

Bridging **progress**  
and **sustainability**  
for all

20  
20



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## Bridging progress and sustainability for all

Driven by its purpose of empowering all to make the most of its energy and resources bridging progress and sustainability for all, Schneider Electric has set itself the mission to be the digital partner of companies for efficiency and sustainability. Its business model, which is aligned with current trends and challenges, permeates its entire strategy and contributes to the implementation of a fairer energy and digital transition.

## An ambitious transformation plan driven by strong commitments

To help build the next-generation industrial world and ensure a sustainable future, Schneider Electric is accelerating the pace of its transformation with renewed commitments. The Group has developed a short-, medium- and long-term roadmap in which sustainability, via the Schneider Sustainability Impact, is the core element of the company's growth strategy. The program has been redefined for 2021-2025, with new requirements to better meet tomorrow's challenges.

## Committed to creating long-term value

Schneider Electric aims to boost its positive impact on the planet and society at large by promoting a green growth in a responsible manner that is shared with all its stakeholders. This means establishing an ecosystem with partners with whom it forges long-term alliances; with employees whose professional development it supports; with end customers to whom it provides innovative solutions; with intermediary customers whom it helps to gain in operational efficiency; with suppliers in whom it encourages best practices; and, last but not least, with civil society, which it supports by providing access to clean, safe and reliable energy, and by educating the younger generations.

## Committed corporate governance

Schneider Electric has the advantage of a strong, committed governance structure that guarantees effective, independent and balanced decision-making, combining risk management and ethics. Its governance bodies allow the Group to deploy sustainability at every level of the organization while at the same time developing a strategy for long-term growth.

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## Our purpose

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



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

**Our mission is to be your digital partner for Sustainability and Efficiency.**

We drive digital transformation by integrating **world-leading process and energy technologies** to realize the full efficiency and sustainability for your business. We provide end-point to cloud integration connecting products, controls, software and services. We enable **lifecycle solutions** from design and build to operate and maintain phases through a digital twin. We deliver capabilities to transform from site-to-site to an **integrated company management**. Our integrated solutions are built with safety, reliability and cybersecurity for our homes, buildings, data centers, infrastructure and industries.

We are advocates of **open standards** and **partnership ecosystems** to unleash the infinite possibilities of a global, innovative community that is passionate about our shared Meaningful Purpose, Inclusive and Empowered values.

We are **the most local of global companies**. Our unmatched proximity to you, enables us to better understand, anticipate and adapt with agility to support your business continuity with **high ethical standards** in everything we do.

# Schneider Electric at a glance

## Awards



In 2021, Schneider Electric was named the world's **most sustainable** corporation by Corporate Knights in its Global 100 Most Sustainable Corporations ranking.

The Group's ESG performance has also been recognized by various indices and agencies, including:



**CDP A list:** 10<sup>th</sup> consecutive year



**DJSI:** 1<sup>st</sup> place in the sector



**RE100:** First Clean Energy Trailblazer award

**Financial Times Top 50 Diversity Leaders:** 27<sup>th</sup> place globally and 2<sup>nd</sup> place in its sector



## Key figures

€25.2bn

Revenues

~72%

Green revenue

€4.2bn

EBITA

€2.60

Dividend

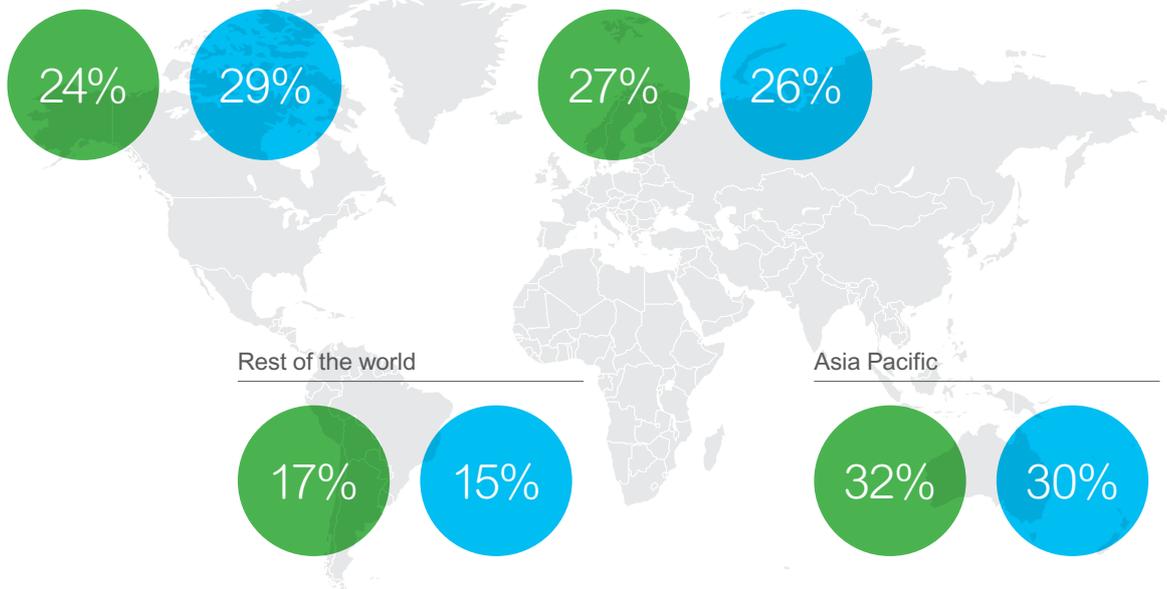
5%

Revenue spent on innovation

## Breakdown of employees and revenues worldwide

North America

Western Europe



● Percentage of total revenue in 2020

● Percentage of employees in 2020

+128,000

employees in over 100 countries

33%

women in the overall workforce

# Editorial

The year 2020 was marked by the pandemic and a global economic and social crisis, but it also saw the emergence of ambitious green stimulus packages that offer a glimpse of a more sustainable future. Schneider Electric is now further boosting its commitment to sustainability with the launch of the 2021-2025 Schneider Sustainability Impact (SSI). Explanation from Olivier Blum, Chief Strategy & Sustainability Officer, and Linda Knoll, Chairperson of the Human Resources and CSR Committee and independent director.



**Olivier Blum**  
Chief Strategy  
& Sustainability Officer  
Schneider Electric

**Linda Knoll**  
Director  
Chairperson of the  
HR & CSR Committee  
Schneider Electric  
Board of Directors

## Corporate Knights ranked Schneider Electric the world's most sustainable corporation in 2020.

### What does this honor mean to you?

**Olivier Blum:** We are extremely proud that our Group has been recognized as a leader in sustainability. This number-one ranking is the culmination of a long-term commitment enshrined in our DNA. We were among the first companies to launch a sustainability barometer, back in 2005, to manage our social and environmental impact, and to adopt and incorporate ESG (Environmental, Social and Governance) criteria into staff compensation. We also created, in 2014, a sub-committee of the Board of Directors dedicated to this field. We have also continuously invested and innovated in digital solutions for sustainability. These pioneering initiatives have borne fruit. For example, our Group has reduced our customers' CO<sub>2</sub> emissions by 134 million metric tons and given 30 million people access to sustainable energy.

**Linda Knoll:** This ranking, like the many awards received by Schneider Electric, brings an external and independent perspective to the Group's commitments. Those commitments have led to an ambitious roadmap with specific, rigorous ESG targets that are always aligned with the Group's purpose. We review and bolster these targets on a regular basis and they are discussed and challenged at meetings of the Board of Directors.

### How do you view the Group's performance in the context of the economic and public health crisis?

**OB:** Despite the challenges presented by this unique crisis, we are pleased with our performance. Our multi-local business model has proved resilient and agile and allowed us to come through relatively well. Our priority was to ensure continuity of service for critical infrastructure, such as hospitals and power generation systems, while protecting the health and safety of our employees and partners.

We also made sure we were always on hand to respond to the needs of our suppliers. In addition, we volunteered for specific initiatives to combat COVID-19, contributing to the manufacture of protective equipment and respirators. And all the while, we never let up on our ESG commitments: thanks to everyone's efforts, by the end of 2020 we had achieved most of our sustainability goals.

**LK:** Once the crisis is over, Schneider Electric must continue to lead the transition to net-zero carbon emissions with its partners, while putting social challenges and ethics at the top of its agenda. The Group's performance and resilience are at stake here.

## The Group has developed the Schneider Sustainability Impact barometer for the 2021-2025 period to measure its ESG performance.

### What strategic objectives have you included?

**LK:** When defining the new barometer, the Group had several priorities. We wanted to keep it simple but be able to quantify and measure our actions and make as much impact as possible on all our stakeholders. That was a prerequisite for increasing the effectiveness of the Group's commitments. It also illustrates our desire to challenge the status quo and pave the way to a more sustainable world.

**OB:** The year 2020 has highlighted the urgent need for action. To meet these challenges, we will further strengthen our goals and step up our efforts. That's the essence of the 2021-2025 SSI. Dedicated to a better future for all, it focuses on six long-term commitments that are aligned with the United Nations' Sustainable Development Goals (SDGs) and translated into 11 global impacts and one local impact. It's a strategy that will allow us to better respond to current challenges and guide what we do, not just for ourselves and our partners, but also for our customers and local communities. Linking progress and sustainability – that's our vision for the future. With our 2025 targets, we're ready to speed things up and go even further.

# Towards a new electric world

Schneider Electric believes in the acceleration of digitization and the transition to cleaner and decarbonized energy and industrial systems – a trend reinforced by the pandemic. Electricity 4.0, along with Industry 4.0, is a powerful catalyst for decarbonizing our entire value chain.

	Trends and challenges for customers	Schneider Electric's opportunities and responses
<p><b>An all-electric world</b></p> <p><b>+18%</b> per year in annual electricity consumption related to electric vehicles between 2019 and 2040*</p>	<p>With the accelerating pace of digitization and growing electrification of industrial processes, transport and buildings, demand for electricity is increasing, creating a multitude of opportunities:</p> <ul style="list-style-type: none"> <li>• Access to energy for all</li> <li>• Development of new infrastructures</li> <li>• Growing consumer awareness of the new energy paradigm</li> <li>• Demand for more reliable, more resilient and more efficient networks</li> </ul>	<ul style="list-style-type: none"> <li>• Solutions to improve the energy efficiency of buildings and reduce energy costs by up to 30%</li> <li>• Unique energy management and automation technologies to improve industrial processes, resulting in productivity and efficiency gains</li> </ul>
<p><b>An all-digital world</b></p> <p><b>70%</b> of the new value created in the economy over the next decade will be based on digitally enabled platform business models**</p>	<p>Digital technology is redefining the industrial and commercial equation for our customers and creating new requirements for controlling and optimizing consumption and processes:</p> <ul style="list-style-type: none"> <li>• Search for smart, connected products, open to integration</li> <li>• New ways of working, especially with online platforms and tools</li> <li>• Complete digital experience expected by companies and their suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive response to the need to increase the digital capabilities of its partners and customers through EcoStruxure™: a broad-ranging software portfolio and open digitization platform to optimize energy, resources, and manufacturing and construction processes while providing significant gains in reliability, security and sustainability</li> </ul>
<p><b>A multi-local world</b></p> <p><b>-30% to 50%</b> In Australia and India, energy from renewable sources costs 30% to 50% less than energy from the grid*</p>	<p>In an energy landscape that consists of a multitude of local standards and power facilities, our customers expect customized solutions:</p> <ul style="list-style-type: none"> <li>• Need to adapt the offer to the requirements of each local market</li> <li>• Search for offers that can be tailored to a variety of local standards</li> <li>• Ease of remote control and optimization of automation management</li> <li>• Control and optimization of energy consumption</li> </ul>	<ul style="list-style-type: none"> <li>• Strong local geographical footprint, not just for sales and operations but also for R&amp;D, ensuring the highest level of local expertise and support for specific customer needs</li> <li>• Three geographical hubs, Europe, the United States and Asia, boosting our teams' international mobility</li> <li>• System allowing us to react to local market changes, make tactical cost savings and protect our margins</li> </ul>

\* Bloomberg New Energy Finance.

\*\* World Economic Forum: "Shaping the Future of Digital Economy and New Value Creation", 2019.

# A confirmed growth strategy

Schneider accelerated the execution of its transformation strategy to deliver ever more products, services and software. Our mission: to be the digital partner of our customers for sustainability and efficiency.



## Sustainability and efficiency

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



## Digital innovation

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



## Diversity and inclusion

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



## Trust and resilience

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

# Our business model for a fairer energy and digital transition

Our generation is facing a tectonic shift in the energy transition and industrial revolution, catalyzed by a more electric world. In line with the Group's purpose and mission, Schneider Electric's business model is at the service of a more sustainable and fair global transition.

## Our key resources and relationships

## Our unique way



### People

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



### Industrial

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



### Innovation

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



### Environment

We optimize our energy and resources across **232** ISO 14001-compliant facilities and **206** sites committed to zero landfill waste. **80%** of electricity was from renewables in 2020 and **157,588** tons of primary resource consumption was saved with circular models.



### Partners and Suppliers

We empower our **650,000+**-strong partner ecosystem to expand our coverage and we arm our **4,200+** EcoXpert program partners to drive new digital business opportunities. We extend our sustainability excellence requirements to our suppliers representing **€12 billion** in procurement volume.



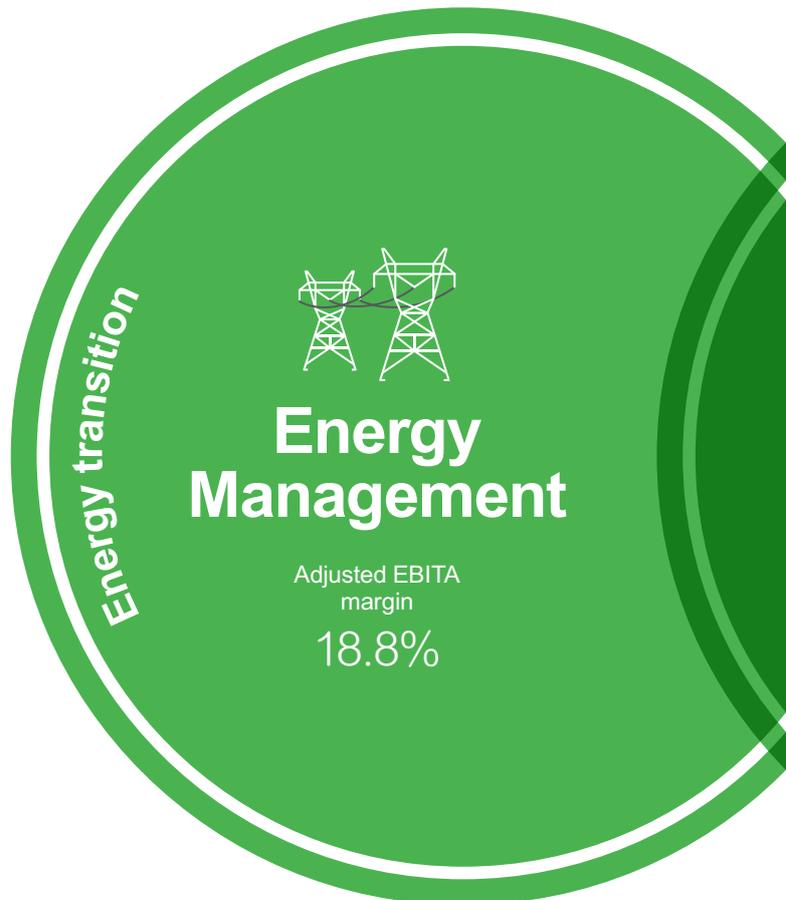
### Financial strength

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

### Homes and buildings



### Data centers



**Electrification  
SUSTAINABILITY**



Learn more about the Group's commitments on page 10 ●●●

## Our sustainable value for all stakeholders

### Infrastructure



### Industry



### Focusing on the welfare of people

- We are committed to gender equality through equal opportunities for everyone, everywhere.
- **99.6%** of our global workforce is covered by our Gender Pay Equity Framework.
- We strive to guarantee the highest safety standards and eliminate workplace accidents.
- Medical incidents per million hours worked reduced to **0.58**.

### Achieving sustainability goals with customers

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

### Empowering underserved communities

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

### Prioritizing ethical partnership with suppliers

- As responsible corporate citizens, we uphold the highest standards of ethical business conduct to strengthen collective trust, cultivate long-term viability, and comply with local regulation.
- **374** suppliers deemed high risk for human rights and environmental violations were subjected to on-site audits.

### Delivering return and profits to shareholders

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



## Industrial automation

Adjusted EBITA margin

**17.1%**

Industry 4.0

Digitization  
EFFICIENCY

**Strategic vision**

**Efficiency and sustainability at the core of our business**

In 2003, Schneider began changing its business model in order to build a comprehensive range of offerings. From 2008 onward, the model has been an integral part of the Group's EcoStruxure™ platform. In 2018, we completed consolidating our businesses into two core activities: energy management and automation, and four markets: homes and buildings, data centers, infrastructure and industry. We are now accelerating the implementation of our strategy to prioritize more products, more services, more software and better systems.

At the heart of our value proposition, EcoStruxure™ is an open, multi-industry ecosystem with high added value, designed to improve energy efficiency and management. Its interoperable, plug-and-play and IoT-enabled architecture and platform combine connected products with edge control, applications, analytics and services to deliver an unmatched digital experience.

**Examples of EcoStruxure™ solutions**

**EcoStruxure™**  
Innovation At Every Level

<p><b>Apps, analytics and services</b></p>	<p>Leverage IoT data to identify additional energy efficiency opportunities, <b>increase the lifetime</b> of assets, <b>optimize maintenance</b> services and boost <b>demand flexibility</b>.</p>	<p><b>CO<sub>2</sub> savings in the ecosystem</b></p> <p>Example: Power Purchase Agreements (PPA)</p>	
<p><b>Edge control</b></p>	<p>Manage on-site operations, with day-to-day <b>optimization</b> of energy consumption through <b>remote access</b> and <b>advanced automation</b>.</p>	<p><b>CO<sub>2</sub> savings in the building or industrial process</b></p> <p>Example: Building Management System (BMS)</p>	
<p><b>Connected products</b></p>	<p>Connected products are <b>Eco-Designed</b> to improve their <b>efficiency</b> and deliver electricity savings.</p>	<p><b>CO<sub>2</sub> savings of the product</b></p> <p>Example: Variable Speed Drive (VSD)</p>	

**Sustainability**

263M

metric tons of CO<sub>2</sub> saved or avoided by customers since 2018

~72%

in green revenues

**Efficiency**

40%

improvement in energy efficiency since 2010

8.4%

improvement in CO<sub>2</sub> efficiency from transport since 2017

**Reliability**

77%

of revenue generated under our new Green Premium™ program

42.6%

Customer Net Promoter Score

## An innovation-led business model

The solutions we offer across our four end markets are directly linked to activities to mitigate, adapt to and improve resilience to climate change. They help our customers improve their energy efficiency and reduce their CO<sub>2</sub> emissions. IoT innovations reduce the environmental impact of solutions through optimized use of materials, decarbonization of energy demand, and an extended product life cycle.

### Products with a low carbon footprint

Our EcoDesign Way™ process, which is central to our Green Premium™ program, allows us to deliver innovative solutions that are circular, low-carbon, mindful of wellbeing and ecosystem-friendly. Rolled out in 2018, the new Green Premium™ program provides added environmental value for the entire portfolio of offerings, with an even more customer-oriented approach, to take into account the specificities of each market segment. For most of our products, we provide customers with carbon and environmental footprints, accessible 24/7 on MySchneiderApp, so they can aggregate or compare CO<sub>2</sub> data.

### Circular innovations and functional economy

Schneider's circular models are adding new trade-in, repair and modernization offerings, each reducing CO<sub>2</sub> emissions and the cost of ownership options for customers. Leasing and performance contracts are also popular in many markets.

In 2020, the Group launched a dedicated label in France for its circular economy products that offer equal performance at a reduced price: Schneider Electric Circular Certified. At this stage, the label mainly concerns products from stock that is unsold, traded-in, reconditioned, restored to working order or at the end of its commercial life, and that is intended for craftspeople, electricians, manufacturers and equipment suppliers. The Group wants to extend this label to products from its customers' own facilities so that such products can be reused under guaranteed safety conditions and have a longer life following reconditioning.



## Creation of the Sustainability Business Division

At the end of 2020, Schneider Electric created a division dedicated to advice on sustainability. The aim is to guide customers in their quest to become more sustainable. The new division will leverage the expertise of Energy & Sustainability Services and Climate Change Advisory Services on issues related not only to energy but also to manufacturing and responsible real estate. Early customers include Faurecia, which is being assisted in its path toward carbon neutrality of its scope 1 and scope 2 emissions, and STMicroelectronics, which wants to reduce its energy consumption. The partnership includes jointly developing products, technologies and solutions to improve energy efficiency.



“

What makes our division unique is how operational it is, from the offer of advice to the implementation of our recommendations. In the transition to an all-digital, all-electric world, we see our customers' sustainability challenges as a genuine growth driver.”

**Suzanne Uthayakumar,**  
Director, Sustainability Business Division, Schneider Electric

Learn more:  
2020 Universal Registration Document pages 118 to 143 

# Our short-, medium- and long-term goals

To ensure responsible growth and a sustainable future, Schneider Electric has defined a short-, medium- and long-term roadmap based on ambitious financial and non-financial goals. The Schneider Sustainability Impact illustrates the Group's commitment to making sustainability fundamental to its growth strategy, with new objectives for 2021-2025.

## Our non-financial objectives

The Group has successfully concluded its three-year 2018-2020 Schneider Sustainability Impact with a score of 9.32 out of 10, exceeding its target of 9 out of 10 and demonstrating the Group's unwavering commitment to sustainability, despite the pandemic.

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

▲ 2020 audited indicators.

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

Learn more:  
 2020 Universal Registration Document pages 82 to 84 



## 2025

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

Achieve the eleven global goals and one local objective of the 2021-2025 Schneider Sustainability Impact, plus the 25 objectives of the Schneider Sustainability Essentials (SSE) program under our six long-term commitments:

- Act for a climate-positive world
- Be efficient with resources
- Live up to our principles of Trust
- Create equal opportunities
- Harness the power of all generations
- Empower local communities



## 2030

- Achieve net-zero operational emissions and reduce scope 3 emissions by 35% (compared to 2017) as part of the Group's goal to limit global warming to 1.5°C in accordance with Science-Based Targets
- Use 100% renewable electricity in our energy mix
- Continue our energy consumption reduction initiated in 2005 on Group sites by doubling our energy productivity
- Replacing our entire automotive fleet with electric vehicles
- Provide access to energy to 80 million people



## 2040

- Achieve carbon neutrality across our entire footprint (scopes 1, 2 and 3)

## 2050

- Achieve net-zero emissions in our supply chain

Learn more:

2020 Integrated Report page 13

2020 Universal Registration Document pages 72 to 73

## Our financial objectives

In 2020, our operations were well executed and our business model proved resilient, giving us the agility to rebound at the local level. Our robust performance and solid results allowed us to reward our employees for their efforts during the pandemic and maintain our long-standing progressive dividend policy with a dividend of €2.60, up 2% from 2019. We firmly believe that we will be in good position for the post-COVID-19 world and are therefore reaffirming our objectives for the next business cycle.

Indicators	Indicators and objectives across the economic cycle	2020 results	2019 results
Organic growth in revenues	Averaging between +3% and +6% across the cycle	-4.7%	+4.2%
EBITA	EBITA margin adjusted by approximately 17% by 2022 (at constant exchange rates for 2021 and 2022)	15.6%	15.6%
Cash conversion	Approximately €3bn (excluding IFRS 16) on average across the cycle	159%	133%

Learn more:

2020 Universal Registration Document pages 2 to 6

se.com website, Investors section

# Meeting the challenges of today and tomorrow through renewed commitments

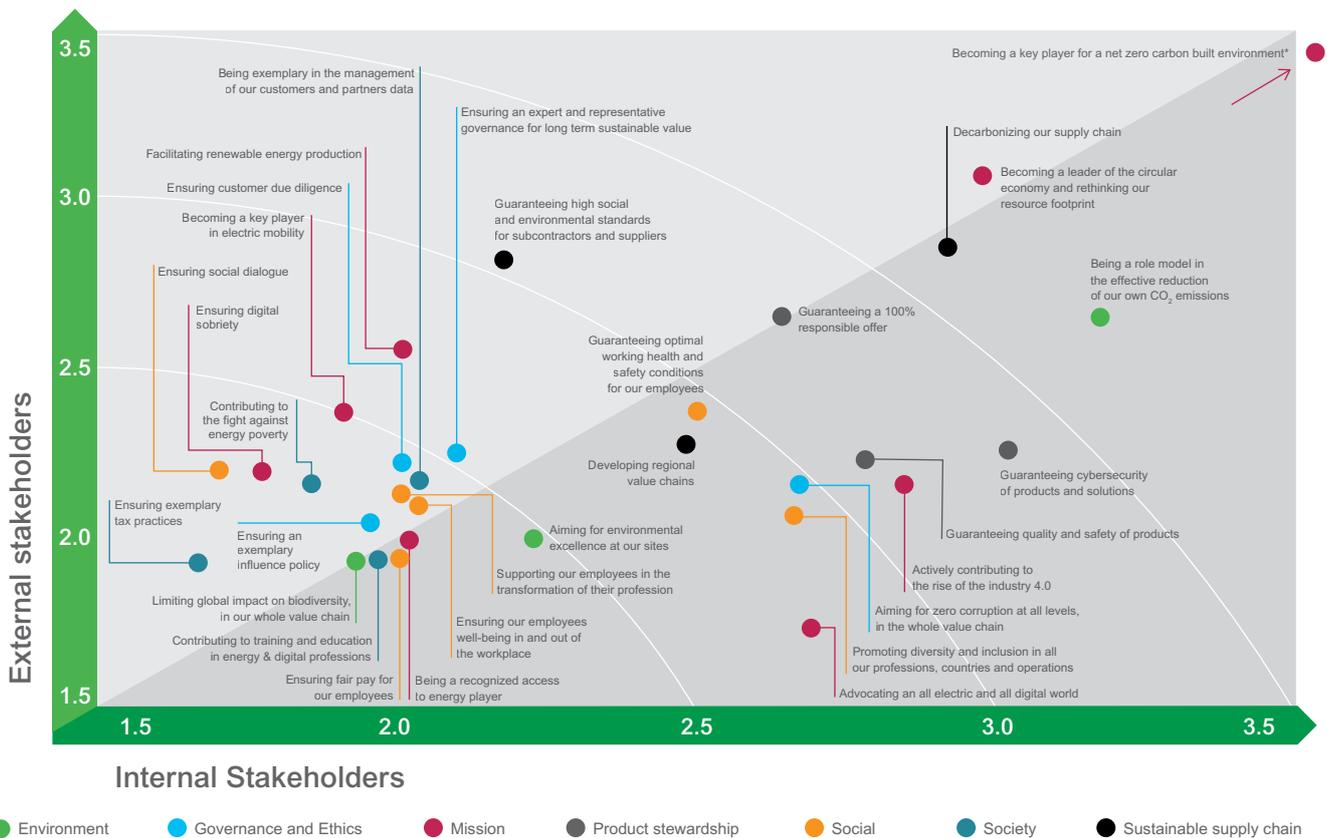
Schneider Electric is committed to open communication with its ecosystem and uses the feedback to analyze its market and define areas of engagement. The 2021-2025 Schneider Sustainability Impact program offers ways to implement quick and disruptive changes on issues identified as a priority by the Group and its stakeholders.

## Key stakes for our ecosystem

To consolidate the relationship with its stakeholders and better understand their expectations, Schneider Electric updates its materiality assessment on a regular basis. In 2020 the Group updated its materiality matrix to create the new Schneider Sustainability Impact. Almost 200 stakeholders – customers, suppliers, international organizations, trade associations, experts, shareholders, senior managers and members of the Executive Committee – were invited to assess the importance of the challenges facing the Group.

The general consensus was that companies need to become more resilient in the face of growing environmental, social, political and economic instability. What stakeholders most expect from the Group is genuine leadership in decarbonizing the economy through its businesses, products and solutions. The four main trends were climate, circular economy, a fair and equitable transition and digitized, cybersecure solutions.

## 2020 materiality matrix



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

Learn more:  
2020 Universal Registration Document pages 76 to 77

## Two additional dashboards for measuring our 2021-2025 sustainability performance

With only 10 years left to achieve the UN's 17 Sustainable Development Goals (SDGs), we must speed up our sustainability efforts while promoting access to energy and equal opportunities. The new 2021-2025 Schneider Sustainability Impact refocuses the Group's ambition around six long-term commitments supported by 11 transformative and groundbreaking objectives. A further local goal has been added to boost the Group's impact on each of its markets. As with previous programs, the objectives will be monitored quarterly and audited annually, and will be tied in with incentive plans for Group executives. Dedicated to a better future for all, the program contributes to each of the SDGs.

A new dashboard has been created called Schneider Sustainability Essentials (SSE) to maintain a high level of commitment and transparency in the actions taken by the Group. It balances the SSI's innovative transformation plans with the need to continue to make progress on other long-term programs. In this spirit of ongoing improvement, and in a holistic vision of sustainability, the SSE will track the annual progress of 25 quantitative indicators and some additional qualitative programs.



### Schneider Sustainability Impact 2021-2025

Long-term Commitments

2021-2025 SSI programs

#### Act for a climate positive world



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

#### Be efficient with resources



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

#### Live up to our principles of Trust



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

#### Create equal opportunities



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

#### Harness the power of all generations



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

#### Empower local communities



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

Learn more:

2020 Universal Registration Document pages 74 to 75

# Creating sustainable and responsible value, shared with our stakeholders

Schneider Electric engages in open and continuous dialog with each of its stakeholders, at every level throughout the company. The Group interacts constantly with its ecosystem and ensures that the value it creates is shared evenly among its stakeholders, without separating profitability from accountability.

## Stakeholder mapping



\* Group of companies in France's digital electronics industry.  
Source: CSR sector reporting guide, 2017.

## Unique ecosystem of partners

To share its expertise and develop increasingly innovative and high-performance solutions, Schneider Electric builds partnerships with a wide range of global and local players.

Schneider has developed the industry's largest network of distributors, and works with many types of partners, as well as with its end customers. The Group is continually strengthening its local connections in all countries to deliver the best customer experience and co-develop sustainable and effective digital solutions.

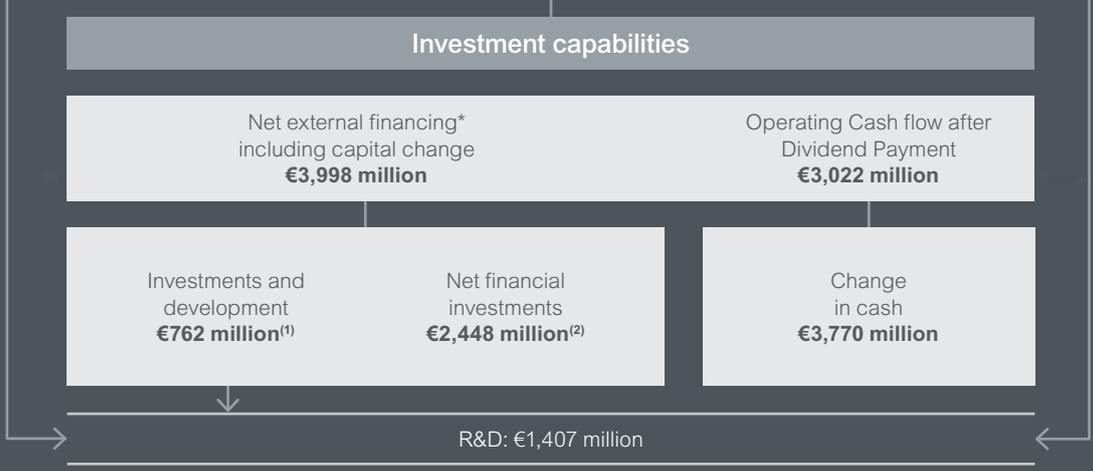
Schneider is committed to investing €300 million to €500 million over the coming years in incubation projects, partnerships with entrepreneurs and specialized funds.

Alongside this, the Group is involved in various local or international associations and organizations supporting sustainability, working with key players from across society. Schneider confirms its commitment to and participation in discussions on challenges related to climate change. To further advance social and environmental best practice, Schneider Electric reiterates its commitment to the Ten Principles of the UN Global Compact on an annual basis. Since 2018 the Group has been among the 41 LEAD companies most committed to this initiative.



**2020 Total Revenue: €25,159 million**

Employees: wages	States: income taxes	Non-governmental organizations: donations	Shareholders: dividends	Bank: net bank fees	Procurements and other
<b>€7,284 million</b>	<b>€638 million</b>	<b>€20 million</b>	<b>€1,413 million</b>	<b>€112 million</b>	<b>€12,670 million</b>



\* Borrowings, capital increases and treasury stock disposals.  
 (1) Of which €311 million in R&D.  
 (2) Of which €106 million for long-term pension assets.



## Planet

### Our value creation

Schneider is committed to promoting green growth by acting in line with the principles of sustainability on behalf of current and future generations. Within a wider ecosystem, the Group strives to reduce its own impact and that of its suppliers. It offers products and services that help its customers reduce their energy and natural resource consumption as well as their CO<sub>2</sub> emissions, and supports society at large in its transition to a world that is more planet-friendly.

### Our strategy

- **Climate strategy to achieve net-zero CO<sub>2</sub> emissions**, in line with the IPCC's 1.5°C scenarios and based on suppliers' commitment to achieving net-zero emissions, to lowering their operational emissions and to producing customer CO<sub>2</sub> savings
- **Commitment to biodiversity**
- **Eco-efficient manufacturing through clean, eco-efficient processes** via the CLEARR program, the Integrated Management System and the EcoStruxure™ offering
- **Circular economy** to do "more with less" through our EcoDesign Way™ process
- **Sustainable, environmental performance** through our Green Premium™ program and investments in R&D so as to create **solutions that consume less energy** and are environmentally friendly

### 2020 highlights

- **Joining of The Climate Pledge**, a global coalition calling on companies to become carbon neutral by 2040 – 10 years ahead of the Paris Agreement
- Joining the Climate Group's EV100 initiative and commitment to **replace the entire Schneider automotive fleet** with electric vehicles by 2030
- **Assessment of our biodiversity footprint** using CDC Biodiversity's Global Biodiversity Score
- **Launch of the Schneider Electric Circular Certified** label to promote the sale of circular economy products in France
- Signature of the **European Pact on plastic packaging**
- Lexington industrial site (United States) singled out by the WEF as being at the **forefront of the Fourth Industrial Revolution**

### 2020 key figures

80%

electricity consumed globally by the Group produced from renewable energy sources

157,588

metric tons of primary resource consumption avoided through the ECOFIT™ product recycling and take-back program

99%

of freight packaging from recycled or certified sources

8.4%

improvement in CO<sub>2</sub> efficiency in goods transportation since 2017

58%

reduction in our carbon footprint since 2017

232

ISO 14001-certified sites

# SM AirSeT™ and AirPacT: Innovative switchgear with no SF<sub>6</sub> greenhouse gas tested by E.ON Sweden

In 2020, Schneider Electric has announced SM AirSeT and AirPacT, its new green and digital medium voltage switchgear and MV component ranges featuring technology which has won the Industrial Energy Efficiency Award at Hannover Messe Digital Days last year. They represent a leap forward for sustainability, using pure air and vacuum interruption instead of SF<sub>6</sub> gas (sulfur hexafluoride) and allowing users to take full advantage of digital features to unlock the value of data. In 2021, the company will launch SM AirSeT in several geographies in Asia and in Europe and has already reported successful pilot projects at numerous electric utilities including E.ON in Sweden.

## 3 questions to...

**Kim Sunnerberg,**  
Technical manager,  
E.ON Sweden



### What has motivated you to join Schneider Electric's pilot program on its new SF<sub>6</sub>-free switchgear?

For decades, SF<sub>6</sub> has been used and trusted to safely break the current and insulate medium voltage switchgear; however, its global warming potential is 23,500 times stronger than that of CO<sub>2</sub>. Even though the gas is contained in a sealed tank, it is a point of concern for long-term climate action. E.ON is inspired by being a sustainable supplier and we always want to improve our customers' lives. We have a vision and a larger project to be completely fossil-free in 2025, and avoiding SF<sub>6</sub> gas is a sub goal in that project. By replacing SF<sub>6</sub> gas with normal air in switchgear, Schneider Electric contributes therefore to making our industry more sustainable.

“

What makes this device a great innovation is precisely this combination of environmental thinking, SF<sub>6</sub>-free and that it supplements older equipment in the same format. This solution contributes to a better future for our customers, our global society and the environment.”

### How was SF<sub>6</sub>-free pure air technology implemented in your network stations? What did it change for your company?

The SF<sub>6</sub>-free switchgear is a part of our network stations, which is a big part of our distribution network in order to be able to deliver our product to the customers. Digitization is important for E.ON in order to be able to have more control of the network. The digitization gives us the opportunity to control and monitor both the status of the network and the fault events, which means that we can shorten our repair time and completely avoid faults in the future. We now have opportunities to minimize operational disturbances in our networks. We see Schneider Electric's new technologies with EcoStruxure™ solution and the new switchgear as great opportunities for the future as supplements, and to implement inside our new digital systems.

### What are the benefits of using such a device for your end-customers?

What makes this device a great innovation is precisely this combination of environmental thinking, SF<sub>6</sub>-free and that it supplements older equipment in the same format. This solution contributes to a better future for our customers, our global society and the environment. And it also directly benefits to our end-customers because we can supplement an old plant, which makes it a more cost-effective solution, giving advantages to the end-customer.

## Value creation



# Employees

## Our value creation

Great people make Schneider Electric a great company. The Group motivates its employees and promotes their involvement by valuing their diversity, supporting their professional development, and providing working conditions that safeguard their wellbeing. In 2020, in the face of the pandemic, health and safety became our top priority.

## Our strategy

- **"Step Up" Program** to make the company and the working environment more attractive to talent and employees
- **Employee health and safety** based on the "S.A.F.E First" program
- **Employee engagement** and attraction of talent
- **Learning and development** to facilitate continuous innovation for customers
- **Diversity and inclusion** to embrace differences
- **Competitive, inclusive compensation and benefits** to attract, motivate and retain talent
- **Dialog and labor relations** in compliance with local laws in each of the Group's host countries

## 2020 highlights

- Major **mobilization of employees** to maintain critical infrastructure and manufacture masks
- Renewed commitment by the Group to pay at least **a living wage to all employees**
- 90% of employees with access to a **comprehensive workplace wellbeing program**
- **23 meetings with the European Works Council**, including two plenary sessions held virtually
- Launch of the **Open Talent Market** platform, based on artificial intelligence, to create an internal talent market
- **Organization of our first LGBT+ Awareness Month** in October 2020
- **Extension of the coverage** of the Global Family Leave Policy to all eligible employees

## 2020 key figures

69%

scored in our Employee Engagement Index

100%

of employees work in countries that have fully deployed our Family Leave Policy

92%

of white collar workers have individual development plans

0.58

medical incidents per million hours worked

90%

of workers received at least 15 hours of learning, 30% of them virtually

99.6%

of employees work in countries committed to gender pay equity

# Open Talent Market: a platform for a more meaningful career

In April 2020, Schneider Electric opened its Open Talent Market platform with the aim of becoming the market leader in digital career development and providing its employees with the opportunity to take control of their careers.

## A career development platform based on artificial intelligence

Open Talent Market (OTM) is a one-stop-shop career development platform that uses artificial intelligence to match the supply and demand of talent within the Group. In response to the COVID-19 pandemic, the roll-out of OTM was accelerated during the year to make it available to all employees in multiple languages. The platform allows career opportunities to be posted in full transparency and takes into account employees' current and potential skills.

## A three-dimensional program with high value for employees

In addition to internal mobility offers, OTM features a long list of part-time projects in a bid to develop collaborative working within the Group. These projects are an opportunity for employees to innovate and experience new things, learning from others and seeing how they work. Lastly, the platform allows employees to find internal mentors who can guide them in their business projects and development aspirations.

## A platform already hugely popular in 2020

30,000

profiles created

2

new skills acquired on average per engagement

1,400

exchanges of correspondence

3,000

mentorships initiated



“

In 2020, I had the opportunity to create a project in the Open Talent Market and I was amazed with the number of people that showed interest from all parts of the globe. It has been a great journey for me because OTM gave me the opportunity to develop my project management skills while also addressing a business topic I'm passionate about. OTM also gave me the opportunity to lead a multi-region team, expand my network in Schneider, and work across functions. OTM has provided a way for project teams like this to exist.”

**Ana Pinto,**  
Senior Talent Acquisition Specialist  
Schneider Electric, United Kingdom





## End customers

### Our value creation

In keeping with its role as a digital partner, Schneider Electric shares its expertise with its customers and brings them solutions to help in their quest for sustainability and efficiency. Throughout the world, the Group provides access to safe, reliable, connected and low-carbon energy as part of a personalized customer experience.

### Our strategy

- **An unparalleled partner network** to offer a wide range of market-leading products supported by a superior digital customer experience
- **On-site services with new digital features** to provide customers with the right information at the right place and at the right time
- **EcoStruxure™ IoT platform** to allow companies to improve their energy efficiency and lower their CO<sub>2</sub> emissions
- **Support for customers with their low-carbon transition** via the Sustainability Business Division
- **Help in improving our customers' environmental performance** by providing life cycle information for products and solutions required under Green Premium™
- **Global education platform** offering e-learning programs to Schneider Electric customers; deployment of the Partner Relationship Management customer relations platform in 10 countries
- **Special organization for the 75 international customers** that are categorized as "strategic accounts" based on "preferred supplier contracts" and exclusive customer support

### 2020 highlights

- During the public health crisis, **support provided to critical infrastructure** in all countries and sectors through maintenance and remote monitoring
- **Partnership with EIT InnoEnergy and IDEC for the creation of Verkor**, a company aiming to accelerate the production of low-carbon batteries in southern Europe
- **Organization of the Innovation Summit World Tour 2020** featuring more than a dozen virtual events and calling for the embrace of digital technologies for a more resilient and sustainable future
- Launch of **IP/NEMA-certified EcoStruxure™ Micro Data Center** solutions
- Launch of **EcoStruxure™ Automation Expert**, the first software-based automation system
- From 2018 to 2020, our BMS (building management system) solutions **allowed our customers to save 7.9 million tons of CO<sub>2</sub>eq.**

### 2020 key figures

480,000

facilities, more than 20,000 system integrators, more than 1 billion assets connected through more than 40 digital services within EcoStruxure™

77%

of revenue generated under our new Green Premium™ program

128 million

metric tons of CO<sub>2</sub> managed by ESS

17.6%

revenue increase for our Energy & Sustainability Services (ESS) entity compared to 2017

+€30bn

in energy expenditure managed by ESS

+250,000

customer sites managed by ESS

# Gigaton PPA Program: increasing access to renewable electricity for Walmart suppliers

In September 2020, Walmart Inc. and Schneider Electric launched a new collaboration that will provide increased access to renewable electricity for Walmart suppliers with US energy load, enabling them to lead on climate action. The Gigaton PPA (GPPA) Program is designed to educate Walmart suppliers about renewable electricity purchases and accelerate renewable energy adoption by participating suppliers through aggregate power purchase agreements (PPA).

## 3 questions to...

**Joby Carlson,**  
Director,  
Global Sustainability,  
Walmart



### How does this new collaboration with Schneider Electric support Walmart's aim to avoid one gigaton of carbon dioxide from its value chain by 2030?

By participating in Walmart's Project Gigaton, suppliers have already reported a cumulative 230 million metric tons of avoided emissions since 2017, which is more than 20% of our goal. However, we have identified that our suppliers still face many decarbonization challenges, including access to and education about renewable energy options. This is specifically why we worked with Schneider Electric to create the GPPA Program: to help suppliers overcome limitations to renewable electricity procurement, to educate them on the specific mechanics of renewable electricity transactions, and to take the next step towards low-carbon emissions. It is a very unique way of engagement, via a first-of-its-kind cohort PPA aggregation model. Not only is this program increasing our suppliers' ability to contribute towards Project Gigaton, but it is also a real opportunity to accelerate the development and adoption of corporate renewable power in the US at a time when climate action is more urgent.

“

The GPPA program is a very unique way of engagement, via a first-of-its-kind cohort PPA aggregation model.”

### PPAs are known to be complex transactions, especially when many stakeholders are involved in the process. How do you plan to tackle this challenge?

It always presents challenges when you are working with more stakeholders. For this program, we are collaborating with Schneider Electric's Energy & Sustainability Services (ESS) which has been a leading advisor on such projects for more than a decade, and knows how to overcome the challenges resulting from bringing a collection of parties together. By educating the suppliers and assessing their readiness, ESS is helping them to go through the various risks and opportunities that are associated with PPA contracts to help each supplier take the necessary steps to be able to evaluate and participate in the project.

### What are your expectations for the GPPA program for 2021?

The response to the program launch has already been very positive. Since it takes between 9 to 12 months to contract for a PPA, we expect at least one deal to be completed in 2021 and we would love to have more in progress. The launch of the GPPA program was also very successful in terms of exposure, and other companies have already connected with Schneider to explore similar opportunities with their supply chains. For more than a decade, Walmart has been working to inspire positive change across global supply chains and we are pleased to see that other companies have an appetite to do this work, too.



## Intermediary customers

### Our value creation

40% of Schneider Electric's sales are made through intermediaries such as distributors, systems integrators, contractors and purchasing advisors, which contribute their added value and their know-how. The Group is perpetually striving to improve the value it offers them and to boost operational efficiency, while improving the safety and security of the operators and the environment.

### Our strategy

- **Policy of close collaboration with distributors** in terms of supply chain improvement, technical training, support services and joint marketing initiatives, guaranteeing the distribution network's performance
- **Ensure customer satisfaction** through Customer Voice digital surveys that require feedback to measure performance and gather information to anticipate future needs
- **Provision of a suite of digital tools known as Building Life Management** to help electricians and DIY stores keep up with the fast pace of changes in residential solutions and technologies
- **Sharing of expertise through the EcoXpert program** to establish preferred partnerships with contractors that specialize in energy efficiency and renewable energy solutions and services

### 2020 highlights

- **Launch of the new SM AirSeT™ medium voltage switchgear** which, for the first time, uses pure air and vacuum interruption, completely avoiding the highly potent greenhouse gas, SF<sub>6</sub>
- Online sales now account for **25% of the Group's overall distribution business**
- Increasingly digital multichannel partnership with installers **via the Partner Portal and Exchange platform**
- **More than 400,000 electricians registered on the My Schneider Electric app** to receive training, online assistance and digital resources
- Collaboration with **more than 15,000 original equipment manufacturers (OEMs)** to improve the performance of their equipment and their time to market

### 2020 key figures

4,200

partners in 79 countries, including more than 300 in France, awarded the EcoXpert label since 2011

75

electricity distributors equipped by Schneider Electric, serving 70 million customers around the world

650,000

partners within the Schneider Electric ecosystem

# EcoXpert program: monitoring the energy consumption of real estate assets at Grenoble Alpes University

Schneider Electric is working with the Grenoble Alpes University to improve the energy performance and profitability of its immense real estate portfolio. Our close collaboration with EcoXpert™ partner, Techteam, is a clear illustration of the strong value that our EcoXpert partners deliver to our customers. A program unique in its industry, EcoXpert offers an esteemed partnership between Schneider Electric and a global, cross-expertise ecosystem of solution providers who hold some of the most-sought-after competencies in connected, intelligent, and sustainable buildings.

## Energy management, a source of savings

Spread over 175 hectares, the Grenoble Alpes University wanted to control its energy consumption across all of its 29 faculties and 500,000 m<sup>2</sup> of buildings. In 2015, a first version of the EcoStruxure™ Power Monitoring Expert (PME) software platform was installed, capable of checking the facility's status, supervising maintenance and allocating energy costs. A new step was launched in 2018 with the installation of a new PME version by Techteam, a Critical Power EcoXpert partner. This enabled customers to better understand and gain real-time control over the quality of the energy being used. The solution, which is updated every year, now covers more than half of the university's consumption. Regular monitoring makes it possible to pool energy contracts.

## The EcoXpert program

### – an extension of Schneider Electric

A worldwide network of partner companies trained and certified by Schneider Electric, the EcoXpert program offers a global footprint of expertise and strong local support to solve the challenges faced by our mutual customers. By nurturing a spirit of collaboration and innovation, the EcoXpert program unveils new opportunities for our partners by helping them to play a pioneering role in developing smart Buildings of the Future and the Internet of Things (IoT).

### Benefits for our Partners

- Business Growth
- Improved Hit Rate
- Maximized Margin
- Competitive Differentiation
- Enhanced employee talent
- Reduce Engineering and Commissioning Times
- Capture New Market Share

### Benefits for our Customers

- Best-in-class technologies and solutions
- A network of certified experts
- Global footprint
- Connected expertise between EcoXperts
- Cost and risk reduction
- Long-term partnership
- Full backing of Schneider Electric

## Key figures

4,200

EcoXpert-certified partners

in 79

countries

“

In EcoXpert, we go beyond the industry standard for channel partner programs. We believe our EcoXpert partners are an extension of Schneider Electric. As such, we are passionate about the success of each and every one of them. Enabling business expansion and resiliency for our EcoXperts through market reach, access to expertise and ecosystems, and digital transformation is at the very core of our engagement. Our mission is to share expertise and ignite growth, as together we deliver best-in-class services and solutions to our valued customers.”

**Virginie Milhaud,**  
EcoXpert Program Director, Digital Energy Division  
Schneider Electric





## Suppliers

### Our value creation

With a network of more than 52,000 suppliers around the world, we are committed to developing lasting relationships with each of them while at the same time helping them introduce more sustainable practices. Schneider Electric seeks to continually improve the capacity, safety and response time of its supply chain, while boosting its economic and ecological efficiency.

### Our strategy

- Provision of a **Supplier Code of Conduct**
- **Schneider Supplier Quality Management**: a qualification process for selecting new suppliers. Sustainability criteria account for nearly 30% of the evaluation
- **Joint leadership of the Business for inclusive Growth (B4IG) coalition’s working group** on “advancing human rights in direct operations and supply chains”
- **Commitments with Group suppliers** on how to reduce CO<sub>2</sub> emissions to achieve net-zero emissions in our supply chain by 2050
- **Green Line whistleblowing system** open to all stakeholders, including suppliers, as part of the vigilance plan for suppliers
- **A sustainable purchasing strategy promoting continuous improvement, focusing on four main pillars**: net-zero carbon emissions, decent work and human rights, a circular supply chain and respect for the environment
- **Continuous improvement approach** for suppliers in terms of sustainability according to ISO 26000

### 2020 highlights

- **Best 2020 Vigilance Plan** awarded to Schneider Electric by the Sustainable Investment Forum (*Forum pour l’Investissement Responsable – FIR*) and A2 Consulting
- **Inclusion of cobalt** in our “Conflict Minerals Compliance Program”
- **8.4% improvement in CO<sub>2</sub> efficiency in goods transportation** through leading-edge low-carbon transportation technologies (electric and hybrid vehicles)
- **99%** of freight-related cardboard packaging and pallets made from recycled or certified sources
- Partnering with BASF to develop a **new product prototype** using recycled plastics
- **Supplier Engagement Leader award** from the CDP in 2020

### 2020 key figures

1<sup>st</sup>

place in the Gartner 2020 ranking of the top 15 European supply chains and 4<sup>th</sup> in the world out of 25

+6.3pts

increase in the average ISO 26000 assessment score for our strategic suppliers

374

suppliers deemed high risk for human rights and environmental violations were subjected to on-site audits

€12bn

in sales volume

94%

of sales, procurement and finance employees trained every year on anti-corruption

440

on-site audits to select new suppliers

# Schneider Electric and LATI: working hand-in-hand for sustainable innovation

Since 1975 and their first partnership on fire resistant plastics, LATI and Schneider Electric have built a strong cooperation. The Italian company is now providing Schneider with several thousand tons of polymers each year that can be found in many Schneider products. Similar to Schneider Electric, LATI has been embedding circularity in its DNA for years, and is developing new products in line with Schneider's decarbonization's ambitions.

## 3 questions to...

**Michela Conterno,**  
CEO, LATI



### What is your main sustainability issue and how are you addressing it?

Since the thermoplastic industry is fairly energy intensive, we focus our attention on improving our efficiency. Currently, we are consuming 20 million kWh/year and we are willing to do everything we can to reduce this figure. For instance, we have started to monitor our consumption in real time, line by line and Schneider Electric is actually helping us on that path with its PME software (Power Monitoring Expert). Schneider Electric's EcoStruxure™ solutions are contributing to make LATI more digital, more sustainable and more competitive.

### Schneider Electric is willing to halve CO<sub>2</sub> emissions of its top 1,000 suppliers by 2025, and reach net-zero CO<sub>2</sub> operations and suppliers by 2050. What does it mean for your company?

As a medium sized company, it is very important for us to look out for best practices. Schneider Electric is my main source of inspiration when it comes to sustainability: it is the most sustainable company in the world! As Schneider's suppliers are responsible for 70% of its overall emissions (from raw materials extraction to Schneider Clients' door), we have a great responsibility to help the Group on its journey

towards zero emission. For us, this means working on our product portfolio to offer the greenest possible materials for Schneider's technologies. Schneider's Climate ambitions spanning from 2025 to 2050 mean additional opportunities for more business for us: full-heartedly reducing our CO<sub>2</sub> emissions has to become our Way.

### What new materials are you developing and how is Schneider Electric involved in the process?

Schneider has launched a project for all its plastic suppliers and has shared its roadmap with us. Starting from this roadmap, we have been working hand-in-hand on several projects. For example, we are currently developing a new material for Miniature Circuit Breakers (MCB) which are traditionally made of polyamide 6, a polymer coming from fossil oil. We have found a company that cleans and regenerates fishnets collected from the oceans. They transform this material into a "new" virgin polymer that has two advantages: it is recycled and it comes with same characteristics as virgin polymers, thanks to the chemical process. We are already using this polymer as a raw material in our components for flame retardant products and we are now discussing with Schneider to use it as an alternative for MCB. Such a project is an example of achievement leveraging our long-standing relationship. It helps both of us invent more sustainable offers together.

“

Schneider's ambition towards 2050 means additional opportunities and new business for us: full-heartedly reducing our CO<sub>2</sub> emissions has to become our Way.”



## Civil society

### Our value creation

Schneider Electric has always played an active role in the economic development of the communities in which it operates. Its efforts focus on two areas in particular: access to energy and combating energy poverty. To this end, the Group promotes training and entrepreneurship, operates a social and inclusive business and has its own investment funds. Further support comes from initiatives led by its Foundation, which operates under the aegis of the *Fondation de France*.

### Our strategy

- **Access to Energy program** aimed at bridging the energy gap to improve the daily lives of people in most regions suffering from energy poverty. Efforts focus on offerings and business models for village electrification, domestic energy needs, and female empowerment. The program also comprises three investment funds to support innovative energy-related local businesses, and training programs to address local skills shortages
- **Schneider Electric Foundation**, whose goal is to contribute to a more equitable and low-carbon society through education, social innovation to combat energy poverty, and climate awareness campaigns
- **Schneider Electric VolunteerIn association**, a charity that promotes and organizes employee engagement around the world to enrich Foundation-supported projects. Proposals are available in eight languages on the VolunteerIn platform
- **The Schneider Electric School** to train young people for jobs in home automation and connected buildings

### 2020 highlights

- Participation in a consortium with Air Liquide and PSA Valeo to increase production at the Air Liquide Medical Systems plant and manufacture **10,000 ventilators in 50 days** during the COVID-19 crisis
- **Partnership in Nigeria with the Solar Sisters NGO** to distribute portable solar-powered lamps to vulnerable women through a network of women entrepreneurs
- **Creation of the Tomorrow Rising Fund** in response to the health crisis
- 7,804 unemployed young people, including 665 women, received vocational electrical training through the **Schneider Electric Foundation India**
- The *École Schneider Electric* has had an intake of **70 apprentices** studying for a vocational diploma in home automation and communicating buildings or for a professional degree in connected buildings and smart energy management
- **7,000 women entrepreneurs** have received entrepreneurship support in Mali, Senegal, and Niger through the Schneider Electric and Plan International partnership

### 2020 key figures

30 million

people have benefited from the solutions provided by our Access to Energy program

3,885

jobs created through *Schneider Initiatives Entrepreneurs* (SIE) and through support for business creation or recovery

18,469

volunteering days thanks to our VolunteerIn global platform

+281,000

underprivileged people trained in energy management since 2009 in more than 45 countries

2,894

entrepreneurs supported through the Access to Energy, Training and Entrepreneurship program

5,182

instructors trained through the Access to Energy, Training and Entrepreneurship program

# Tomorrow Rising Fund: a solidarity fund to get through the public health crisis

In the face of an unprecedented economic and public health crisis, the Schneider Electric Foundation took immediate action, creating the Tomorrow Rising Fund on April 8, 2020. The fund is dedicated to financing emergency and longer-term reconstruction efforts in all regions where the Group operates. More than 1.5 million people have been impacted by projects supported by our partners.

## A strong and immediate mobilization at all levels of the company

This effort has been on an unprecedented scale, with all Foundation teams mobilized to launch the solidarity fund simultaneously in all of Schneider Electric's host countries. Group employees, including senior managers, responded quickly, raising funds that were matched by the Foundation to the tune of more than €4 million, and committing more than 4,770 volunteer days to the various projects.

## A program with a strong social impact

Thanks to the Tomorrow Rising Fund, numerous initiatives around the world have been implemented, benefiting more than 1.5 million people. In Kenya, a food bank was created with the Food4Education NGO to meet the needs of 6,000 families and especially vulnerable schoolchildren who had no access to a balanced meal during lockdown. In Myanmar, the ACTED NGO maintained the livelihood of local seamstresses by paying them to make cloth masks which were in short supply. In total, 10,000 masks were distributed to 5,000 people, 80% of them in a precarious situation. In Panama, the Foundation's support enabled the *Fundación Lucés* to distribute food, hygiene kits and medicines to 800 families affected by the virus and the economic crisis.

## Key figures

### Response:

Meeting the basic needs of low-income people

74 projects in 67 countries

1,500,000 beneficiaries

10,000 donors

4,100,015 euros

### Recovery:

Contributing to the urgent restart of the education system to prepare the future

Opening of training centres from last quarter 2020 to 2<sup>nd</sup> quarter 2021:

Morocco

Nepal

Malawi

Kenya

Lebanon

Brazil

Sri Lanka

### Resilience:

Volunteering on a regular basis, with time and skills

4,773 volunteering days since April 2020

+1,000 digital missions available on VolunteerIn in Argentina, Brazil, Cameroon, Chile, Colombia, France, India, Kazakhstan Kenya, Mexico, Peru, Russia, Senegal, South Africa, Vietnam, US, etc.

“

Faced with the urgency of the public health crisis, the Schneider Electric Foundation came up with a global initiative to meet basic needs locally and also think about the world of tomorrow so as not to jeopardize the future for young people. It was also the first time that there was such strong momentum and mobilization of staff in every country in which the Group operates.”

**Patricia Benchenna,**  
Corporate Philanthropy Director,  
Schneider Electric





## Financial partners

### Our value creation

Schneider Electric aims to create attractive shareholder value over the coming years, based on an efficient business model and long-term value creation. Profitable growth is a core priority for the Group, and we are committed to maintaining a close relationship with our shareholders.

### Our strategy

- **Regular and transparent non-financial communication** via the Schneider Sustainability Impact
- **Improvement in profitability** through cost efficiency and productivity, optimization of the business portfolio and focus on strong added value solutions
- **Objective of continued organic growth in adjusted EBITA via two levers:** organic revenue growth and organic improvement in the adjusted EBITA margin
- **Attractive return for our shareholders**, including a progressive dividend policy
- **Closer relationships with shareholders and investors** to increase their involvement in our strategy and businesses
- **Contribution** of sustainability to growth in the coming years

### 2020 highlights

- **Success of the 2018-2020 Schneider Sustainability Impact**, which scored 9.32 out of 10, despite the pandemic
- Launch of the **first global issue of sustainability-linked convertible bonds** (OCEANes)
- **Maintenance of the progressive dividend policy:** proposed dividend of €2.60/share, up +2 %, or 11 consecutive years of progressive dividends
- **Two successive quarters of growth in the second half**, despite the pandemic
- **Acquisitions in preparation for the Group's future growth:** Larsen & Toubro's Electrical & Automation business in India; RIB Software and ProLeiT in software; support provided to AVEVA in acquiring OSIsSoft; and a strategic investment in Planon to expand our cloud-based capabilities in construction and facility management optimization
- Over 90% of innovation projects are **carbon-neutral or green**

### 2020 key figures

€25bn

in revenue

15.6%

in adjusted EBITA margin – an organic improvement of +20 bp

1<sup>st</sup>

place in the Impak Finance ranking of CAC 40 companies for its contribution to the UN Sustainable Development Goals

€2.6bn

in adjusted net income

€3.7bn

in free cash flow – record cash flow generation

~72%

in green revenues

# OCEANEs: Schneider Electric, a pioneer in sustainability-linked convertible bond issues

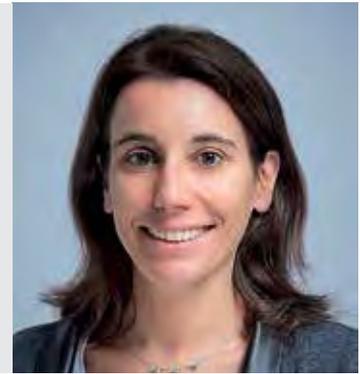
In 2020, Schneider Electric issued the first ever sustainability-linked convertible bonds (OCEANEs), structured with BNP Paribas. Totalling €650 million and maturing in 2026, the bonds are based on what is known as a Sustainability-Linked Financing Framework, on which Vigeo Eiris (VE) has provided a second party opinion. According to this framework, if the Group's performance on three KPIs of the 2021-2025 Schneider Sustainability Impact (SSI) does not achieve an average score of 9 out of 10 at December 31, 2025, Schneider Electric will have to pay a sustainability performance premium on each bond equal to 0.50% of the nominal unit value: a world first in the convertible bonds market.

## 3 questions to...

**Yannick Jung,**  
Head of CIB Global  
Banking EMEA  
Member of the  
Executive Committee  
(May 2021)  
BNP Paribas



**Juliette Macresy,**  
Executive Director  
Issuer Business,  
VE



## How do the sustainability-linked convertible bonds issued by Schneider Electric in 2020 differ from other financial tools?

**Yannick Jung:** We are not talking about traditional green and/or convertible bonds here. What is innovative about this issue is that investors are participating in the Group's financing in consideration for very strong commitments on the part of the issuer to tackle issues related to climate change, inclusion and diversity.

**Juliette Macresy:** The goal of this transaction is to harness private capital to finance a long-term strategy that should limit climate impact and make a positive contribution to the environment and society. The sustainable performance premium to be paid if Schneider Electric fails to achieve its targets is highly innovative and shows true commitment on the part of the Group.

## Was the issue of these new bonds a risky tactic?

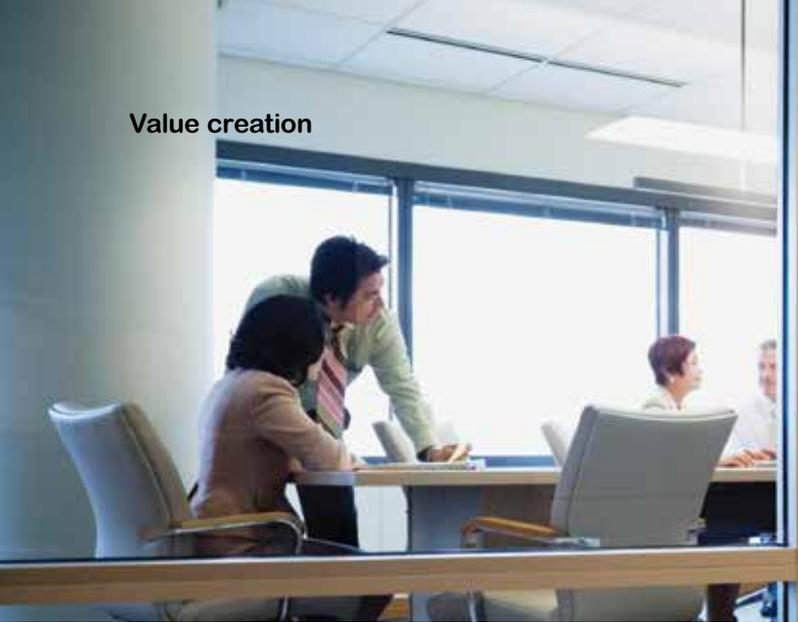
**YJ:** Obviously at BNP Paribas we weighed up the risks inherent in such an unprecedented transaction but, as a bank, we believe we have a key role to play in developing the sustainable finance market, which is needed to transition to a greener and more social economy. Also, we have great confidence in the Group, which has all the qualities needed to make this first ever issue a huge success: very strong ESG commitments, many years of high-quality reporting, and extremely solid financial results. This issue is not just a fantastic market first, nor just another financial instrument. Rather, it aligns with the core purpose, strategy and philosophy of both our organizations.

**JM:** The Sustainability-Linked Financing Framework meets investors' expectations. This is a very solid framework, aligned with International Capital Market Association (ICMA): the indicators are relevant and material, the targets are ambitious, the calculation methods are clear, and reporting is transparent and reliable. The structure is consistent with the Group's commitment and strategy and will genuinely transform Schneider. The fact that VE has given a Second Party Opinion gives the product credibility under this ICMA-recognized framework. That reassures investors and adds to the tool's transparency.

## How has this financial instrument been received by the financial world and what impact will it have on the sector?

**YJ:** One thing is certain, this bond issue has been a resounding success. Demand was extremely strong among investors and many of them are eager to help the Group achieve its sustainability targets. Schneider Electric's issue is a groundbreaking transaction in the sustainability market and we will be advising other customers on how to implement this customized instrument. Together, we have paved the way for other companies to make a practical commitment to sustainability and have set a standard in an emerging market.

**JM:** This issue is very successful and has revealed two things within the financial world. First, it's proof of flexibility on the part of issuers: there are alternative ways to get financing. Second, investors have shown that they are ready to accept new products. VE is very proud to have supported Schneider Electric in this mission: the market is expanding because of the major goals declared by the Group. The transaction proves that innovation definitely has a place in sustainable finance so we can achieve our goals collectively.



## Institutions and technical bodies

### Our value creation

Schneider Electric works with different local and international organizations and associations on economic, social and environmental issues to foster sustainability in cooperation with various players from society, and – at the sectoral level – with technical bodies.

### Our strategy

- **Active participation in the public debate**, in particular on the issues of climate change
- **Commitment by the Group to help achieve the 17 Sustainable Development Goals**, a universal call to action by the United Nations to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030
- **Advanced Level of the Global Compact**, of which Schneider Electric has been a signatory since 2002; Jean-Pascal Tricoire, Chairman and CEO, has served on the board of the United Nations Global Compact since 2018
- **Active participation of 700 experts** in international and national standardization bodies to advance the economic, social and environmental framework for sustainable development; contribution to scientific research and involvement in academic chairs and professional associations
- **Membership and support of multiple global initiatives, including:** ISA Global Cybersecurity Alliance, *Entreprises pour les Droits de l'Homme*, Transparency International, EP100 (Energy Productivity 100), RE100 (Renewable Energy 100) and EV100 (Electric Vehicle 100), and Alliance for Internet of Things Innovation, etc.

### 2020 highlights

- **Participation in the “CEO Action Group”** for the European Green Deal established in January 2020 by the World Economic Forum
- **Participation in the European Alliance for a Green Recovery** alongside 180 policy makers, business leaders, trade unions, NGOs, think-tanks and stakeholders
- **Call for net-zero recovery from COVID-19** alongside 163 CEOs of major multinationals, driven by the Science-Based Targets initiative and supported by the United Nations
- **Participation in the CEO Initiative for Europe’s Recovery, Reform and Resilience** coalition and signature of an open letter in June 2020 to European institutions calling for a sustainable recovery
- **Signature of an open letter published by 157 companies** in September 2020 urging European business leaders to slash greenhouse gas emissions by at least 55% by 2030
- Appointment of **Anette Clayton**, Executive Vice-President, North America Operations on the board of NEMA (National Electrical Manufacturers Association)
- Inclusion in the **Top 25 Corporate Startup Stars 2020 ranking** in recognition of Schneider’s ability to work with start-ups

### 2020 key figures

+1,400

certified R&D engineers

+19,000

active patents and patent applications

+750

patent applications filed

# European Green Digital Coalition: supporting the European Union in its ecological transition

At the Digital Day 2021 event organized by the European Commission, Jean-Pascal Tricoire, Chairman and CEO of Schneider Electric, joined the European Green Digital Coalition along with 25 other CEOs of ICT-sector companies.

## Promoting the development of a more sustainable digital economy

In a Declaration published on March 19, 2021, coalition members pledged to contribute to the success of the European Union's green digital transformation by taking action as follows:

- To invest in the development and deployment of green digital solutions with significant energy and material efficiency that achieve a net positive impact in a wide range of sectors;
- To engage with relevant organisations to develop standardised, credible and comparable assessment methodologies for the

net impact of green digital solutions on the environment and climate in priority sectors such as construction, manufacturing, transport and energy;

- To promote cross-sectoral dialogue and to contribute to the development of guidelines and recommendations for the deployment of green digital solutions in different sectors, and to encourage workforce upskilling.

Coalition members also committed to becoming climate neutral by 2040 and to working closely with the European Union to implement the action plan.

“

My goal is for the European Union to become global leader in using data and digitally enabled solution for more sustainable and circular economy. I welcome the commitment of the European Green Digital Coalition members to invest into development and deployment of green and novel digital technologies. This commitment from private sector is for me, and for all of us, very important achievement. I will give my full support, and you can definitely count on it, to the success of this initiative.”

**Thierry Breton,**

European Commissioner for the Internal Market, Digital Day, March 19, 2021



“

At Schneider Electric, we are convinced that digitization and electrification are the best allies for the ecological transition. Digitization is now at the heart of all processes; it enables unprecedented energy savings in the building, industry and mobility sectors. Thanks to the combination of IoT, big data and artificial intelligence, we help customers save more than 100 millions metric tons of CO<sub>2</sub> every year. Now, we need to move faster and invest in innovative technologies that will accelerate the transition that has begun in Europe.”

**Jean-Pascal Tricoire,**

Chairman & Chief Executive Officer, Schneider Electric



# The Board of Directors: guarantor of the Group's trajectory

Schneider Electric relies on a competent, motivated Board of Directors to implement its growth strategy. As a collegial body mandated by all shareholders, the Board of Directors determines the Group's strategic priorities and monitors their implementation in accordance with its corporate interest and taking into consideration the social and environmental issues pertaining to its business.

## Role and activities of the Board of Directors and its committees

### Board of Directors

# 12

meetings

# 97%

average attendance

**Jean-Pascal Tricoire**  
Chairman & Chief Executive Officer

- Organizes and oversees the Board's work and reports thereon to the shareholders at the Annual Shareholders' Meeting
- Represents the Company in its dealings with third parties, and is vested with the broadest powers to act on behalf of the Company in all circumstances, within the limits of the corporate purpose

**Fred Kindle**  
Vice-Chairman & Lead Independent Director

- Ensures proper governance
- Helps prepare the agendas for meetings of the Board of Directors
- Meets with shareholders
- Chairs the executive sessions
- Manages the Board's self-assessment

### Activity of the Board in 2020

Corporate governance	Strategy and investment	Activity and results	Annual Shareholders' Meeting
Composition of the Board and its committees – strengthening of the geographical diversity of its members, development of skills in digital technology and knowledge of Group markets, succession plan for corporate officers, compensation of Corporate Officers, long-term incentive plan, Group purpose	Review of strategic priorities, including during the Strategy session, and authorization of significant acquisitions and disposals (over €250 million)	Ongoing business, financial statements, risk mapping, specific reviews by the Audit and Risk Committee, response to the public health crisis, service continuity plan	Agenda, draft resolutions, report to the Annual Shareholders' Meeting, shareholder questions and answers

### Five study committees

<b>Audit &amp; Risks Committee</b>	<b>Governance &amp; Remunerations Committee</b>	<b>Human Resources &amp; CSR Committee</b>	<b>Investment Committee</b>	<b>Digital Committee</b>
8	10	5	5	4
meetings	meetings	meetings	meetings	meetings

# 100%

average attendance

Learn more:  
2020 Universal Registration Document pages 215 to 250 ●●●

### 3 questions to...

**Fred Kindle,**  
Vice-Chairman & Lead Independent Director



#### How do you view the work of Schneider Electric's Board of Directors and how do you see your new role as Vice-Chairman & Lead Independent Director?

Board members are extremely diligent and fully engaged in their role, as demonstrated in particular by a 97% overall meeting attendance rate and four virtual, half-day strategy sessions. Schneider Electric's Board of Directors is also impressive for the quality of its dialogue: it is a forum for lively discussion, where opinions are expressed freely and any company-related subject may be brought forward. As Vice-Chairman & Lead Independent Director, I make sure that decision-making processes are balanced and that everyone has an equal chance to make their views known.

#### In 2020, the Board of Directors performed another self-assessment: what were the findings?

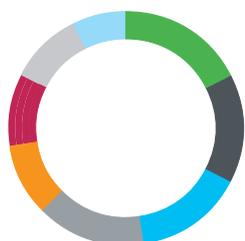
The Board shows a wide diversity among members: diversity of gender, origin, and background, including specialists in industry, renewable energies, and data. The self-assessment demonstrated

that our governance is effective and based on best practice while remaining focused on the long-term future of the company. The findings also revealed a few other important positive aspects such as a Board culture based on trust; an effective relationship with management that allows for challenging discussions; good alignment between strategy, risk and ESG policy; and special attention to environmental and social issues.

#### In your opinion, where does sustainability fit within Schneider Electric, and what are your priorities in this area?

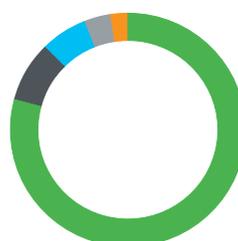
Sustainability is one of Schneider Electric's fundamental principles, an "asset" that is an integral part of its core strategy and business model. It is key to strengthening its long-term position and ensuring its success beyond just financial measures. Therefore, our goal is to continue to pursue our ESG commitments which will be key to the Group's success and longevity.

#### Board expertise\*



- In-depth knowledge of the Group (7)
- Financial or accounting skills (6)
- In-depth knowledge of the Group's markets (6)
- Former or current CEO of listed companies including energy sector (6)
- In-depth knowledge of digital technology (4)
- In-depth knowledge of the U.S. market (4)
- In-depth knowledge of the Asian market (4)
- In-depth knowledge of sustainability (3)

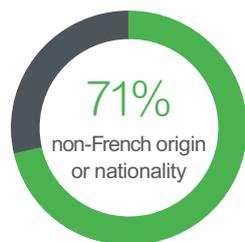
#### Shareholders



- Public (79.3%)
- Sun Life Financial, Inc. (8.3%)
- BlackRock, Inc. (6.4%)
- Employees (3.7%)
- Treasury stock (2.3%)

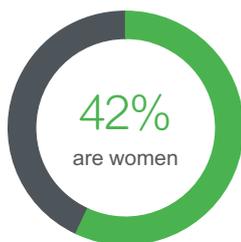
\* The 14 directors, excluding the Chairman and CEO.

#### Directors' nationality



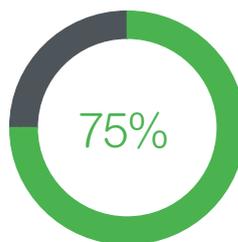
- Non-French origin or nationality (10)
- French (4)

#### Board representation by gender\*\*



- Men (8)
- Women (6)

#### Directors' independence rate



- Independent Directors (9)
- Employees Directors (3)

#### Board tenure (Chairman and CEO excluded)



- 1-5 years (7)
- 6-12 years (2)
- > 12 years (1)
- < or equal to 1 year (3)

\*\* (Directors represented employees excluded as per AFEP-MEDEF Corporate Governance Code). In addition, out of five committees, two are chaired by a woman, the Audit & Risks Committee (Mrs Cécile Cabanis) and the Human Resources & CSR Committee (Mrs Linda Knoll).

# A committed Executive Committee

The operational organization of the Senior Management of the Group is supported by the Executive Committee, which is chaired by the Chairman and Chief Executive Officer. The Executive Committee meets monthly to analyze and assess the financial performance of the Group's various activities. It also plays an active role in the Group's sustainability action plan.

## Composition of the Executive Committee

Global functions Operations Business

 <p><b>Jean-Pascal Tricoire</b> Chairman &amp; Chief Executive Officer</p>	 <p><b>Olivier Blum</b> Chief Strategy and Sustainability Officer</p>	 <p><b>Annette Clayton</b> Executive Vice-President, North America Operations</p>	 <p><b>Hervé Coureil</b> Chief Governance Officer and Secretary General</p>
 <p><b>Philippe Delorme</b> Executive Vice-President, Energy Management</p>	 <p><b>Barbara Frei</b> Executive Vice-President, Europe Operations</p>	 <p><b>Peter Herweck</b> Executive Vice-President, Industrial Automation</p>	
 <p><b>Christel Heydemann</b> Executive Vice-President, France Operations</p>	 <p><b>Emmanuel Lagarrigue</b> Chief Innovation Officer</p>	 <p><b>Charise Le</b> Chief Human Resources Officer</p>	
 <p><b>Chris Leong</b> Chief Marketing Officer</p>	 <p><b>Hilary Maxson</b> Chief Financial Officer</p>	 <p><b>Luc Rémont</b> Executive Vice-President, International Operations</p>	
 <p><b>Mourad Tamoud</b> Chief Global Supply Chain Officer</p>	 <p><b>Peter Weckesser</b> Chief Digital Officer</p>	 <p><b>Yin Zheng</b> Executive Vice-President, China Operations</p>	

### 2020 key figures

38%

women (vs 23% in 2018)

6

nationalities

\* As of February 11, 2021.

Learn more:  
2020 Universal Registration Document page 260

# An integrated, cross-functional sustainability governance

Guided by its governance bodies, the Group has been rolling out sustainability across its entire organization for several years.

## A process strengthened in 2020

Schneider Electric has established specific governance bodies to ensure that sustainability challenges are taken into account by both the Board of Directors and the Executive Committee, and are addressed at the operational level. Interacting daily with the Group's various decision-making levels, the Sustainability Department maps out and implements the dedicated strategy, while coordinating relationships between the internal and external stakeholders.

In 2020, this process was further strengthened with the creation of a new body: the SSI Steering Committee, tasked with designing and steering the implementation of the new 2021-2025 Schneider Sustainability Impact program.



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

# A compensation policy aligned with our strategy and sustainable commitments

Schneider Electric aims to recognize each employee's individual and collective performance through an attractive and inclusive compensation policy. Performance criteria related to sustainability are, in particular, incorporated into the compensation of the senior management and employees.

## Incorporating sustainability at all levels of compensation



Schneider also includes sustainability criteria in its long-term incentive plan, and more than 3,000 employees benefit from variable multi-year compensation. Accordingly, the Group has developed the Schneider Sustainability External & Relative Index (SSERI) which accounts for 25% of the award criteria. External indices – in 2020, DJSI World, Euronext Vigeo, FTSE4Good and CDP Climate Change – are used to align performance with stakeholders' sustainability priorities. From 2021, the FTSE4Good index will be replaced by the Ecovadis index after one of FTSE4Good indices was decommissioned.

## Compensation of Corporate Officers

The general principles underlying the compensation policy for Corporate Officers and the analysis of their contribution to the Group's performance are reviewed and approved by the Board of Directors based on the recommendation of the Governance and Compensation Committee. Executive compensation set by the Board of Directors is aligned with the Group's global strategy and is based on three pillars divided into seven principles:

Pay-for-performance	Alignment with shareholders' interest	Competitiveness
<p><b>Principles</b></p> <ol style="list-style-type: none"> <li>1 Prevalence of variable components: <i>circa</i> 80% for CEO (at target)</li> <li>2 Performance is evaluated via economic and measurable criteria</li> <li>3 Financial and Sustainability objectives are fairly balanced and distributed between short-term (annual variable compensation) and medium-term (long-term incentive) components</li> </ol>	<p><b>Principles</b></p> <ol style="list-style-type: none"> <li>4 Significant proportion of the total compensation delivered in shares</li> <li>5 Performance conditions support Schneider Electric' strategic priorities and are aligned with shareholders' expectations</li> </ol>	<p><b>Principles</b></p> <ol style="list-style-type: none"> <li>6 To benchmark the Corporate Officer's compensation package 'at target' in the median range of the Company's updated peer group</li> <li>7 To reference the CAC 40 third quartile and the Stoxx Europe 50 median</li> </ol>
		<p><b>13 years</b></p> <p>The compensation of Jean-Pascal Tricoire, Chairman and CEO, has consistently tracked the trend of shareholder returns in terms of share price and enterprise value</p>

Learn more:  
2020 Universal Registration Document pages 264 to 298

# Actions guided by our Principles of Responsibility

Present in over 100 countries with diverse standards, values and practices, Schneider is committed to behaving responsibly in relation to all its stakeholders. Convinced that its responsibility extends beyond compliance with local and international regulations, the Group is committed to doing business ethically, sustainably and responsibly.

## Our Principles of Responsibility

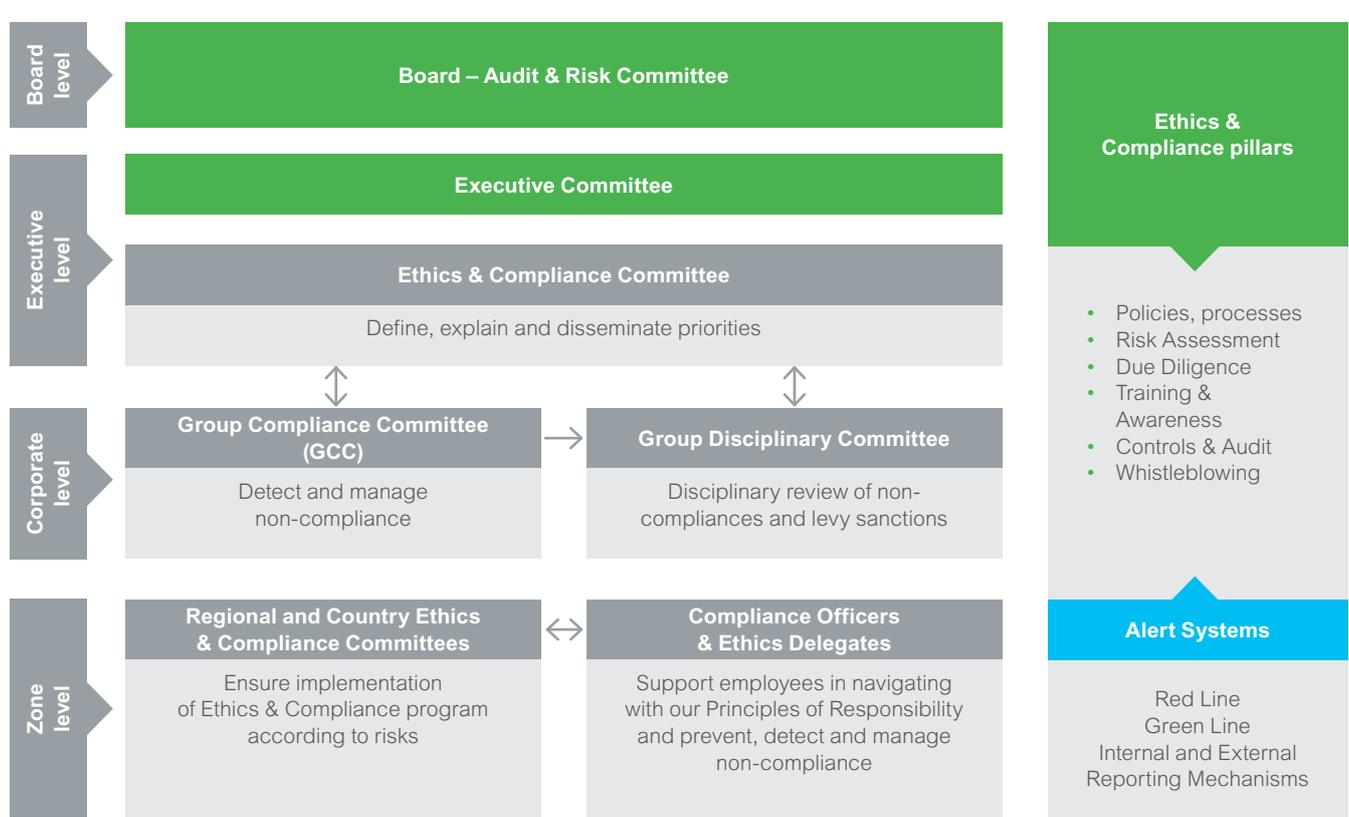
Our Principles of Responsibility are Schneider's Ethics Charter. They apply to all employees of the Company and its subsidiaries, as well as to subcontractors, independent contractors working with the Group and persons working on its sites. They also serve as a source of inspiration for Schneider in its relations with customers, partners, suppliers, and external stakeholders in general.

These Principles are based on five pillars: human rights and development; ethical business conduct; digital reliability and safety; acting for the environment; and responsible corporate citizenship.

## Ethics & Compliance program

Driven by the Group's Principles of Responsibility, the Ethics & Compliance program forms the basis of common frames of reference and processes. The Principles of Responsibility are complemented by global and local compliance policies in order to provide specific answers to the different pillars of the charter, specific legal obligations and local practices.

## Governance of the Ethics & Compliance program



Learn more: 2020 Universal Registration Document pages 103 to 106

# An effective, coordinated risk management

As an energy sector player, Schneider Electric is exposed to various types of risk likely to affect its businesses or results. Because customers' confidence and our performance are dependent on our ability to manage these risks, we have put in place an effective, coordinated framework to manage them.

## Key risks and their management

Schneider Electric updates its risk mapping every year and presents it to the Board of Directors and the Executive Committee. In 2020, a total of 17 key risk factors were identified that can be broken down into four categories: risks related to the environment in which the Group operates, risks related to the Group's operations, risks related to the Group's internal organization, and financial risks\*.

### Risks with the highest potential net impact in 2020

Description of the risk for Schneider Electric	Key policies and actions implemented
<p><b>World deglobalization and fragmentation</b> The introduction of national or regional trade regulations and policies is putting increasing pressure on supply chains and could undermine the efficiency of future supply development.</p>	<ul style="list-style-type: none"> <li>Multi-hub organization to mitigate risks related to supply chain efficiency and tariffs</li> <li>Creation of an internal team dedicated to geopolitical issues affecting the development of the business environment</li> <li>Commitment to industry organizations to support stability in world trade</li> </ul>
<p><b>Export controls</b> Any challenges to export control laws and regulations could have a material impact on the Group's businesses, results and financial position.</p>	<ul style="list-style-type: none"> <li>Deployment and updating of an export control program, including export control due diligence procedures and regular training sessions</li> <li>Program led by the Global Export Control Center of Excellence (CoE)</li> <li>Export control included in the company's Principles of Responsibility</li> </ul>
<p><b>Risk of cybersecurity on the Schneider Electric infrastructure and its digital ecosystem</b> Its service-oriented business model exposes Schneider Electric to the risk of cyber attacks and data privacy breaches.</p>	<ul style="list-style-type: none"> <li>Use of the NIST (Identify, Protect, Detect, Respond, and Recover) framework in conjunction with a cyber risk registry and the high-value asset program</li> <li>Incident monitoring by the SOC (Security Operations Center), managed in conjunction with Group partners</li> <li>Reality inspections and cybersecurity attack simulation exercises</li> </ul>
<p><b>Connected products at Schneider Electric or customer sites used as a gateway to attack the Group's customers or partners</b> The acceleration of digitized products increases our exposure to cybersecurity risks.</p>	<ul style="list-style-type: none"> <li>Development of products compliant with cybersecurity standards and integration of cybersecurity prior to the design phase</li> <li>Implementation of a process for response to, and discussion and debriefing with, our partners and customers</li> <li>Assessment of all our offerings in terms of privacy and digital security compliance</li> </ul>

### A closer look at climate risk

As a global operator, the Group is exposed to physical and transition risks linked to climate change (tightening of regulations, risks of damage to property and people, increasingly scarce resources, etc.), which may impact its supply chain, its own activities and its customers' expectations.

Schneider Electric is in a unique position when it comes to combating climate change. The Group designs products, services and solutions directly linked to activities to mitigate, adapt to and improve resilience to climate change. At the same time, it makes every effort to reduce its own carbon footprint and has set itself the goal of net-zero emissions in its supply chain by 2050.

\* These 17 risks, considered the most material, are described in the Universal Registration Document, page 49 and following. Other risks, not identified or considered non-material according to the Group, could potentially affect its performance.

Learn more:  
2020 Universal Registration Document pages 38 to 69 

# A rigorous vigilance plan

In 2017, Schneider Electric implemented a vigilance plan covering all of its business activities as well as those of its suppliers and subcontractors. In 2020, the Group was awarded the Best 2020 Vigilance Plan by the Sustainable Investment Forum and A2 Consulting.

The vigilance plan identifies the main risks that the Group poses to its ecosystem on issues pertaining to the environment, human rights, business conduct, offer safety and cybersecurity. The plan also includes a review of the actions taken by Schneider to mitigate or eliminate these various risks, as well as an alert system and specific governance. In an effort to meet its commitments and improve performance, between 2018 and 2020 Schneider conducted on-site audits of 374 suppliers classified as “high-risk.”

## Schneider Electric 2020 vigilance risk matrix

The risk matrix below summarizes Schneider Electric’s risk analysis:

		Schneider Electric sites						Suppliers						Contractors		Communities			
		Offices	Travelers, sales forces	Factories low voltage and electronics	Factories medium voltage	Project centers	Field services	Travels and hospitality	Transportation and shipping	Raw materials	Metal transformation and treatment	Plastics	Batteries	Other components	On Schneider Electric sites	Off site and projects execution	Around Schneider Electric sites	Around customers project sites	
Human rights	Decent workplace	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
	Health and Safety	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Environment	Pollution and specific substances management			●	●	●	●		●	●	●	●	●	●	●	●	●		
	Waste and circularity		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
	Energy CO <sub>2</sub> and GHG	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●		
Business Ethics	Ethical business conduct	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
	Alert system, protection and non-retaliation	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Offer safety and cybersecurity	Offer safety			●	●	●	●		●		●	●	●	●			●		
	Cybersecurity and data privacy	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		

This analysis has not revealed major changes or gaps that were not identified so far.

The following evolutions are to be mentioned:

- Impact of the COVID-19 pandemic on Schneider Electric’s business: deployment of a global crisis management team to work with local crisis management teams to limit the risks of illness among all employees; introduction of remote working, with digital tools and specific resources. Overall, employees have reacted positively to this new way of working. However, there may be problems and an increased risk to morale, fatigue and general psychosocial risks as a result of the lack of mobility, remote management, and the complexity of working at home in an unprepared environment. As the pandemic will continue to have an impact in 2021, this area will be monitored.

- Ethical business conduct: an area to monitor since the adverse business climate in 2020 could lead to increased pressure internally and externally.
- Cybersecurity and data protection: still an important focus of attention and taken very seriously by the Group. Addressed through training and measures to protect employees, customers, and stakeholders against threats.
- Analysis of specific risks to communities residing near Schneider sites: no particular cause for concern. The biggest industrial sites and office buildings reviewed are rated low to medium risk since they are mostly located in major urban areas. Their impact on their immediate environment is therefore low.

Learn more:  
 2020 Universal Registration Document pages 110 to 114 ●●●  
 2021 vigilance plan

# About this report

## Who?

This report aims to engage in a dialog with all our stakeholders about our shared value creation strategy.

## What?

As a committed player, Schneider Electric relies on a culture of innovation and partnership to provide its customers with products and solutions for the energy and digital transition to deliver clean, safe and reliable energy. This integrated report outlines how the Group is implementing this vision within its environment, through the presentation of its business model, value creation strategy and governance.

## How?

This report is based on the principles of “integrated thinking” and the framework proposed by the International Integrated Reporting Council (IIRC), and meets the requirements of the Non-Financial Performance Statement (*Déclaration de Performance Extra-Financière*). The Group also reports to the Global Reporting Initiative (GRI), the United Nations Global Compact and ISO 26000, international reporting and information standards.

## Why?

This report is part of a voluntary process of dialog and progress, in line with the Schneider Sustainability Impact, the instrument used to measure sustainable development commitments, to drive the Group’s transformation on a daily basis.

## When and where?

This report covers fiscal year 2020 (January 1 to December 31, 2020) and the Group entities consolidated in the financial scope. It is available from May 2021 in French and English.

## Changes in the report

This sixth edition of the integrated report builds on the continuity of the integrated reports published by the Group since 2015. As part of a continuous improvement process, this new edition highlights Schneider’s purpose and features the voice of some of the Group’s stakeholders and governance representatives through interviews and testimonials. The report also examines the Group’s most notable achievements in 2020 to illustrate the value the Group has created for its ecosystem.





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Life Is On



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with a Board of Directors

and capital of €2,268,274,220

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Register as No. 542 048 574

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