

# VIGILANCE PLAN

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1<sup>st</sup> Edition

Life Is On

Schneider  
Electric

# Vigilance Plan

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# Introduction



# Context: Duty of Vigilance

On 27 March 2017, a new law was debuted in France. The Duty of Vigilance (Law 2017-399) introduced a new legal framework by which French authorities could hold corporations accountable for their ethics. This legislature has aimed to:

- Improve accountability of multinational companies,
- Prevent serious incidents of human rights abuse or environmental harm anywhere in France or abroad,
- Allow parties to seek compensation for losses incurred from non-compliance.

This law requires eligible companies, like Schneider Electric, to implement a vigilance plan and report on their actions taken in accordance.

Although the law requires the creation of the Duty of Vigilance document presented here, our aim is to offer an overview of the steps Schneider has taken to behave as a responsible company. As you will see, many of the actions have been in part of our ethos for several years already.

Schneider's ambition is to be an ethical company. Our values shape the way we do business with our many customers, partners, suppliers, and communities around the world. They inform the way we protect and foster human rights and guide our desire to make a positive impact on the planet and the environment.

By the end of this document we hope you have a better understanding of the commitments, ambitions, and actions we take to behave as responsible corporate citizens.

## Principles of Responsibility

We are striving to remain a responsible company and this ambition has been summarized in our Principles of Responsibility. This document underwent a complete overhaul in 2019 and serves as a statement of what our company stands for. It is our charter of ethics and outlines the values that govern our actions and decisions.

Our Principles of Responsibility was inspired by several seminal texts, as well as, external developments related to ethics, governance and compliance:

- The United Nations Declaration of Human Rights, the UN 17 Sustainable Development Goals (SDG's), and the 10 principles of the UN Global Compact.
- The principles stated in the ILO Conventions.
- The OECD guidelines.
- New legislation in nations we operate in (UK's Anti-Slavery Act, France's Duty of Vigilance Legislation).
- Schneider's membership of several institutions in the field of ethics and accountability involved in creating a framework for action (Global Compact, Responsible Business Alliance, Entreprise pour les Droits de l'Homme, Transparency International).

## Schneider Sustainability Impact

Schneider Electric periodically publishes 21 indicators known as the Schneider Sustainability Impact. These measure progress on our ambitious sustainability commitments between 2018 to 2020, in line with our COP21 commitments and United Nations Sustainable Development Goals. The barometer covers our climate actions, but also touches on our circular economy, health & equity, and ethics & development. We have prioritized meaningful action in order to demonstrate the positive impact of our offers on climate, people and profit, and we are determined to help many others in reaching the same goals. For the years 2021-2025, these indicators will evolve to reflect Schneider's sustainability commitments.

# 1.1 Our Mission

At Schneider Electric, we believe access to energy and digital is a basic human right. It is an essential foundation of building peaceful and prosperous societies.

We provide energy and automation solutions for efficiency and sustainability. We combine world leading energy technologies, real-time automation, software, and services into integrated solutions for homes, buildings, data centers, infrastructures and industries. We make processes and energy safe and reliable, efficient and sustainable, open and connected.

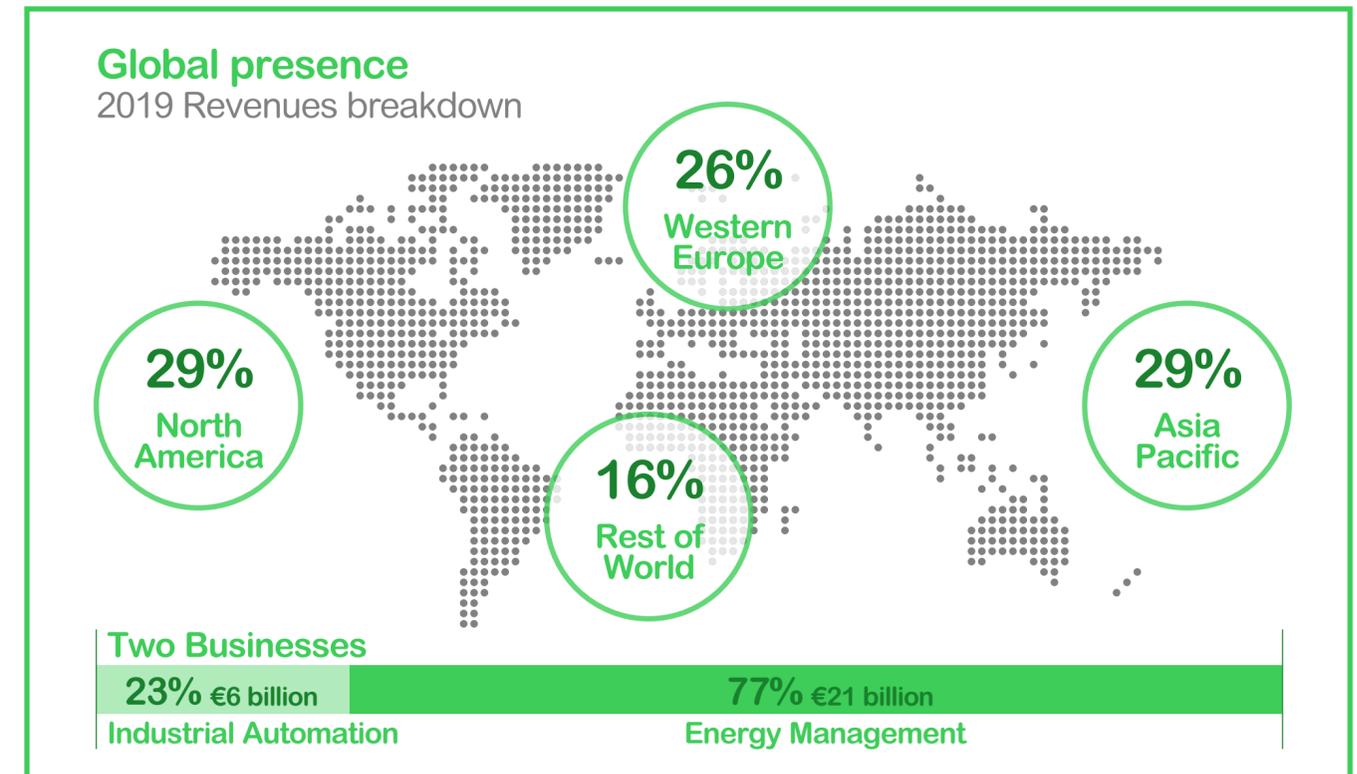
We believe that through our work, we can contribute to reconcile the paradox between progress for all and a sustainable future for our planet, while addressing the effects of climate change and protecting natural biodiversity. We empower all to do more with less, ensuring Life is On, everywhere, for everyone, at every moment.



# 1.2 Our Global Footprint

## Key figures for 2019

- €27.2 billion 2019 revenues
- 5% of revenues devoted to R&D
- 41% of revenues in new economies
- 135,000+ employees in over 100 countries
- 191 manufacturing plants
- 70 distribution centers



## 1.3 Our Products

### Safe and sustainable

We aspire to reconcile economic growth with a deep respect for nature. Making a positive impact on the environment starts with making high-quality products. Safety is always our first priority. We voluntarily subject our products to rigorous testing and scrutiny by independent third-parties and standards authorities. What's more, we take care to limit our consumption, use fewer resources, and develop circular use systems that incorporate reuse, repair and recycling.

### Trusted and responsible

Trust is the foundation of our business. We act in strict compliance with laws, regulations and standards. Our actions, interactions and transactions build trust within the communities, companies and countries we serve. We are a responsible company and we pursue sustainable, long-term and net-positive business practices.

### Innovative and reliable

Our solutions bridge the gap between tomorrow and today. They enable our customers to streamline and refine their existing operations, while exploring new possibilities. We take pride in creating high-quality products known equally for their ingenuity and their reliability.

## 1.4 Our Value Chain

Schneider Electric serves customers in five end-markets. We deliver our range of products, solutions and software to customers either directly, or via intermediaries called channel partners. Our manufacturing relies on a large base of suppliers located all across the world.

**Suppliers:** Schneider suppliers can be providers of raw materials to be transformed in Schneider factories, or providers of components and sub-assemblies that are put together in Schneider factories.

**Manufacturers:** Our manufacturing facilities are usually one of the following:

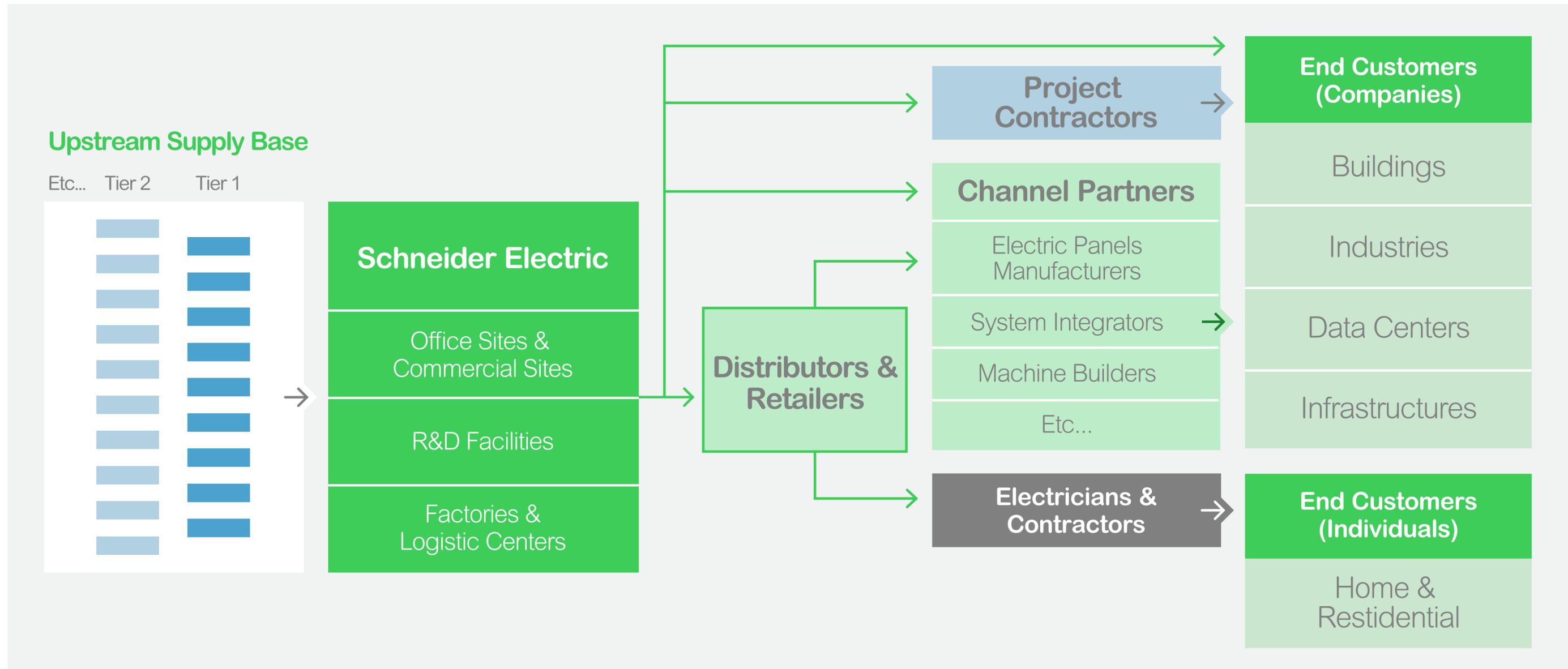
- Product factories: These facilities are typically specialized by offer types, and are usually focused on one or several ranges of products.
- Equipment factories: Here we assemble customized systems that have been designed to the specifications of our customer.
- Distribution centers: These locations concentrate flows from product factories, then dispatch products to local delivery centers, or to customers.

**Sales delivery models:** Schneider utilizes several sales delivery models to get our solutions to our customers. These models can be grouped in two main types:

- The transactional model delivers standard products or simple systems. Here, the delivery path usually goes through "channel partners", who add their specific value before the product reaches a final customer. This added value can be technical expertise, logistics or support.
- The project model delivers a complete solution to the final customer. This model may involve specific contractors, who handle a part of the project.

# 1.4 Our Value Chain

From raw materials to end customers: the different actors adding value.



# Risk



# Risk Overview and Methodology

Regardless of the precautionary measures we take, our activities and operations inherently risk the health of our environment or ecosystem on some level. It is our responsibility to examine these risks closely, and counterbalance any adverse effects we contribute to. In doing so, we have developed a thorough and detailed risk assessment methodology.

## Our risk assessment methodology

In 2019, we developed a matrix specific to the Duty of Vigilance exercise. Our methodology is consistent with other risk evaluations maintained at group level, but focuses specifically on the risks Schneider puts on its environment and ecosystem.

The scope spans the width of Schneider Electric, and all our subsidiaries and majority-owned joint ventures. This risk-assessment methodology is also applied to our our suppliers and contractors. In such cases, additional elements taken into account include geographic location, as well as the type of industrial process or technology used.

## 2.1 Categorizing Risk: What kind of risks exist?

We have identified five main categories of risk:



Each category has been divided into specific risk areas. This allows for granular assessments of the risk level of each category based on the nature of its risk and its potential impact on the ecosystem.

## 2.2 Risk Location: Where do risks occur?

We have identified three areas where risks occur:

- Schneider sites
- Supplier sites
- Contractor sites

**Schneider sites:** The level of risk differs depending on the activity performed at any Schneider site. Therefore, we have segmented sites based on their function. For example, offices, factories with electronic processes, or factories with medium voltage systems. Business functions that travel frequently (sales, field services, etc.) are evaluated in a specific category known as “nomadic”.

**Suppliers:** The level of risk for our suppliers depends on the processes and technologies they use. Therefore, our analysis segments suppliers by type of component they have manufactured. Geographical location is also taken into account when selecting suppliers for the audit plan. Each risk level is assessed as an average for the whole category of components.

**Contractors:** When implementing a customer project, like building a large electrical system at the customer’s site, Schneider will often work with sub-contractors who provide a specific skill or expertise. This “off-site” project work implies a specific level of risk and therefore has been separated out from other suppliers sites.

## 2.3 Risk Evaluation Scale

We assess risk on the following scale:

Non existent < Low < Medium < High < Very high

The evaluation combines the probability of the risk occurring, with the seriousness of consequences from the risk. This is a raw evaluation of risk **BEFORE** considering the impact of mitigation actions.



# 2.4 Vigilance Risk Matrix

Our detailed risk analysis has been summarized in the matrix on the right. It is important to remember that this is a broad view of the risk that we as Schneider put on our ecosystem and environment, **BEFORE** considering the impact of mitigation actions. After accounting for the impact of mitigating actions, the level of risk shown here may be significantly reduced.

## Considerations

**Schneider sites** where we found a higher level of risk for carbon dioxide (CO<sub>2</sub>), greenhouse gasses (GHG) and particle emissions, tends to be production and service sites. A significant risk was also found in cybersecurity, as our offers and systems are increasingly connected to third-party products and solutions.

**For suppliers**, risk levels tend to be more evenly spread across the different categories, with some peaks in the case of specific industrial processes like metal work, or battery manufacturing. What's more, we found that transportation and shipping is subject to a higher level of risk, inherent to the sector.

**At customer sites**, we found risk to be specific to the nature of the project or the industry of our customer. For example, the high-labor activity required on construction sites, would see a supplier carry a medium to high level of risk.

		Schneider Electric Sites						Suppliers				Contractors		
		Offices	Travelers, Sales Forces	Factories LV & Elec.	Factories Medium Voltage	Project Centers	Field Services	Travels & Hospitality	Transportation & Shipping	Metallic Components	Batteries	Other Components	On Schneider Sites	Off Site & Products Execution
Human Rights	Decent workplace							●	●	○	○	○	○	●
	Health & Safety		○	○	○	●	●	○	●	●	●	○	○	●
Environment	Specific Substances Management			○	●	○	○			●	●	●	○	●
	Waste & Circularity			○	●	○	○		○	●	●	○		●
	Energy, CO <sub>2</sub> & GHG Emissions	○	●	●	●	●	●	○	●	●	○	●		●
Business Conduct	Ethical Business Conduct		●			●	○	●	●	○	●	○		●
	Whistleblowing	○	○	○	○	○	○	●	●	●	●	●	○	●
Offer Safety & Cybersecurity	Offer Safety					○	●						○	●
	Cybersecurity	●	●	○	○	●	●	●	●	○	○	○	○	●

\*When the box is blank, the risk level is non-significant.

# Actions



# Zeroing-In on Risk

By focusing on selected key risks and mitigation actions, we can make a bigger impact over a much shorter timeline. Many of the risks we identified in the risk matrix are already addressed on some level by existing policies, practices and procedures. The following section will look at how risk-control and remediation action can improve our vulnerabilities.

Environment	<ul style="list-style-type: none"> <li>3.1 Company Culture // Our Principles of Responsibility</li> <li>3.2 Environmental Actions // Schneider Sites                             <ul style="list-style-type: none"> <li>3.2.1 Environmental Risk Management</li> <li>3.2.2 Reducing CO<sub>2</sub> Emissions</li> <li>3.2.3 Reducing SF6 Emissions</li> <li>3.2.4 Reduce Waste and Increase Circularity</li> </ul> </li> </ul>
Human Rights	<ul style="list-style-type: none"> <li>3.3 Health, Safety and Human Rights Actions // Schneider Sites                             <ul style="list-style-type: none"> <li>3.3.1 Employee Safety</li> <li>3.3.2 Human Rights and People Development Policies</li> <li>3.3.3 Well-being Program</li> </ul> </li> </ul>
Business Conduct	<ul style="list-style-type: none"> <li>3.4 Supplier Actions // A Vigilance Plan                             <ul style="list-style-type: none"> <li>3.4.1 Supplier Risk Categories</li> <li>3.4.2 Three-year Audit Plan</li> <li>3.4.3 Audits Performed during 2019</li> <li>3.4.4 Facts and Learnings</li> <li>3.4.5 Remediation and Mitigation Actions</li> </ul> </li> </ul>
Offer Safety	<ul style="list-style-type: none"> <li>3.5 Contractor Actions // Customer Sites                             <ul style="list-style-type: none"> <li>3.5.1 Project Execution Environment</li> <li>3.5.2 Duty of Vigilance Specific to the Project Execution Environment</li> <li>3.5.3 Main Findings and Actions</li> </ul> </li> </ul>
Cybersecurity	<ul style="list-style-type: none"> <li>3.6 Cybersecurity Actions // All Sites                             <ul style="list-style-type: none"> <li>3.6.1 Cybersecurity Context and Consequences</li> <li>3.6.2 Reinforcing Our Position and that of Our Partner and Customer Ecosystem</li> <li>3.6.3 Proposing "Cybersecurity by Design"</li> </ul> </li> </ul>

This table shows which measures have been implemented to address each risk category.

## 3.1 Company Culture // Our Principles of Responsibility

Our ethical values, and the guidance of how we want to deliver our mission have been consigned in one document called our Principles of Responsibility. This document is our charter of ethics and serves as our "constitution".

Initially created and deployed in 2002, it had been modified and enriched on several occasions until 2018. In 2019, we renewed the document in its entirety, as well as the communication and learning tools that support the dissemination to all employees.

The deployment of these new Principles was kicked off by the company CEO and ExCom members during a top leadership seminar in April 2019, it then cascaded through the organization via conferences, face-to-face meetings and webinars. The deployment was also supported by dedicated learning tools: every employee at Schneider was required to take a learning, either in digital or in-person, and then acknowledge their adherence to the Principles.

### The five pillars of our Principles of Responsibility:



- Human Rights and People Development
- Ethical Business Conduct
- Digitally Trusted and Secure
- Act for the Environment
- Responsible Corporate Citizen

The Principles can be downloaded from Schneider's website and are available in 26 languages. The learning tools for employees (e-learning and in-class) are available in 14 languages. In 2019, 96% of all eligible Schneider employees had completed the learning.

## 3.2 Environmental Actions // Schneider Sites

### 3.2.1 Environmental risk management

Robust environment governance is key to mitigate environmental risks and drive continuous improvement at Schneider Electric’s sites. Through the ISO 14001 certification, sites thoroughly evaluate environmental risks and identify mitigation strategies. Emergency readiness and response ensures all sites practice through regular drills and procedures applicable to their operations.

Schneider Electric requires ISO 14001 certification for all industrial and logistic sites of more than 50 employees within the first two years of their acquisition or creation. This certification is also required for all large tertiary sites of more than 500 employees. In addition, ISO 50001 offers a specific framework to focus on energy excellence and CO<sub>2</sub> emissions reduction. Schneider Electric sites with the highest energy consumption are prioritized for certification.

	2019
ISO 14001 sites	241
ISO 50001 sites	153

The CLEARR-program (Company-wide Look at Environmental Assessment and Risk Review) enables the mapping of historical and current potential environmental pollution risks at industrial sites. Environmental due diligence is conducted as a standard part of mergers, acquisitions and disposals, where chemicals are or have been used. Known environmental issues are thoroughly investigated using external consultants, 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.

Finally, the Group uses third-party services to assess the “risk profile” of industrial sites on external risks such as fire, earthquake, flooding and other natural disaster events and to define a Business Continuity Planning strategy.

### 3.2.2 Reducing CO<sub>2</sub> emissions

Schneider is leading a reduction in total emissions in line with our sustainability commitments:

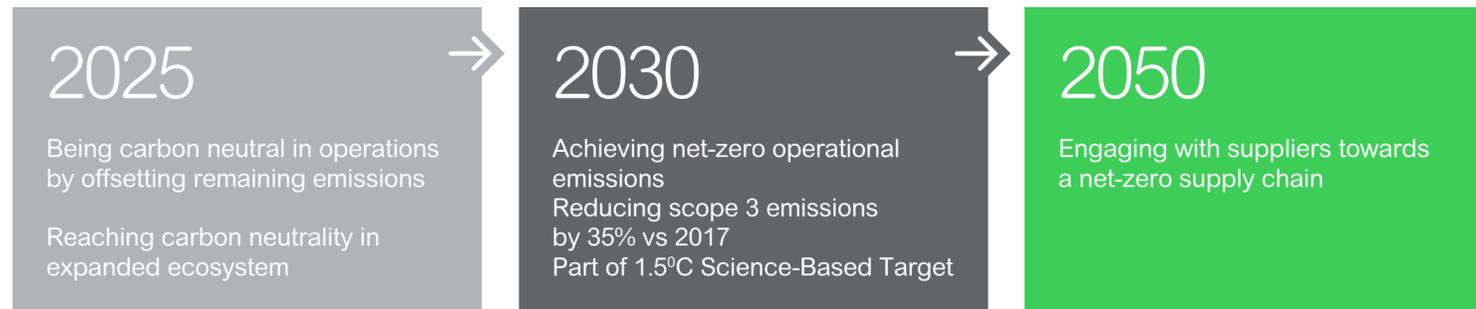
- We hope to achieve net-zero operational emissions in Scope 1 and 2 and reduce Scope 3 emissions by 35% by 2030 (versus 2017).
- Be carbon neutral in our operations by offsetting all remaining emissions by no-later than 2025.
- Reach our COP21 goal on carbon neutrality in our extended ecosystem by delivering more CO<sub>2</sub> savings to our customers than our own footprint.

#### CO<sub>2</sub> Footprint and ambition

As part of our efforts to limit our impact on the environment, we have implemented a measurement of our CO<sub>2</sub> footprint. Scope 1 and 2 represent our operations, and scope 3 downstream are mainly due to our purchase. This measurement allows to set ourselves some targets for each scope, and to prioritize our actions.

Tons of Co <sub>2</sub>	Scope 1	Scope 2	Scope 3
Energy	75,981	256,542	45,971
Business travel	91,169		159,733
purchase of goods & services			5,900,000
Freight			928,665
Commuting			160,000
Capital goods			140,000
Waste			43,000
SF6 fugitive leakage	12,684		
<b>Total</b>	<b>179,834</b>	<b>256,542</b>	<b>7,377,369</b>

# 3.2 Environmental Actions // Schneider Sites



## Energy action program

Since 2005, Schneider Electric has fixed annual energy-efficiency objectives as part of our Energy Action program. We leverage our EcoStruxure™ architecture to deliver energy savings and use our sites as showcases for customers and partners. The Group is a member of EP100 with the target to double energy productivity by 2030 against 2005.

	2018-19	2015-17	2012-14	2009-11
Energy efficiency*	-8.7%	-10%	-13%	-10%

\*Improvement versus Y-1

## Renewable electricity strategy

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.

By 2019, the group used 50% of electricity from renewables.

	2019	2018	2017
Renewable electricity	50%	30%	2%

## Electric vehicles strategy

In 2019, Schneider Electric also accelerated our efforts to cut CO<sub>2</sub> emissions from transport by joining the EV100 initiative with a commitment to switch to 100% electric cars by 2030.

Schneider Electric is also committed to reduce Scope 3 emissions by 35% in 2030 (vs. 2017) and to engage with our suppliers towards a net-zero supply chain by 2050.

Actions to reduce all indirect (Scope 3) CO<sub>2</sub> emissions:

- Improving the end-to-end lifecycle footprint of our offers with EcoDesign™ which notably reduces and substitutes harmful materials.
- Delivering CO<sub>2</sub> savings to customers with EcoStruxure™ solutions.
- Decreasing CO<sub>2</sub> intensity of our logistics activities, by shifting from air to sea freight, optimizing fill-rates and travel routes, as well as piloting new and emerging technologies.
- Reducing the need for business travel and commuting, with the development of digital and collaborative working solutions.
- Avoiding CO<sub>2</sub> emissions through waste recovery and end-of-life services.
- Reducing CO<sub>2</sub> emissions from capital goods, notably by optimizing our real estate footprint.

## 3.2 Environmental Actions // Schneider Sites

### 3.2.3 Reducing SF6 emissions

SF6 is a synthetic gas that has high electric insulation characteristics. It has therefore been used widely by industry in medium- and high-voltage circuit-breakers and power substations. It is non-toxic, but has a significant impact on the green-house effect and therefore represents a risk to the environment.

#### Pioneering SF6-free products

As a result of recent R&D efforts, Schneider Electric is launching a new offer of medium voltage circuit-breakers, entirely SF6 free. The gradual introduction of this product line to our customers in 2020 will allow them to significantly reduce the use of SF6. Eventually, Schneider is getting ready for a future complete ban of SF6.

#### Process improvement at Schneider Electric sites

Our efforts are also focused on process improvement in our medium-voltage manufacturing plants and R&D laboratories. The priority is to reduce SF6 leakage during the different phases of manufacturing. For example, conducting the seal testing processes of our products with helium instead of SF6.

Schneider is also a member of a worldwide community of SF6 experts sharing best practices for processes, procedures, tools and training. As a result of these actions, SF6 leakage rate has been reduced from 4% in 2008 to 0.24% by the end of 2019.

	2019	2018	2017	2016
SF6 emissions (CO <sub>2</sub> equivalent)	12,684	12,132	12,688	16,444
SF6 leakage rate	0.24%	0.26%	0.29%	0.34%

### 3.2.4 Reduce waste and increase circularity

Waste has a major impact on the environment. To reduce these negative consequences, Schneider is striving toward reducing the amount of waste we produce, as well as the continued development of re-using our waste in the form of recycled materials or energy. Despite many of our offers already having a multi-year lifespan, we continue to develop new ways of extending current product lifetimes through better maintenance, service, and by increasing the circular use of production materials.

#### Circular supply chain and resources

The “waste as worth”-program, a key part of our Sustainable Supply Chain strategy, aims at limiting the volume of waste we produce, as well as increasing our waste-recovery rate.

- The “Zero Waste to Landfill”-objective aims to label 200 sites “towards zero waste” by 2020. By 2018, we had reached 178 sites, on which we improved to 193 by 2019.
- Recycling plastic waste through grinding to produce reusable material and metal waste. We are currently recycling >99% of our metal waste.

	2019	2018	2017	2016
Non hazardous waste (tons)	143,149	145,391	150,377	142,059
% of waste recovery <sup>(1)</sup>	95%	94%	94%	93%
% of metal waste recovery	99.97%	99.90%	99.60%	99.40%
Sites “Towards Zero Waste to Landfill”	193	178	140	99

(1) rem: in 2012, waste recovery was 85.6%

## 3.2 Environmental Actions // Schneider Sites

The Group also aims to increase the usage of circular resources:

- In 2019, 96% of transport packing (cardboards and pallets) was from recycled or certified sources, with an aim to reach 100% by 2020.
- Schneider Electric is also part of the Global Plastics Commitment by Ellen MacArthur with the commitment to increase the quantity of recycled plastics in our products by 2025.

### Circular business models and value propositions

Circular offers enable us to strengthen our relationships with customers. By developing capabilities such as retrofitting, repair, refurbishment, take-backs and local models of reuse we can address many of our current customer requests. In addition, the majority of our new products offer full lifecycle management, predictive maintenance and optimum performance guarantees, as well as being digital and connectable. This enables a move toward customer-intimate models like subscription, performance contracting and leasing.

Practical measures to increase the circularity of offers include:

- Providing product circularity information digitally via the MySE App and on our website where we feature end-of-life instructions for more than 100 000 SKUs.
- Circularity embedded through our EcoDesign™ principles.
- A focus on traceability with strong growth of our assets under management.
- A worldwide network of specialized centers providing local circular solutions and services.

## 3.3 Health, Safety and Human Rights Actions // Schneider Sites

### 3.3.1 Employee Safety

Employee safety is a value that we refuse to compromise on. Over the years, we have implemented and continuously improved our risk mitigation and safety measures aiming at lowering the level of risk for our teams and employees.

### Global Integrated Management System (IMS)

Schneider's global management system takes into account external standards and references such as ISO 9001, ISO 14001, OHSAS 18001 / ISO 45001, ISO 50001. The global supply chain Integrated Management System (IMS) spans 240 entities worldwide.

### Schneider production system

Inside this global IMS, Schneider relies on a specific evaluation process, Schneider Performance System (SPS), throughout our supply chain. SPS allows for the collection of operational data from industrial sites in order to evaluate performance and benchmark them. Employee health and safety indicators are embedded in this measurement system, to ensure this topic is strongly considered during the performance evaluation of an operational site.

### Eight safety situations standardization

As part of our efforts to reduce safety risks and improve the level of preparation for specific situations, we have standardized eight safety cases that help make training, communication, evaluation and response more efficient.

# 3.3 Health, Safety and Human Rights Actions // Schneider Sites

The eight safety cases are:

- Lone worker alert system
- Pallet-rack stability
- Ladder safety
- Heat-stress management
- Robot-AGV safety standards
- Test lab safety requirements
- Spill kit preparedness
- Minimum safety requirements for visiting a third party

## Serious incident procedure

We monitor safety incidents through our global IMS and SPS systems. Any incident deemed serious is systematically investigated in order to implement corrective actions. When necessary, Global Safety Alerts are issued to inform teams about actions to take. On top of this regular information and training campaigns are undertaken which includes the annual Global Safety Day.

<i>(per million hours worked)</i>	2019	2018	2017	2016	Fatal incidents
Number of safety incidents (LTIR)	0.39	0.46	0.62	0.75	2017: 1
Number of lost working days (LTDR)	16.69	13.69	20.67	17.88	2018: 1
Number of incidents requiring medical treatment (MIR)	0.79	0.94	1.15	1.24	2019: 1

## 3.3.2 Human rights and people development policies

Schneider has two fundamental documents that are guiding our actions; the Principles of Responsibility and the Human Rights Global Policy. In complement to these documents, Schneider has a set of specific policies and programs aimed at driving and reinforcing positive behavior.

Below is a list of some of our notable global policies:

Diversity and Inclusion Policy	which applies across the entire company and covers all facets of diversity, as we want to best represent the communities in which we operate. This policy is based on respect and dignity, which are the foundation for fairness and equality.
Global Family Leave Policy	provides a framework so that every employee, whatever the country of employment, can enjoy some specific leave for some of life's special moments with their families. In 2019, 99% of our employees work in a country that has fully deployed this policy.
Global Anti-Harassment Policy	states our commitment to zero-tolerance for any kind of harassment or offensive behaviors.
Gender-Pay Equity	is a global plan to reduce the pay gap between female and men employees in order to ensure a fair remuneration across genders. This framework has been implemented in all countries, and now covers 99% of our total workforce.
Living Wage Program	performs an annual survey with an external consultant (BSR) to determine what the minimum living wage should be in countries where we operate. This is to ensure that all employees, regardless of country of employment, are being remunerated above a minimum-pay level.
Learn Every Day	is a program that aims to develop learning opportunities for employees by targeting a minimum number of learning hours for all employees. In 2019, every employee received at least 15 hours of training - of which four and a half hours were online.

## 3.3 Health, Safety and Human Rights Actions // Schneider Sites

### 3.3.3 Well-being program

Schneider has implemented a global initiative to develop a culture of well-being for all our employees. It aims at reducing stress and providing a positive workplace that associates flexibility and personal development. The program focuses on four dimensions: physical, mental, emotional and social.

It includes:

- **Global Flexibility at Work Principles** which supports better work-life integration for all employees.
- **Mindfulness at Work** that includes training and practice sessions.

To support the deployment of this well-being program, we have an internal network of 200 voluntary “Well-being Champions”. Since the start of the initiative, 60 000 employees have received well-being training.

## 3.4 Supplier Actions // A Vigilance Plan

### 3.4.1 Supplier risk categories

A significant part of the Vigilance risk matrix exercise is dedicated to a specific evaluation of suppliers. This evaluation covers all categories of risks identified and also takes into account specific parameters such as the type of industrial process used by suppliers, their technology, and the geographic location of those suppliers. This allows us to factor in risks that may arise from a country’s specific socio-economic situation.

These parameters are compiled in a third-party independent database (Verisk Maplecroft), and the evaluation is refreshed every year. Our entire network of Tier 1 Suppliers, approximately 52,000, is processed using this methodology. Our analysis has not identified any “very high risk” suppliers. However, we have identified 1,500+ suppliers classified as “high risk”. Within this category, 350 suppliers have been targeted to be audited, and incorporated in a three-year audit plan.



# 3.4 Supplier Actions // A Vigilance Plan

## 3.4.2 Three-year audit plan

We have built a three-year plan to perform on-site audits on 350 suppliers classified as “high risk”. This will review the specific situations through the lens of the categories of risk we have identified. The current audit plan started in 2018, with 2019 being the second year of implementation. Currently, we are on track with our schedule, planning to complete all audits before the end of 2020.

Our audit questionnaire and audit methodology are fully aligned with the Responsible Business Alliance (RBA) framework of which we have been a member since 2017.

The objective of this high-risk supplier audit plan is integrated in the calculation of our Schneider Sustainability Index (SSI). This index forms part of the annual performance evaluation of all Schneider managers, and impacts the variable part of their compensation.

## 3.4.3 Audits performed during 2019

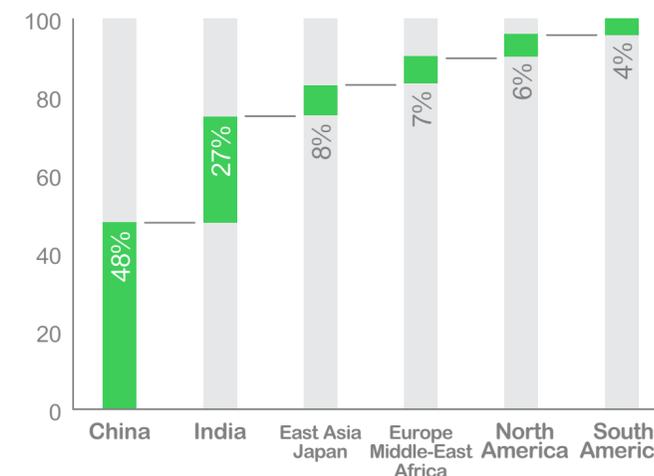
In 2019, as part of the three-year supplier audit plan we conducted:

- 124 initial on-site audits with suppliers. Initial audits are conducted for the first time with each supplier against our specific vigilance scope. These audits allow us to identify non-conformances and request the supplier to implement corrective actions.
- More than 40 re-audits with suppliers already audited. This was to review the corrective actions each supplier had implemented to remediate the non-conformances identified during their initial audit.

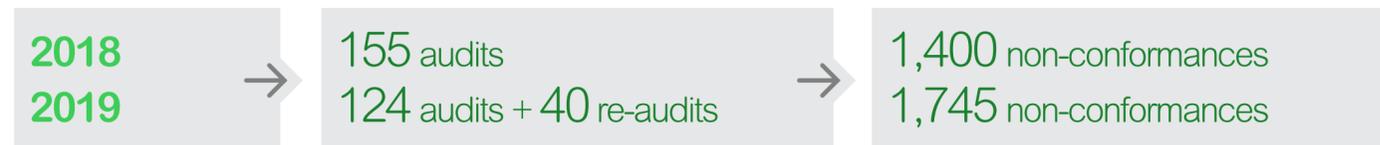
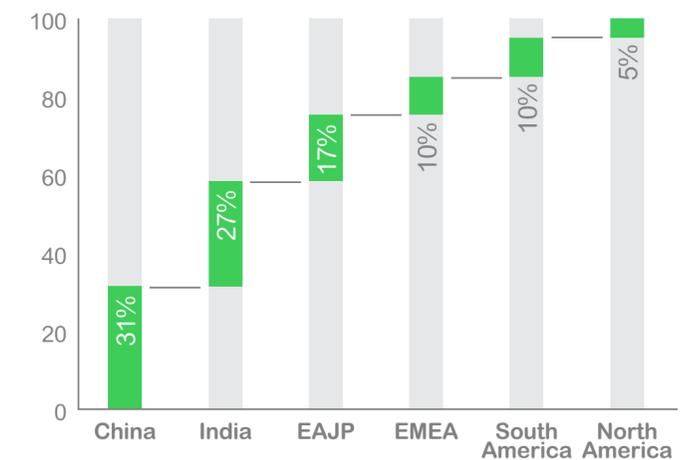
These audits are performed at our supplier sites. We rely on mostly internal auditors specialized in supply chain and quality, but we also make use of external, third-party auditors. The rationale for developing the internal capacity for auditing is that it allows us to build experience internally, raise teams awareness, and facilitate the transmission of this experience to onboarding employees or team members via training. Resorting to external audit capacity, in turn, allows us to benchmark our internal process versus an external reference.

From a geographic perspective, the high-risk suppliers are located for 48% in China and 27% in India. The audits completed in 2019 reflect this geographic diversity.

% Risky suppliers - Graph 1



% Audits carried out (2019) - Graph 2



# 3.4 Supplier Actions // A Vigilance Plan

## 3.4.4 Facts and learnings

From the 124 initial audits performed in 2019 we have raised 1745 non-conformances. Out of these non-conformances, 154 have been assessed as “top priority”, and will be given very specific attention for the re-audits of the suppliers.

Our objective is to close 100% of all non-conformances identified, irrespective of their priority level.

- In 2019, we closed 99.5% of the 1,400 non-conformances identified during the 2018 on-site audit campaign,
- as well as 27% of 1,745 non-conformances identified during our 2019 audit.

A major part of the non-compliances were related to Health & Safety and Labor topics, 38% and 23% respectively. An analysis of the 154 “top priority” non-conformances of 2019 show the following issues recure most frequently:

### Health and Safety - 60% of top priority non-compliance issues

- Weak emergency procedures, insufficient emergency training and/or preparation drills;
- Insufficient fire alarm and protection systems;
- Lack of medical response equipment and training.

### Labor Standards - 36% of top priority issues

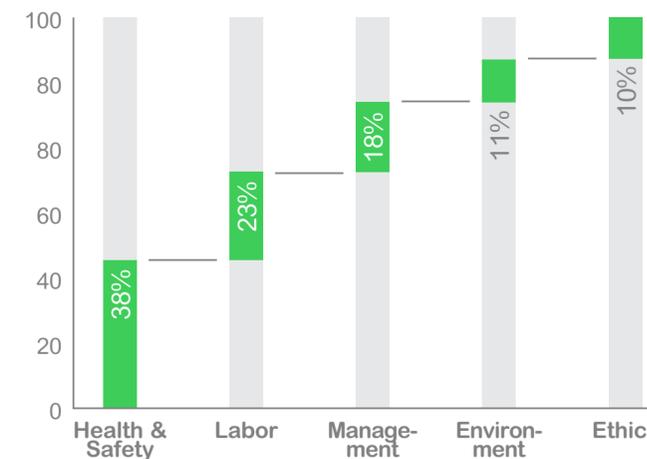
- Respect of working time, resting days. Often, time measurement systems are insufficient;
- Overtime reporting and payment;
- Formalization of working contracts.

### Environment & Management Systems - 4% of top priority issues

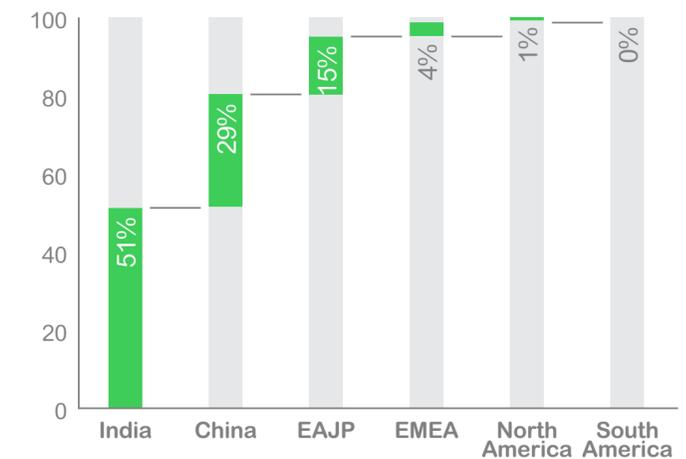
- Lack of administrative compliance and management tools and systems;
- Insufficient waste management and pollution prevention systems.

The pattern is similar to 2018.

% Non conformances - Graph 3



% Non conformances - Graph 4



## 3.4 Supplier Actions // A Vigilance Plan

### 3.4.5 Remediation and mitigation actions

#### Audit closure and systematic re-audit

As of end 2019, our program has allowed us to close 99.5% of 2018 non-conformances, and 27% of 2019 instances. This gives us a cumulated rate of 60% over 24 months. Given the time necessary for a supplier to implement the corrective actions, this rate shows a positive trend. Our policy is to help each supplier remediate their issues by sharing good practices and by providing guidance and training. In the cases where the weaknesses are not remediated and no improvement is made, we may choose to terminate our relationship. We terminated two relationships with suppliers in 2019, and four in 2018.

#### Internal training program for procurement teams

In order to reinforce the coordination between Schneider teams and suppliers on vigilance topics, a specific training program has been implemented. The primary target audience is our procurement teams. The training modules aim at increasing their knowledge on the natures of risks, so that they can integrate these topics early in the discussions with suppliers. By the end of 2019, 300+ employees have undertaken this training, which combines in-class experience with e-learning sessions.

#### Supplier workshops

To raise the awareness of our suppliers, improve their capacity to identify risks earlier and develop mitigation solutions, we are organizing face-to-face workshops dedicated to vigilance subjects. By the end of 2019, 70 supplier teams have attended these events with sessions including in-person workshops and digital webinars.

## 3.5 Contractor Actions // Customer Sites

### 3.5.1 Project execution environment

Schneider's products and solutions are usually combined into systems that will perform specific tasks for the end-user; electricity distribution and energy management in a building; production process automation in a factory; etc. The installation of these systems can be complex and will involve several different parties before the system is commissioned by the end-customers.

For Schneider, there are two options: sell components through "channel partners" who take the responsibility to build and deliver the system or, take the responsibility to build and deliver the system directly to the end-customer in a project mode. This second option requires coordinating several specialist project contractors, usually on the premises of the end-customer. The common characteristics of these projects are:

- That they happen for the most part off-site (mostly on the customer premises, existing or prospective),
- They involve several different parties, global and local, each offering a specific added value.
- Each project is specific, in size, duration and location. Therefore, the relations with contractors are specific to a contract, and not necessarily recurrent.

### 3.5.2 Duty of Vigilance specific to the project execution environment

Schneider operates with a pool of ~8,000 companies, known as project contractors (or "solution suppliers"). Not all of them may be active during a year. During our supplier risk mapping exercise, we identified 110 solution suppliers categorized as "high risk". Our current three-year audit plan is targeting more than 60 on-site audits of such suppliers (included in the overall 350 target). At the time of publication in 2020, 40 solution suppliers had been already audited.

## 3.5 Contractor Actions // Customer Sites

### 3.5.3 Main findings and actions

The most recurring non-conformances with “high-risk” contractors are:

- Insufficient on-site security measures to protect workers, improvement needed in working conditions;
- Lack of working contract formalization, respect of working hours and resting days.

On top of these non-conformances, a specific risk of ethical business conduct can be present with local contracts negotiation or relations with local authorities.

Actions implemented following non-conformances are the same as with other suppliers (re-audits, training and workshops). Three additional measures are implemented specifically for this project environment:

- Regular review of safety accidents on customer sites, involving the global safety team and the project management leadership;
- Reinforced training for anti-corruption and business agent policies for Schneider employees involved in the commercial negotiations and the project follow-up with project contractors;
- The selection process for project contractors is adapted to ensure vigilance topics are taken into account early in the project stage.

## 3.6 Cybersecurity Actions // All Sites

### 3.6.1 Cybersecurity context and consequences

As digitization evolves and rapidly transforms our environment, specific threats have appeared:

- 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 threats are inherent to any company operating in the digital space. In the case of industrial infrastructures such as the ones of our customers, physical and financial damage can be particularly high and, in some cases, involve security impacts.

### 3.6.2 Reinforcing our position and that of our partner and customer ecosystem

- Holding a cyber-related business risk register to articulate potential vulnerabilities or attack-vectors and define remediation activities.
- Identifying and prioritizing high value assets to the company’s operation.
- Implementing cyber capabilities and digital locks around people, processes and sensitive technologies.

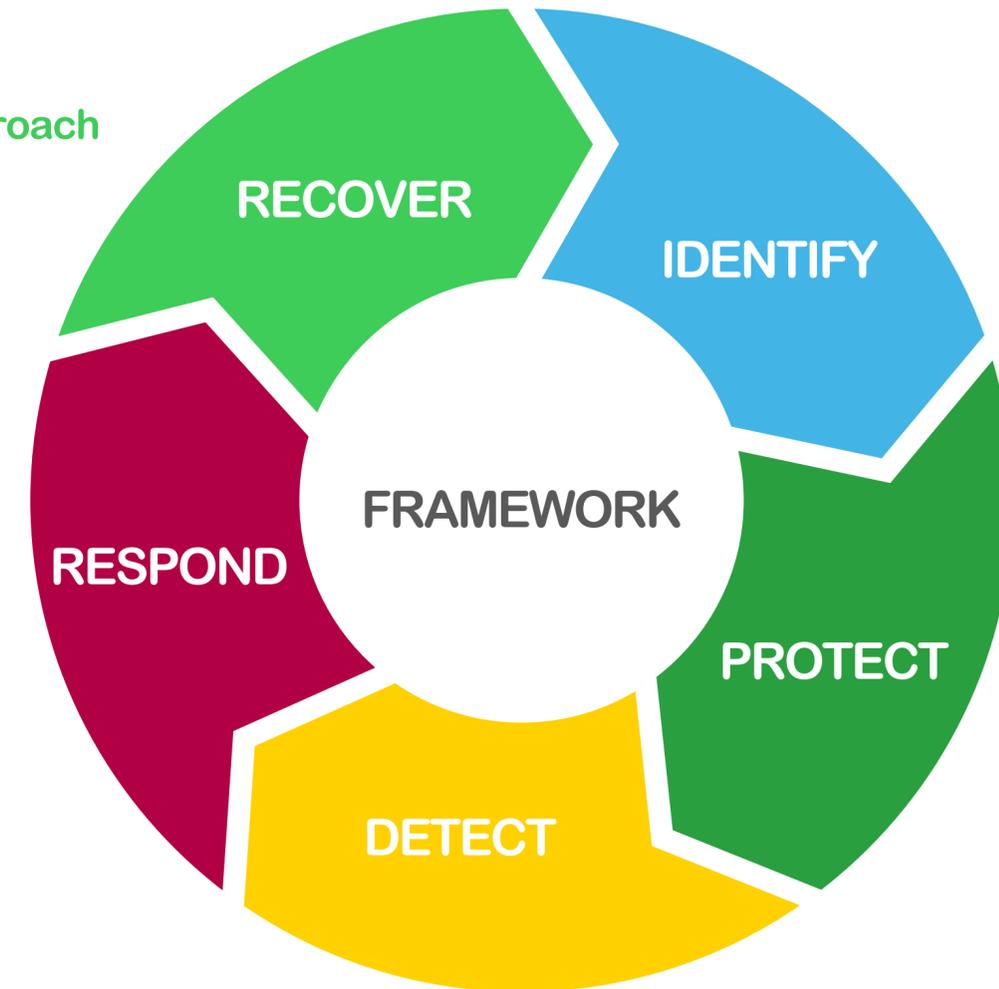
## 3.6 Cybersecurity Actions // All Sites

- Deploying general and dedicated awareness and training programs:
  - In 2019, 96% of Schneider employees completed a training on cybersecurity. Specific employee categories received mandatory training for risks linked to their function.
  - Schneider implemented the GDPR requirements and introduced mandatory training for employees.
- 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.

### 3.6.3 Proposing “Cybersecurity by Design”

- Adopting a Cybersecurity by Design strategy, aligned to NIST Cybersecurity Framework and other recognized standards (IEC 62443, ISO 27000).
- Schneider IoT-enabled EcoStruxure platform provides customers end-to-end cybersecurity solutions & services to protect a vast digital ecosystem.

Digital Security Approach  
NIST framework



# Accountability



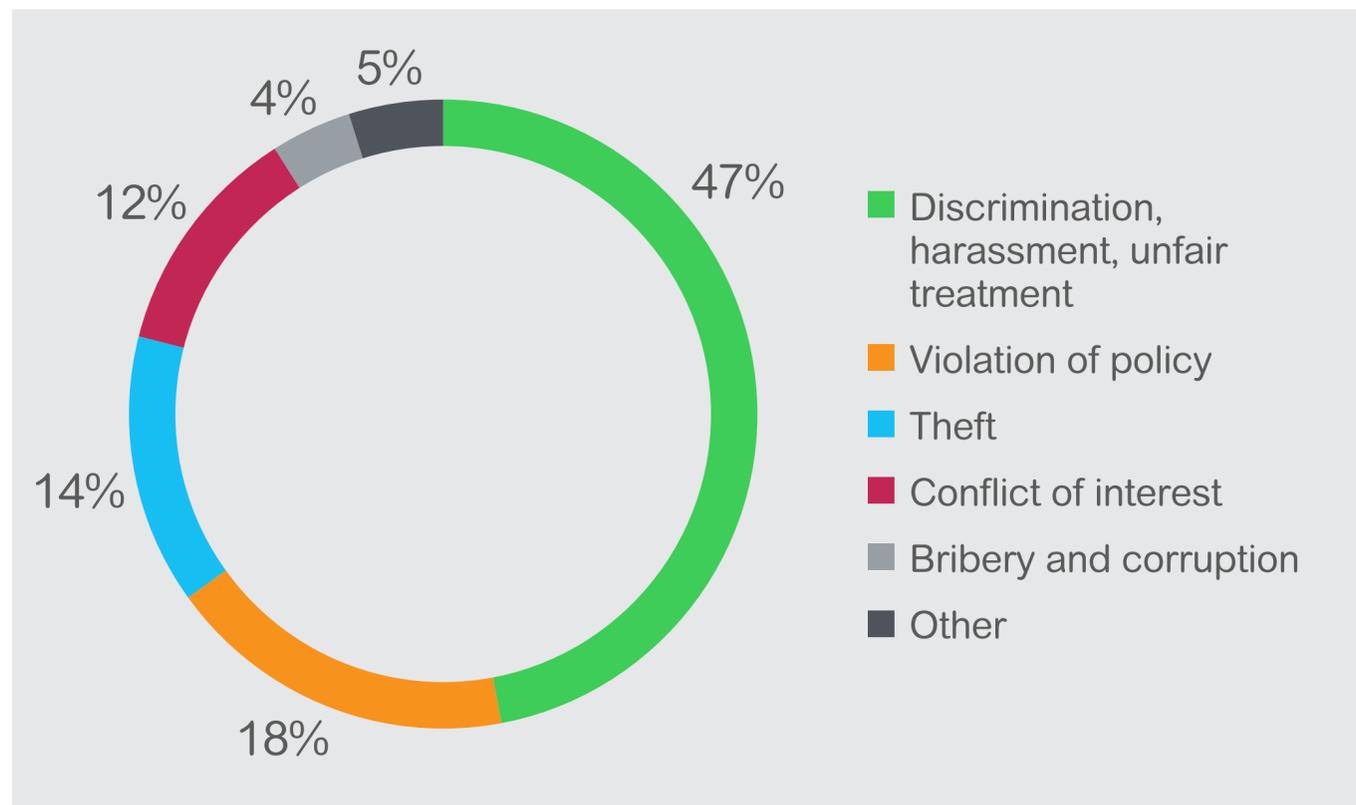
# 4.1 Alert System and Whistleblowing

## 4.1.1 Internal: The Red Line

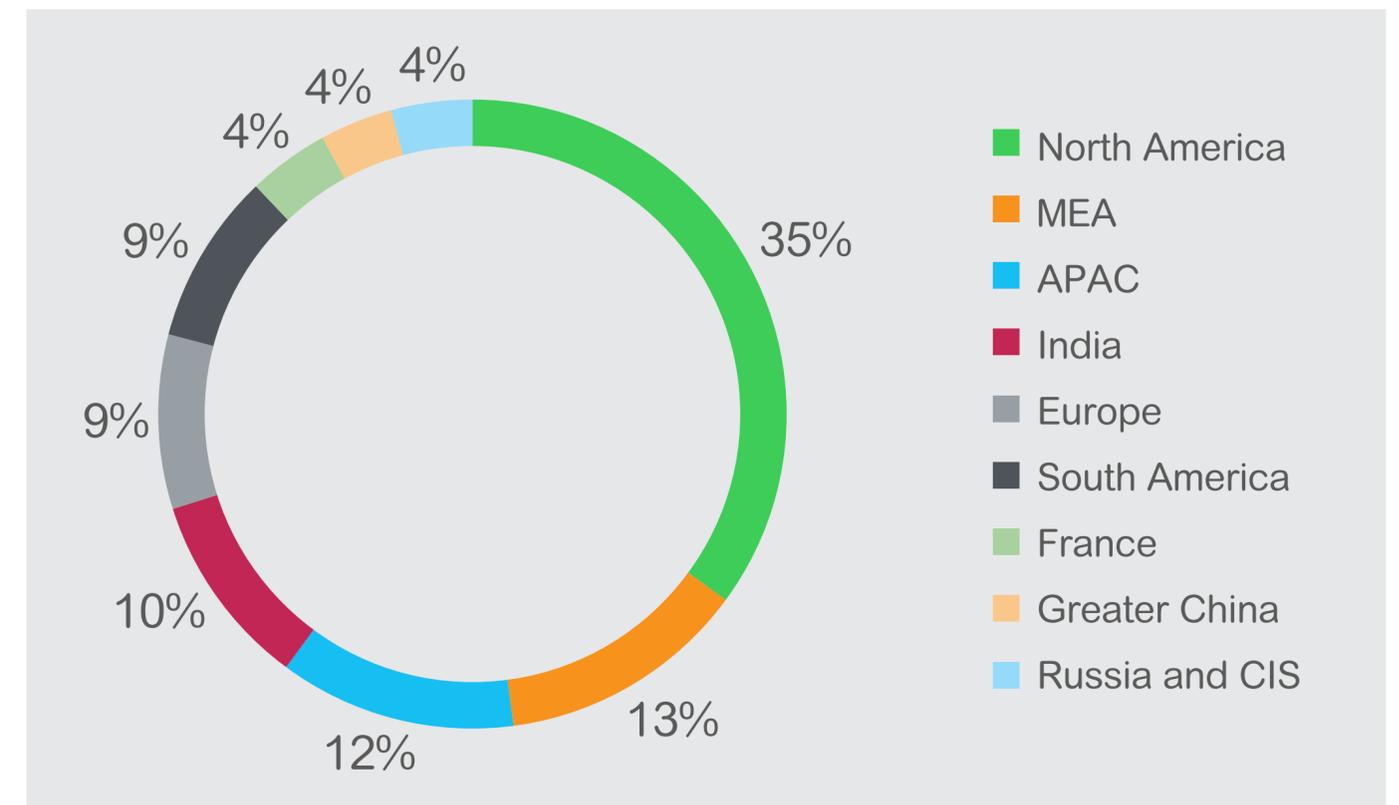
The Red Line is our internal alert system dedicated to employees. It's run by an impartial third-party and aims to provide support to employees during complex and difficult situations. It manages all alerts with strict confidentiality, so that whistleblowers can report any potential

misconduct without the fear of retaliation, in compliance with local country laws. 560 concerns were received through the Red Line from collaborators in 2019, and it led to 105 disciplinary sanctions.

Distribution of Red Line cases received by category



Distribution of Red Line cases received by region

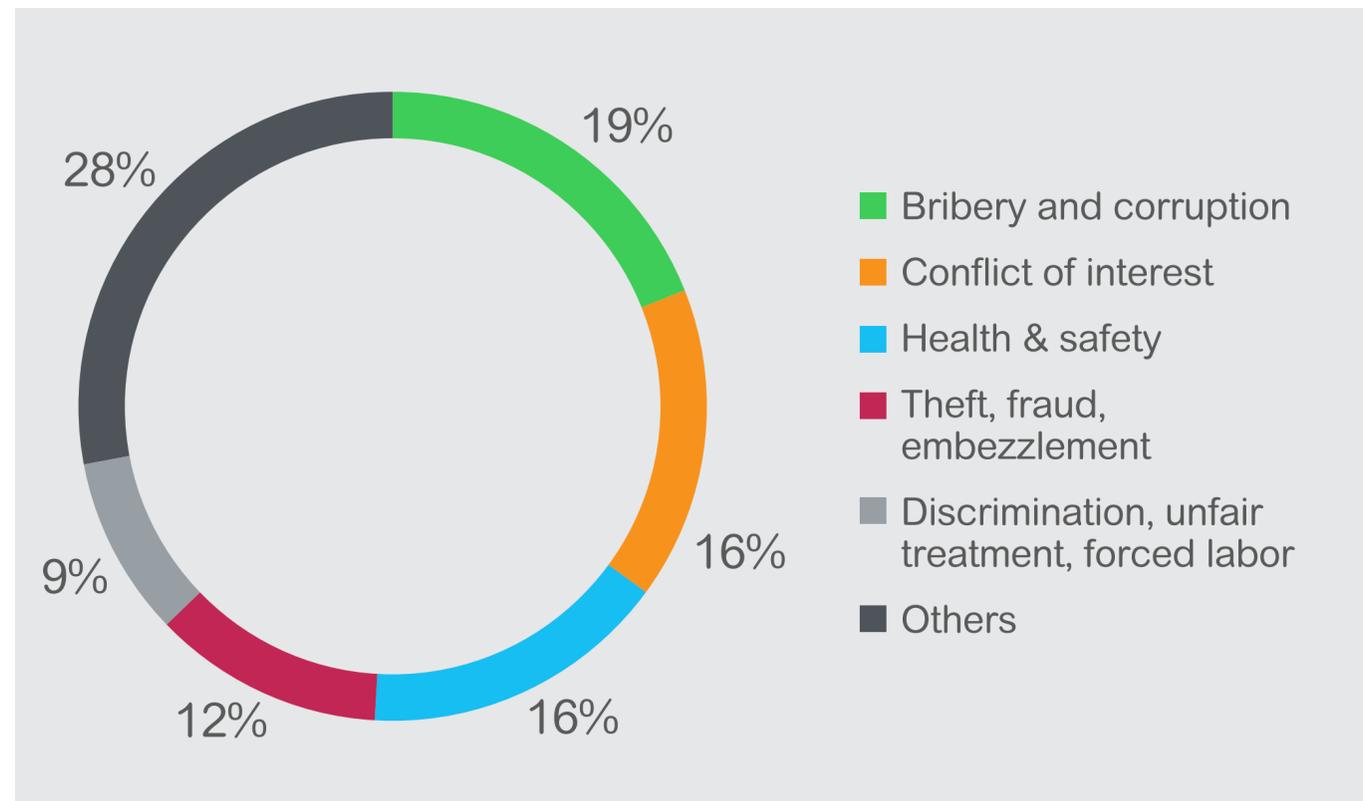


# 4.1 Alert System and Whistleblowing

## 4.1.2 External: The Green Line

The Green Line is our alert system for external stakeholders. It was designed to serve our suppliers, NGO's, shareholders and partners. This alert system is simple, intuitive and it has the same confidentiality protections as The Red Line. 32 alerts were reported through the Green Line in 2019.

### Distribution of Green Line cases received by category



## 4.1.3 Reporting, investigations and the anonymity and protection of individuals

Ethics and Compliance are governed by a specific committee, co-chaired by the Deputy CEO and the CHRO of the company. The Ethics and Compliance committee relies on a Group Compliance Committee that oversees enquiries and the management of non-compliances or ethical breaches, and on a disciplinary committee that reviews enquiries conclusions and levies sanctions.

When an alert is raised on either Red or Green Line, it's subject to a thorough investigation with confidentiality and protection of the individual. Findings of such investigations are then submitted to the relevant governing committee, who takes appropriate action.

The global governance system also relies on Ethics Delegates and Compliance Officers, who provide guidance and advice to employees when needed, support the development of training and the deployment of information. Compliance officers are also in charge of inquiries and compliance processes.

## 4.2 Duty of Vigilance Governance

### 4.2.1 Duty of Vigilance Committee

The Duty of Vigilance Steering Committee is composed of the following participants:

Chairman:	- Executive Vice President Global Supply Chain (Executive Committee member)
Management:	- Senior Vice President, Sustainability - SVP, Global Safety and Environment - SVP, Global Procurement - SVP, Global Customer Projects - SVP, Ethics and Responsibility  In 2020, the Human Resources function will be added to the committee
Experts:	- Environment Performance Measurement - Sustainable Procurement

### 4.2.2 Schedule and coordination

The DoV Steering Committee is due to meet twice annually under normal circumstances. Since the inception of this instance, nine committees have been held in total (five in 2017, two in 2018, two in 2019).

### 4.2.3 Agenda and result evaluation

The agenda of the DoV Steering Committee includes:

- A discussion on strategic orientation for the Duty of Vigilance program.
- The prioritization of initiatives, and the resource allocation for implementation.
- A review of actions in progress as well as current results, before deciding on the next action steps.

The Schneider Electric Vigilance Plan is a collective effort coordinated by the Sustainable Development Team. Should you have any questions, comments or suggestions please contact us.

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