented by Jean-Yves Jégourel and Alexandre Resten | 1992 | 2022 |
| Mazars Tour Exaltis – 61, rue Henri-Regnault – 92400 Courbevoie Represented by Loïc Wallaert and Mathieu Mougard | 2004 | 2022 |
| Alternate Auditors | | |
| Auditex | 2010 | 2022 |
| Thierry Blanchetier | 2010 | 2022 |

Ernst & Young et Autres and Mazars are members of the Auditors' Regional Company of "Versailles et du Centre".

Notes

Financial Calendar

Investor Relations

April 28, 2021 Shareholders' Meeting

Financial Releases

February 11, 2021 2020 Annual Results

April 27, 2021 Q1 2021 Revenues

July 30, 2021 2021 Half Year Results

October 27, 2021 Q3 2021 Revenues



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LinkedIn

linkedin.com/company/schneider-electric



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SchneiderElectric

Investor Relations

Amit Bhalla

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Corporate Communications

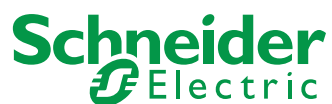
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Life Is On



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governed by a board of directors with a share

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Siret no.; 542 048 574 01775

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