

## 1. Report of the board of directors to the Ordinary and Extraordinary Shareholders' Meeting

# 1. Report of the board of directors to the Ordinary and Extraordinary Shareholders' Meeting

### 1.1 Ordinary meeting

#### Approval of corporate financial statements – First resolution

We request that you approve the transactions and financial statements for the year 2019, as presented, which show a net profit of EUR57,108,197.35.

#### Approval of consolidated financial statements – Second resolution

We request that you approve the transactions and consolidated financial statements for the year 2019, as presented, which show a net income for the Group of EUR2,413 million and an adjusted net income, which includes the adjusted EBITA, Price Purchase Allocation Amortization (excluding impairment), net financial income and loss, income tax expense on these elements at the effective tax rate discontinued operations net income, share of profit and loss of associates and impact of noncontrolling interests, of EUR2,933 million.

#### Distribution: appropriation of profit and setting of a dividend of EUR2.55 per share – Third resolution

We also recommend a distribution of **EUR2.55 per EUR4 par nominal value share**, which represents a distribution rate of 50.6% of the Group's net adjusted income. It will be paid on **May 7, 2020** on the 582,068,555 shares with dividend rights on January 1, 2020 that made up the capital on December 31, 2019. No dividend will be paid on shares held in treasury by the Company on the payment date.

This distribution will be paid out of distributable earnings consisting of:

- (i) retained earnings of EUR3,246,040,431.39;
- (ii) the net profit for the year amounting to EUR57,108,197.35;

Amounting to EUR3,303,148,628.74.

The total distribution will amount to EUR1,484,274,815.25 and the remaining profit available for distribution will be allocated to profit earnings. The distribution will be paid on May 7, 2020, according to the following schedule:

Dividend ex-date	Tuesday, May 05, 2020
Record date	Wednesday, May 06, 2020
Dividend payment date	Thursday, May 07, 2020

For individual shareholders resident for tax purposes in France, the distribution of EUR2.55 per share constitutes distributed income. As such, a social security tax of 17.2% will be charged on the gross amount when paid. The gross amount of French-source dividends received by resident individuals will also be subject to a mandatory non-definitive withholding tax of 12.8%.

Nevertheless, individuals belonging to a tax household whose taxable income for the penultimate year is less than EUR50,000 with the status of single, divorced or widowed taxpayer, and EUR75,000 for couples who file a joint tax return, can request exemption from this withholding tax. To this end, under their responsibility, they should submit their application for exemption to the paying entity, in the form of a sworn statement indicating that their reference taxable income listed on their tax form established under income for the penultimate year preceding the payment of the income, shows income lower than the thresholds indicated above. This application must be filed no later than November 30 of the year preceding that of the payment.

In 2021, dividends will in principle be subject to a flat tax ("Prélèvement Forfaitaire Unique" – "PFU") at the rate of 12.8%. However, taxpayers may opt for dividends to be subject to income tax at ordinary progressive rates. In such case, after applying a 40% (uncapped) allowance, only 60% of the dividends will be included in the taxable income, less any deductible charges and expenses. The option for taxation at the ordinary progressive tax rates is irrevocable and applies to all investment income received by the taxpayer. It is made in the income tax return filed every year following the one when the dividends are received.

The above-mentioned levy at source of 12.8% will be offset against the income tax that will be due in 2021 for income earned in 2020. If it exceeds the income tax due, the surplus will be paid back.

Shareholders are invited to contact their usual advisors for further information about the applicable tax regime.

Dividends/coupons paid by Schneider Electric SE in respect of the three most recent financial years are as follows:

	2016	2017	2018
Net dividend paid per share in EUR	2.04	2.20	2.35

### Regulated agreements entered into under the article L.225-38 of the French Commercial Code – Fourth and fifth resolutions

We request that you approve and take note of regulated agreements described in the Statutory Auditors' special report prepared in accordance with Article L.225-40 of the French Commercial Code.

Under the **fourth resolution** regarding the implementation during the financial year of agreements already approved by the Annual Shareholders' Meeting, we request that you take note of the Statutory Auditors' special report on regulated agreements prepared in accordance with Article L.225-40 of the French Commercial Code. As a reminder, the regulated commitments concerning the status of Messrs. Jean-Pascal Tricoire and Emmanuel Babeau approved at the Annual Shareholders' Meeting of 24 April 2018 and applicable until the approbation of a new compensation policy which, if approved, will supersede them, shall no longer be mentioned in this report. As a result, no regulated agreement executed in the previous years had to be communicated to the statutory auditors.

Under the **fifth resolution**, we request that you approve, under the condition precedent of the approval by the Annual Shareholders' Meeting of the tenth resolution, the specific agreement setting the terms and conditions of the Deputy Chief Executive Officer Mr. Emmanuel Babeau's departure, effective from 30 April 2020. These specific modalities supersede the elements of Mr. Emmanuel Babeau's status last approved on 24 April 2018 and are reported in the compensation policy specifically applicable to the Deputy CEO Mr. Emmanuel Babeau for 2020 and submitted to your approval under the tenth resolution. Under this agreement, the board of Schneider Electric aimed at protecting the Group's interests by strengthening the non-compete obligations applicable to Mr. Emmanuel Babeau after his departure, by (i) extending its term to two years instead of one and by (ii) extending the non-compete scope to technology and engineering companies. The non-compete commitment expressly prohibits Mr. Emmanuel Babeau from performing executive or non-executive functions in these companies. In addition, this fresh non-compete commitment would be supplemented by specific restrictive covenants applicable to the departing corporate officer for two years after his effective departure, namely (i) non-solicitation, (ii) non-disparagement, (iii) confidentiality and (iv) cooperation in the context of legal or administrative proceedings involving the Company.

As a result, Mr. Emmanuel Babeau, whose contribution to the solid performance of the Group was acknowledged by the board of directors, waives the non-compete compensation to be paid at 60% of his annual fixed and target variable parts, including complementary payments for retirement, that he would have been entitled to in pursuance of the current agreements. The board of directors, by way of derogation, allows Mr. Emmanuel Babeau to retain the benefit of the performance shares granted to him in 2018 and 2019, in proportion of the time of his presence over the acquisition period of these plans, i.e. 18,056 shares granted on 26 March 2018 and 9,389 shares granted on 26 March 2019. The final number of shares eventually acquired by Mr. Emmanuel Babeau will be determined at the end of the vesting period of each plan, depending upon the achievement level of the performance conditions of the plan as well as the continuous compliance with of the above-mentioned commitments by Mr. Emmanuel Babeau. The board of directors noted that the equivalent value of these shares does not exceed twice the average of Mr. Emmanuel Babeau's effective annual compensation (fixed and target variable parts) of the past three years, to the exclusion of complementary payments for pension building.

You will find all details on this regulated agreement in the compensation policy applicable to Mr. Emmanuel Babeau with respect to 2020, pages 297-298.

Should the fifth or the tenth resolution be rejected, (i) the non-compete commitment approved by the Annual Shareholders' Meeting of 24 April 2018 shall apply and (ii) Mr. Emmanuel Babeau will be entitled to the components of the compensation previously authorized by the board of directors and approved by the Annual Shareholders' Meeting of 25 April 2019, i.e.:

- his annual fixed compensation until the termination date of his term of office as Deputy CEO of the Company, based on an annual amount of EUR 680,000;
- his annual variable compensation with respect to the financial year 2020, calculated *pro rata temporis* and paid in 2021 subject to (i) the achievement rates of the performance conditions as set by the board of directors at the beginning of 2021 and (ii) the approval by the Annual Shareholders' Meeting of 2021 convened to approve the 2020 financial statements, of the fixed, variable and exceptional components of Mr. Emmanuel Babeau's total compensation and benefits of all types paid to him during the 2020 financial year or awarded in respect of the said financial year;
- the complementary payments for pension building (cash benefit) comprised of fixed and variable components, calculated *pro rata temporis* until the date of termination of his term of office as Deputy CEO, being specified that the payment of the variable part will be subject to (i) the achievement rates of the performance conditions as set by the board of directors at the beginning of 2021 and (ii) the approval by the Annual Shareholders' Meeting of 2021 convened to approve the 2020 financial statements, of the fixed, variable and exceptional components of Mr. Emmanuel Babeau's total compensation and benefits of all types paid to him during the 2020 financial year or awarded in respect of the said financial year; and
- an allowance equal to 60% of his average compensation during the last twelve months of presence (fixed and target variable parts, including complementary payments for pension building), paid on monthly instalments during one year.

Mr. Emmanuel Babeau would however lose the benefit of the performance shares granted to him in 2018 and 2019.

It is specified that in any event, Mr. Emmanuel Babeau will not be entitled to any Involuntary Severance Pay as his departure does not qualify as a constraint departure.

### Approval of the compensation report in relation to the last financial year – Sixth resolution

In pursuance of Article L. 225-100 II of the French Commercial Code, you are requested to approve the information listed in Article L. 225-37-3 I of the French Commercial Code as enacted by the Bill of 27 November 2019 relating to corporate officers' compensation in listed companies and 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 4.7 of the Universal Registration Document dedicated to the Senior Management compensation.

## 1. Report of the board of directors to the Ordinary and Extraordinary Shareholders' Meeting

### **Approval of the components of the total compensation and benefits of all types paid during the 2019 financial year or awarded in respect of the said financial year to Messrs. Jean-Pascal Tricoire and Emmanuel Babeau –Seventh and eighth resolutions**

In pursuance of Article L.225-100 III of the French Commercial Code as amended by the Bill of 27 November 2019 relating to corporate officers' compensation in listed companies, you are requested to approve fixed, variable and exceptional components of the total compensation and benefits of all types paid during the last financial year or awarded in respect of the said year, to the Chairman and CEO on the one side and to the Deputy-CEO on the other side.

These components are detailed in section 4.7 of the Universal Registration Document dedicated to the Senior Management compensation which is part of the corporate governance report referred to in Article L. 225-37 of the French Commercial Code. They have been paid or awarded in accordance with the principles and criteria approved by the Annual Shareholders' Meeting of 24 April 2018 or by the Annual Shareholders' Meeting of 25 April 2019, as applicable.

For easy reference, you will find in section 4.7 a reminder of the principles and criteria governing the allocation of the corporate officers' compensation that you previously approved and pursuant to which the compensation and benefits of all types paid out in 2019 or awarded in respect of 2019 to the Chairman and CEO, Mr. Jean-Pascal Tricoire, and to the Deputy CEO, Mr. Emmanuel Babeau, were calculated and set by the board of directors at its meeting of February 19, 2020.

The achievement rates of the performance conditions are presented and commented therein.

A reminder is also given that cash variable components (annual incentive and complementary variable portion for building pensions) will only be paid out, subject to approval of the compensation of the concerned corporate officer by a majority of the shareholders.

By the **seventh resolution** you are requested to approve the elements of Mr. Jean-Pascal Tricoire's 2019 compensation and by the **eighth resolution**, those of Mr. Emmanuel Babeau.

### **Approval of the Chairman and Chief Executive Officer's compensation policy – ninth resolution**

In pursuance of Article L. 225-37-2 II of the French Commercial Code as amended by the Bill of 27 November 2019 relating to corporate officers' compensation in listed companies, you are invited to approve the compensation policy of the Chairman and CEO. This policy as well as the manner in which it serves the corporate interest, contributes to the perennity of the company and fits its commercial strategy, are presented in section 4.7 of the Universal Registration Document. This section, dedicated to the Senior Management compensation, is part of the corporate governance report referred to in Article L. 225-37 of the French Commercial Code.

The scope of the approval covers all components of remuneration in cash, fixed and variable, benefits of all types, including the long-term incentive in the form of performance shares, fringe benefits, pension cash allowances, as well as indemnities or other benefits payable or potentially due as a consequence of the departure of the corporate officer or after such departure.

Based on the principles and criteria for determining, allocating and granting the components of the compensation and benefits of all types awarded to the Chairman and CEO for 2019 approved by the shareholders at the 2019 Annual Shareholders' Meeting with more than 85 % support, the board of directors decided on February 19, 2020, based on the works and recommendations of the Governance and remunerations committee, which as a reminder is composed of 80% of independent members as per AFEP/MEDEF Code:

- to continue to apply in 2020 the fundamental pillars which command the principles governing the compensation of the corporate officers. These pillars are: pay-for-performance, alignment with shareholders' interests, and competitiveness. The structure of the corporate officers' compensation results from these pillars, notably the overweight of variable components (75 to 80% of the total target compensation) and the proportion of approximately 50% of the target compensation granted in the form of performance shares;
- to maintain the base salary of Mr. Tricoire in his capacity as Chairman and CEO at the level set and approved for 2019;
- to maintain the maximum payable Annual Incentive in proportion of the base salary at 260%, with no change;
- to keep as it is the structure of the Annual Cash Incentive, as simplified in 2019: its amount now depends exclusively on Group criteria (to the exclusion of individual criteria) that are measurable and communicated to the market. 80% are Financial (namely: Adj. EBITA margin (organic) improvement, Group Cash Conversion rate, Group Organic Sales Growth), and 20% reflect the Group's performance in the field of sustainability as measured by the Schneider Sustainability Impact;
- to use the new authorization given to the board of directors at the Annual Shareholders' Meeting of 25 April 2019 (21<sup>st</sup> resolution), to make grants of performance shares to employees and corporate officers of the Company based on a new acquisition scale which depends upon the Group's performance measured in terms of Adjusted EPS improvement (40%), Relative TSR (35%) and relative sustainability performance measured through the Schneider Sustainability External and Relative Index (25%);
- to keep as it is the maximum number of performance shares granted to the Chairman and CEO Mr. Tricoire;
- to maintain the rule according to which no compensation which is not provided by the compensation policy already approved by the shareholders be paid to corporate officers;
- to detail the circumstances under which the payment of an involuntary severance pay and/or non-compete indemnity may be due, specifying that only a resignation requested by the company may qualify as a constraint departure, and to remove the complementary payments for pension building from the reference compensation used to determine the quantum of these indemnities, if any.

In accordance with applicable law, the payment of any variable or exceptional cash component in relation to the exercise of his office in 2020 will be subject to your approval at the Annual Shareholders' Meeting following year-end 2020.

Under the **ninth resolution** you are requested to approve this policy which now only applies to the Chairman and CEO.

### Approval of the compensation policy and of the components of the total compensation and benefits of all types paid during the 2020 financial year or awarded in respect of the said financial year to the Deputy Chief Executive Officer Mr. Emmanuel Babeau – Tenth resolution

Under this **tenth resolution**, you are requested to approve the new compensation policy applicable to Mr. Emmanuel Babeau in 2020, which reflects the terms and conditions of the regulated agreement submitted to your approval under the fifth resolution, and to approve the amount and the payment of the sums that are mentioned therein, namely, the fixed compensation (base salary), the annual incentive at target and the fixed and variable complementary payments for pension building, calculated *pro rata temporis* for 2020 till Mr. Emmanuel Babeau's effective departure on 30 April 2020. The respective annual amounts of these elements are unchanged from 2019 policy and their calculation detailed in the corporate governance report, pages 290-291 of the Universal Registration Document for 2019.

### Approval of the board members' compensation policy – Eleventh resolution

In pursuance of Article L.225-37-2 II of the French Commercial Code as amended by the Bill of 27 November 2019 referred to herein above, we request you to approve the compensation policy of the members of the board of 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. Both the maximum annual amount and the allocation rules are proposed to remain unchanged in 2020. These elements are presented in detail in section 4.7 of the Universal Registration Document, which forms part of the corporate governance report referred to in Article L. 225-37 of the French Commercial Code.

### Composition of the board of directors – Twelfth to sixteenth resolutions

We remind you that the terms of office of Mr. Léo Apotheker, Ms. Cécile Cabanis, Mr. Fred Kindle and Mr. Willy Kissling are due to expire after the 2020 Annual Shareholders' Meeting. The board of directors has unanimously decided, upon recommendation of its Governance and remunerations committee, to propose:

- the renewals of Mr. Léo Apotheker, Ms. Cécile Cabanis, Mr. Fred Kindle and Mr. Willy Kissling; and
- the appointment of Ms. Jill Lee.

These recommendations are in line with the board continuity planning that implies changing some of its members at regular intervals and serves the objective of attaining a balanced representation between women and men on the board. They also aim at ensuring diversity in terms of geographies, generations and competences in the best manner to address the challenges and strategic orientations of the Group, while keeping the current strong competences of the board and a reasonable size.

Ms. Jill Lee joined Schneider Electric SE's board of directors as a non-voting member on January 1<sup>st</sup>, 2020. Ms. Jill Lee, 56 years old, a Singaporean citizen, has been serving as the Group Chief Financial Officer of Sulzer Ltd. since April 2018. Ms. Lee began her career in finance in 1986 at AT&T and Tyco Electronics in Singapore. She pursued her career within Siemens and then ABB, mainly in China and Europe. In addition to strong financial skills, Ms. Lee brings to the board her thorough knowledge of Schneider Electric's activities and an expert understanding of the Asian markets. Ms. Lee is an advisory board member of Nanyang Business School (Nanyang Technological University) in Singapore and a member of the supervisory board of the Dutch leading lighting company Signify Ltd. (formerly Philips Lighting).

Ms. Jill Lee 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 will join the Audit and risks committee.

Mr. Léo Apotheker, Ms. Cécile Cabanis, Mr. Fred Kindle and Mr. Willy Kissling's biographies and their terms of office are provided on pages 428 to 430.

Messrs. Léo Apotheker and Willy Kissling, beyond their thorough knowledge of the Group and their respective expertises, contribute to the balanced composition of the board of directors.

Ms. Cécile Cabanis executive and non executive functions within Danone group are not impediments, in terms of availability, to the performance of her term of office as a director of Schneider Electric SE, as evidenced by her individual attendance average rate at the board of directors' meetings over 2018 and 2019 reaching 93% corresponding to only one absence over two years, i.e. the day of Danone's Annual Shareholders' Meeting.

Ms. Cécile Cabanis and Mr. Fred Kindle are independent directors under AFEP/MEDEF corporate governance Code contrary to Mr. Willy Kissling due to his long tenure on the board. For the same reason, Mr. Léo Apotheker will no longer qualify as an independent director as from the 2020 Annual Shareholders' Meeting. In pursuance of Article 11.2 of the Articles of Association which provides that when an appointment is made of a director who will reach the age of 70 before the expiry of his/her term, its duration is limited to the period expiring at the close of the Annual Shareholders' Meeting held in the year during which such director will reach the age of 70, Mr. Apotheker's term of office shall be renewed for a three-year period only.

If you approve the proposals made in the **twelfth to sixteenth resolutions**, the board of directors will comprise 13 members, 42% of women (director representing employees excluded pursuant to the provisions of the French Commercial Code), 69% of foreign directors and 73% of independent directors (in accordance with AFEP/MEDEF corporate governance Code).

The board of directors considers that in addition to Mr. Jean-Pascal Tricoire, to Ms. Xiaoyun Ma, representing employee shareholders, and to Mr. Patrick Montier, representing employees, Messrs. Léo Apotheker and Willy Kissling do not qualify as independent directors. At the date of the Annual Shareholders' Meeting of 2020, both will no longer qualify as independent directors due to their long years of service on the board. All of the other directors are independent.

## 1. Report of the board of directors to the Ordinary and Extraordinary Shareholders' Meeting

### Share buybacks – Seventeenth resolution

We request that you renew the authorization given to the Company by the Annual Shareholders' Meeting of April 25, 2019, to buy back its shares by any appropriate method, pursuant to the provisions of Article L.225-209 of the French Commercial Code and European Regulation (EU) no. 596/2014 of April 16, 2014 on market abuse (regulation concerning market abuse) which came into force on July 3, 2016.

The Company buyback programs may have various objectives: to reduce share capital, cover allocation on performance shares plans to employees or corporate officers, fulfill obligations related to convertible bonds, and engage in market making as part of a liquidity contract, as well as engage in external acquisitions, as may be permitted under the regulations in force.

Shares bought back may be cancelled under the authorization adopted by the Annual Shareholders' Meeting of April 25, 2019 (twenty-fourth resolution).

We remind you that on February 14, 2019 Schneider Electric initiated a new EUR1.5bn to EUR2.0bn share buyback program over the period 2019-2021. The program has been launched under the fifteenth resolution approved at the 2018 Annual Shareholders' Meeting and pursued under the fourteenth resolution approved at the 2019 Annual Shareholders' Meeting. These buybacks were part of a policy to neutralize the dilution resulting from capital increases reserved for employees or from performance share plans and the exercise of options.

As part of the authorization granted at the Annual Shareholders' Meeting on April 25, 2019, and through implementation of the announced projects, Schneider Electric proceeded from April 26, 2019 to February 19, 2020 to a buyback of 3.5 million shares, for a total sum of EUR266.3 million. Since the beginning of the program, February 14, 2019, the Company bought back 3.5 million shares for EUR266.3 million.

Further information on the Company's share buyback programs can be found on page 397.

In the **seventeenth resolution**, you are requested to authorize the Company to buy back shares representing a maximum of 10% of the issued capital as of the date of the Shareholders' Meeting (for reference purposes, based on the issued capital on December 31, 2019: 58,206,855 shares). The maximum purchase price is brought up to EUR150. We remind you that this authorization may not be used during public offer periods.

## 1.2 Extraordinary Meeting

### Amendments to the Articles of Association – Eighteenth and nineteenth resolutions

The board of directors recommends you to amend Article 11.4 of the Articles of Association pursuant to Article L.225-27-1 of the French Commercial Code modified by Law n°2019-486 of May 22, 2019 relating to companies' growth and transformation, known as PACTE Law, which reduces the threshold for appointment of a second director representing employees from twelve to eight.

Besides and in line with the prescription of Article L.225-27-1, III, 4° of the French Commercial Code, the second director representing employees will be appointed by the European Works Council, employee representative body of the Company set up in pursuance of Article L.2352-16 of the French Labor Code, ensuring thereby a higher representativity of the Group employees within the board.

Finally, under the amendment to the Articles of Association proposed to you, without prejudice of the four-year duration of the term of office of directors representing employees, provision is made for establishing the principle based on which when, at the end of a financial year, the Company no longer meets the prerequisites for the appointment of directors representing employees, the term of office of any director representing employees will cease at the close of the Annual Shareholders' Meeting ruling upon the accounts of the said financial year.

Such is the purpose of the **eighteenth resolution**.

Under the **nineteenth resolution**, we present four other amendments to the Articles of Association concerning Articles 13 and 16 to reflect the amended laws and correct a material error.

### Capital increases reserved for employees with cancellation of preferential subscription rights of shareholders – Twentieth and twenty-first resolutions

Schneider Electric is convinced of the importance of developing the Company's employee shareholder base and issues new shares to employees each year. As of December 31, 2019, employees held 3.7% of the capital.

We remind you that the twenty-second and the twenty-third resolutions of the Annual Shareholders' Meeting of April 25, 2019 authorized the board of directors to issue shares reserved for employees participating in the Company Savings Plan within the limit of 2% of the share capital, and to issue shares reserved for employees of foreign Group companies or entities set up on their behalf, within the limit of 1% of the share capital.

As part of these authorizations, at its meetings of December 11, 2019, the board of directors decided to renew the annual employee shareholder plan in 2020, within a limit of 3.7 million shares (approximately 0.64% 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 EUR1,400.

The Company carried out capital increases reserved for Group employees in 2019 (WESOP 2019). These transactions are presented on page 399 of this Universal Registration Document.

To allow for the implementation of a new global employee share ownership plan in 2021, you are requested to renew these authorizations under the same conditions.

Such is the purpose of the twentieth and twenty-first resolutions.

Under the **twentieth resolution**, you are requested to 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%.

This authority requires shareholders to waive their preferential subscription right in favor of members of the Company Savings Plan. It is valid for a period of 26 months; the authority in force as voted by the Annual Shareholders' Meeting of April 25, 2019 in its twenty-second resolution shall cease to be effective as from June 30, 2020.

The maximum nominal amount of capital increases carried out on the basis of the twentieth resolution will be deducted from the ceilings outlined in the fifteenth and seventeenth resolutions approved by the Annual Shareholders' Meeting of April 25, 2019.

Under the **twenty-first resolution**, we request that you renew the authorization to carry out capital increases reserved for employees and corporate officers of non-French Group companies or to entities set up on their behalf. We remind you that the authorization will not exceed 1% of the capital. The issues to be carried out 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. At the discretion of the board of directors, the issue price will be based on either (i) the opening or closing price of the Company's shares quoted on the trading day on which the decision of the board or its delegate setting the issue price is made, or (ii) the average of the opening or closing prices quoted for the Company's shares over the 20 trading days preceding the decision of the board or its delegate setting the issue price under the twentieth resolution of this Annual Shareholders' Meeting. A maximum discount of 30% may be applied in relation to the benchmark stock price. The application of such a discount will be assessed by the board of directors in consideration, in particular, of the legal, regulatory and tax regulations of the foreign legal system applicable to beneficiaries of the issue. Issues performed will be deducted from the ceiling of 2% provided for by the twentieth resolution.

This authorization is valid for a period of 18 months and may only be used on or after August 1, 2020. As from August 1, 2020, it shall supersede the existing authorization granted in the twenty-third resolution adopted by the Annual Shareholders' Meeting of April 25, 2019 for the amounts remaining unused at July 31, 2020.

Finally, under the **twenty-second resolution** we request that you grant us the powers necessary to carry out the formalities.

## Statutory auditors' report on the financial statements

# 4. Statutory auditors' report on the financial statements

To the Annual General Meeting of Schneider Electric S.E.,

### 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, 2019.

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, 2019 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 rules applicable to us, for the period from January 1, 2019 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) No. 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

### Justification of Assessments - Key Audit Matters

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 current 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" to the financial statements

#### Key audit matter

As at December 31, 2019, investments in subsidiaries and affiliates and the related advances amount to M€ 5,486 and M€ 3,224 respectively in the balance sheet of Schneider Electric S.E., net of any impairment loss.

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 these investments is determined primarily based on the subsidiaries' and affiliates' net assets as well as on their earnings outlook and the underlying economic forecasts.

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.

#### Our response

We analyzed the procedures implemented by your Company to determine the value in use of investments in subsidiaries and affiliates. Our work consisted in:

- comparing the share 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 to determine the values in use.

We also assessed the recoverability of advances to subsidiaries and affiliates, based on the impairment tests results of the corresponding investments.

**Specific verifications**

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

**Information given 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.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in article D. 441-4 of the French Commercial Code (*Code de commerce*).

**Information relating to Corporate Governance**

We attest that the section on Corporate Governance contained in the Board of Directors' Management Report sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 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 companies controlled thereby which are included in the consolidation scope. Based on these procedures, 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 bid or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

**Other information**

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and 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****Appointment of the Statutory Auditors**

We were appointed as statutory auditors of Schneider Electric S.E. by your Annual General Meetings held on May 6, 2004 for MAZARS and on June 25, 1992 for ERNST & YOUNG et Autres.

As at December 31, 2019, MAZARS and ERNST & YOUNG et Autres were in the sixteenth year and in the twenty-eighth year of total uninterrupted engagement, respectively.

**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.

## Rapport des commissaires aux comptes sur les comptes annuels

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 to the Audit and Risks Committee a report 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, 2020

The Statutory Auditors  
French original signed by

<b>MAZARS</b>	<b>ERNST &amp; YOUNG et Autres</b>
Loïc Wallaert	Jean-Yves Jégourel
Mathieu Mougard	Alexandre Resten

## 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 S.E.,

### 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, 2019.

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, 2019 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 rules applicable to us, for the period from January 1, 2019 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) No. 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

### Emphasis of Matter

We draw your attention to the matters described in Paragraphs "First application of IFRS 16 – Leases" and "First application of IFRIC 23 – Uncertainty over Income Tax Treatments" of Note 1 "Accounting Policies" to the consolidated financial statements. Our opinion is not modified in respect of these matters.

### Justification of Assessments - Key Audit Matters

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, 1.10, 5, 9 and 10 to the consolidated financial statements

#### Key audit matter

As at December 31, 2019, the carrying amount of goodwill and trademarks with an indefinite useful life is M€ 18 719 and M€ 2 170 respectively, totaling 46% of the Group's consolidated assets.

As described in Note 1.10 to the consolidated financial statements, the Cash Generating Units (CGUs), which the goodwill and the trademarks with an indefinite useful life are allocated to, 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.

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.

The measurement of goodwill and trademarks with an indefinite useful life is considered 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:

- define the CGUs, as an improper mapping could lead your Group to not recognize or under-estimate 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

As regards goodwill, our audit work consisted in:

- 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;
- assessing 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.

As regards significant trademarks with an indefinite useful life, our work consisted in:

- 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;
- assessing 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, 1.10, 4 and 10.4 to the consolidated financial statements

#### Key audit matter

As at December 31, 2019, the Group's consolidated balance sheet includes capitalized development costs recognized as intangible assets for M€ 1 204.

As described in notes 1.8 and 1.10 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.

Development-related assets are amortized from the commercial launch and over the lifespan of the underlying technology.

Capitalized development costs 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 capitalized development costs 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.

We considered the capitalization and the measurement of development costs 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.

#### Our response

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:

- ensuring the criteria for recognizing an intangible asset, as set out in IAS 38 and in the Group's internal procedure, were met and consistently applied;
- reconciling, on a sample basis, the costs capitalized as at December 31, 2019 with the underlying supporting documentation;
- assessing, with the assistance of our valuation experts, the data and assumptions used by the Group when testing capitalized development-costs 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 Management's computations.

## Statutory auditors' report on the consolidated financial statements

### Recognition and recoverability of deferred tax assets related to tax losses carried forward

Notes 1.3, 1.15 and 14 to the consolidated financial statements

#### Key audit matter

As at December 31, 2019, the deferred tax assets recognized in the Group's balance sheet, with regards to tax losses carried forward, amount to M€ 722 and are mainly related to France for M€ 577.

As described in Note 1.15 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.

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 these deferred tax assets relies on the Group's ability to accurately forecast its future taxable incomes.

The recognition and recoverability of deferred tax assets on tax losses carried forward is considered to be a key audit matter due to the importance of judgment exercised by Management.

#### Our response

In considering the Group's capacity to benefit from its deferred tax assets on tax losses carried forward by offsetting them with future taxable incomes, our audit approach consisted, with the assistance of our tax experts when necessary, in:

- 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, 1.3, 1.20, 21 and 26.2 to the consolidated financial statements

#### Key audit matter

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.

In this context, the Group may face uncertain, litigious or contentious situations, particularly when analyzing uncertain tax positions.

As described in note 1.20 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.

Each subsidiary and relevant departments of the Group assess the identified risks on a regular basis, with the assistance of external counsels when necessary.

The recognition and measurement of provisions, uncertain tax positions and contingent liabilities is considered 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 provisions amounts, 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.

#### Our response

Our audit approach consisted mainly in:

- 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 experts, if necessary.
- reading the information provided by the Group with regards to these liabilities and contingent liabilities.

### 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 Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the Group's information given in the Board of Directors' management report, it being specified that, in accordance with Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

### Report on Other Legal and Regulatory Requirements

#### Appointment of the Statutory Auditors

We were appointed as statutory auditors of Schneider Electric S.E. by your Annual General Meeting held on May 6, 2004 for MAZARS and on June 25, 1992 for ERNST & YOUNG et Autres.

As at December 31, 2019, MAZARS and ERNST & YOUNG et Autres were in the sixteenth year and in the twenty-eighth year of total uninterrupted engagement, respectively.

### 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.

### 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.

## Statutory auditors' report on the consolidated financial statements

### Report to the Audit and Risks Committee

We submit to the Audit and Risks Committee a report 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, 2020

The Statutory Auditors  
French original signed by

<b>MAZARS</b>	<b>ERNST &amp; YOUNG et Autres</b>
Loïc Wallaert	Jean-Yves Jégourel
Mathieu Mougard	Alexandre Resten

## 4. Statutory Auditors' report on related party agreements

# 4. Statutory Auditors' report on related party agreements

### 4.1 Statutory Auditors' report on related party agreements

#### To the Shareholders of Schneider Electric SE,

In our capacity as statutory auditors of your Company, we hereby report to you on related party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms, conditions and reasons underlying company's interest of agreements that have been disclosed to us or that we may have been identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed 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.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R. 225-31 of the French commercial code in relation to the implementation during the year of agreements previously approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with the guidance issued by the French Institute of statutory auditors (*Compagnie nationale des Commissaires aux Comptes*) for this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

#### Agreements submitted to the approval of the shareholders' meeting

##### Agreements authorized and concluded during the financial year

We have been informed of no agreements authorized during the last year and requiring the approval of the Shareholders' Meeting by virtue of article L. 225-38 of the French commercial code.

##### Agreements authorized after closing

We have been informed of the following related party agreement, authorized and concluded after closing date, that has been authorized by the Board of directors dated February 28, 2020.

#### Agreement concluded with Mr. Emmanuel Babeau (Deputy Chief Executive Officer in charge of Finance and Legal Affairs) in the context of his departure from the Group on April 30, 2020

It is specified that Mr. Emmanuel Babeau benefited, as Deputy Chief Executive Officer, of related party commitments previously authorized by your Board of Directors and regularly approved by your shareholders' meeting. In connection with his departure from the Schneider Electric Group, the Company entered into a related party agreement with Mr. Emmanuel Babeau setting out the terms and conditions for the termination of his duties and updating or supplementing the commitments previously in force. This related party agreement is submitted to your approval under the 10<sup>th</sup> resolution of this shareholders' meeting, which pertains to the compensations granted to Mr. Emmanuel Babeau for fiscal year 2020. Its terms and conditions are as follows:

##### Fixed compensation for fiscal year 2020

The amount of the fixed annual compensation of the Deputy Chief Executive Officer would remain unchanged at 680,000 euros for fiscal year 2020. The fixed compensation paid to Mr. Emmanuel Babeau would be calculated *pro rata temporis* until the term of his duties as Deputy Chief Executive Officer.

Mr. Emmanuel Babeau would thus receive 226,667 euros until April 30, 2020 as part of his fixed compensation.

##### Variable compensation for fiscal year 2020

The target level of 680,000 euros set for fiscal year 2020, and not its maximum, would be deemed vested for Mr. Emmanuel Babeau, who would be granted variable compensation calculated *pro rata temporis* until the term of his duties as Deputy Chief Executive Officer.

The variable portion of the compensation due to Mr. Emmanuel Babeau for fiscal year 2020 would thus be 226,667 euros.

##### Additional pension payments (cash benefit)

Mr. Emmanuel Babeau would receive the following amounts in respect of additional pension payments for 2020, calculated *pro rata 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, should the target be met (calculated on an annual basis of 153,300 euros for a variable compensation amount equal to 100% of the annual compensation amount, in the event the target is deemed to have vested for 2020).

##### Application of a new non-compete agreement and of additional commitments

Mr. Emmanuel Babeau was bound by a non-compete agreement in the event of his departure, pursuant to the decisions of the Board of Directors of June 18 and 19, 2013 (amended on October 24, 2013 and February 18, 2015, then reiterated and amended again on April 25, 2017 and February 14, 2018), as approved by the Shareholders' Meeting of April 24, 2018 in the context of the related party commitments regime.

This one-year commitment is remunerated at 60% of the annual target compensation (fixed and variable, including additional pension payments), i.e. a total amount of 999,960 euros.

#### 4. Statutory Auditors' report on related party agreements

Given the recent changes in the Group's scope of consolidation and the specific responsibilities assumed by Mr. Emmanuel Babeau in this context, this non-compete agreement would be modified in order to protect the best interests of the Company and the Group after the departure of the Deputy Chief Executive Officer.

Mr. Emmanuel Babeau, who has been with the Group for more than ten years, including seven years as Deputy Chief Executive Officer, has in-depth knowledge of the Group's operations and development. As Vice-Chairman and non-executive director of Aveva Group Plc. since 2018, he has also developed transversal, strategic and operational skills in the industrial and engineering software sector, a sector considered key to the current and future development of the group.

Consequently, this commitment would be replaced by a new two-year non-compete agreement (the "Non-Compete Agreement") with a scope extended to:

- salaried, executive or corporate officer duties (including any participation in a governance body) in companies already covered by the initial non-compete agreement and in companies in the industrial and engineering software sector; and
- any service provision activity or consulting mission for the benefit of the above-mentioned companies.

Mr. Emmanuel Babeau would waive the non-compete indemnity in cash equal to 60% of his annual target compensation (including additional payments) that he would be entitled to receive pursuant to the Non-Compete Agreement approved by the shareholders' meeting of April 24, 2018.

This Non-Compete Agreement would be supplemented by additional commitments related to his departure: (i) non-solicitation, (ii) non-disparagement, (iii) confidentiality and (iv) cooperation in judicial or administrative proceedings involving the company, to be borne by Mr. Emmanuel Babeau for a period of two years (together with the Non-Compete Agreement, the "Commitments").

Subject to complying with the Commitments, Mr. Emmanuel Babeau may retain the benefit of the performance shares he was granted in 2018 and 2019, proportionally to the time he spent in the company over the vesting period of the performance share plans concerned, under the conditions set out below.

##### Long-term compensation (performance share plans)

The condition of presence provided for by the performance share plans would be waived in favor of Mr. Emmanuel Babeau, who would retain the benefit of the 52,000 performance shares he was granted free of charge in 2018 and 2019 and that are still subject to a vesting period, proportionally to his presence over the vesting period of the performance share plans concerned, i.e. a maximum of 27,445 performance shares, and under the following conditions:

- 18,056 performance shares granted in 2018 would be deemed vested on March 26, 2021, subject to the Deputy Chief Executive Officer's compliance with the Commitments until that date; and
- 9,389 performance shares granted in 2019 would be deemed vested on March 28, 2022, subject to the Deputy Chief Executive Officer's compliance with the Commitments until that date.

Other conditions provided for in the performance share plans rules, in particular the performance conditions, would remain applicable.

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 continually complying with the Commitments and the Board of Directors' decision on the achievement rate of the applicable performance conditions.

It is specified that all the performance shares likely to be acquired by Emmanuel Babeau would represent, at the term of his duties as Deputy Chief Executive Officer, 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 1,492,940.90 euros (987,446.53 euros for the preference shares granted in 2018 and 505,494.37 euros for the preference shares granted in 2019), i.e. a sum below two years of annual compensation (fixed and variable) of Mr. Emmanuel Babeau.

##### Legal and tax assistance

Emmanuel Babeau would benefit 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. which is currently underway by the service provider, and hypothetically until December 31, 2020 at the latest. The maximum cost of this benefit is estimated at EUR 15,000.

The Board of Directors determined the company's interest in entering into this agreement pertains to protecting the Group's interests by strengthening the guarantees following the departure of a corporate officer who has been in charge for more than ten years and whose scope of expertise has been extended to technology and engineering companies. It also noted that the right to maintain performance shares on a prorata temporis basis is proportionate in amount to the commitments made by Mr. Emmanuel Babeau and corresponds, in duration, to the period during which these commitments must be fulfilled.

The elements of compensation allocated or paid to Mr. Emmanuel Babeau in connection with the termination of his duties as Deputy Chief Executive Officer of the Company would represent a maximum amount of 2,063,474.90 euros.

**Agreements previously approved by the shareholders' meeting**

We have not been notified of any agreements previously approved by the Shareholders' Meeting that remained in force during the past financial year.

Signed in Paris-La Défense and in Courbevoie, on March 10, 2019

The Statutory Auditors

**ERNST & YOUNG ET AUTRES**

Jean-Yves Jégourel  
Alexandre Resten

**MAZARS**

Loïc Wallaert  
Mathieu Mougard

## 4. Statutory Auditors' report on related party agreements

### 4.2 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 the 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 the company in accordance with article L. 225-180 of the French Commercial code (*Code de commerce*) and 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 implementation of this delegation, it being specified that this amount shall be deducted from the ceilings referred to in the 15<sup>th</sup> and 17<sup>th</sup> resolutions adopted by the shareholders' meeting dated April 25, 2019.

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 from the date of this shareholders' meeting, to decide on whether to proceed with an issue and proposes to cancel your preferential subscription rights to the equity securities to be issued. If applicable, it shall determine the final conditions of this operation.

This delegation may only be used from June 30, 2020 and will from that date render ineffective the authorization granted by the shareholders' meeting of April 25, 2019 in its 22<sup>nd</sup> resolution, for the amounts not used 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.

Signed in Paris-La-Défense and in Courbevoie, on March 10, 2020

The Statutory Auditors

**ERNST & YOUNG ET AUTRES**

Jean-Yves Jégourel  
Alexandre Resten

**MAZARS**

Loïc Wallaert  
Mathieu Mougard

### 4.3 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 225-135 et seq. of the French Commercial Code (*Code de commerce*), we hereby report on the proposal to issue ordinary shares or securities giving access to the share capital of the company, with cancellation of preferential subscription right reserved for (i) employees and officers of companies of the Schneider Electric Group affiliated with the company under the terms and conditions set forth in article L. 225-180 of the French Commercial code (*Code de commerce*) and article L. 3344-1 of the French Labor code (*Code du travail*) and the head office of which is located outside France; (ii) and/or OPCVM 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, 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 1 % of the share capital on the date of this shareholders' meeting, it being specified that this amount shall be deducted from the 2 % ceiling referred to in the 20<sup>th</sup> resolution of this shareholders' meeting, but is autonomous and distinct from the ceiling referred to in the 15<sup>th</sup> and 17<sup>th</sup> resolutions adopted by the shareholders' meeting dated April 25, 2019.

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 from the date of this shareholders' meeting, to decide on whether to proceed with an issue and proposes to cancel your preferential subscription rights to the equity securities to be issued.

This delegation may only be used from August 1, 2020 and will from that date render ineffective the authorization granted by the shareholders' meeting of April 25, 2019 in its 23<sup>rd</sup> resolution for the amounts not used 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.

Signed in Paris-La-Défense and in Courbevoie, on March 10, 2020

The Statutory Auditors

#### ERNST & YOUNG ET AUTRES

Jean-Yves Jégourel  
Alexandre Resten

#### MAZARS

Loïc Wallaert  
Mathieu Mougard