Digital and Electric: for a sustainable and resilient future
Driving responsible business with Trust

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Context and Group’s commitments

Trust serves as an ethical compass for all Schneider Electric’s interactions with stakeholders and all relationships with customers, shareholders, employees, and the communities they serve, in a meaningful, inclusive and positive way. 2022 enabled Schneider to strengthen its commitment to Trust by relying on actions and tools to help sustainable stakeholders reinforce their trust in the company and collaboration between all actors. Therefore, after creating the Trust Charter in 2021, it was time for Schneider to deploy its new Code of Conduct.

Present in over 100 countries with diverse standards, values, and practices, Schneider Electric is committed to behaving responsibly in relation to all its stakeholders. Recognizing that its responsibility extends beyond compliance with local and international regulations, the Group is engaged to doing business ethically, sustainably, and responsibly. At Schneider Electric, we believe that trust is earned and starts with walking the talk, in relying on mechanisms and not only intentions.

Schneider lives up to the highest standards of corporate governance, through initiatives that monitor and educate teams on ethics, cybersecurity, safety, and quality. The Trust Charter is the evolution of the Group’s Principles of Responsibility and sets out the expectations of how we work at Schneider, and it equips teams to confront any unethical behavior they might encounter.

Under our 2025 Sustainability Strategy, we commit to live up to our principles of trust by holding ourselves and all around us to high social, governance and ethical standards. In this report, we share our progress on the transformations achieved in 2022 under the Trust pillar of our Schneider Sustainability Impact and Schneider Sustainability Essentials programs.

“As business risks become more interconnected and unpredictable, building resilience is top of mind: even with the best risk management systems in place, setbacks are bound to occur. Therefore, it is key for companies to rely on clear frameworks such as the Trust Charter – our Schneider Electric Code of Conduct – to earn and nurture trust with our stakeholders.”

Hervé Correil, Chief Governance Officer and Secretary General
Progress of the Trust commitments

<table>
<thead>
<tr>
<th>Schneider Sustainability</th>
<th>#</th>
<th>2021–2025 programs</th>
<th>Baseline(1)</th>
<th>2022 progress(2)</th>
<th>2025 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact (SSI)</td>
<td>6.</td>
<td>Strategic suppliers who provide decent work to their employees</td>
<td>2022: 1%</td>
<td>1%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>7.</td>
<td>Level of confidence of our employees to report unethical conduct</td>
<td>2021: 81%</td>
<td>+1pt</td>
<td>+10pts</td>
</tr>
<tr>
<td></td>
<td>12.</td>
<td>Deploy a ‘Social Excellence’ program through multiple tiers of suppliers</td>
<td>--</td>
<td>In progress</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>13.</td>
<td>Train our employees on Cybersecurity and Ethics every year</td>
<td>2020: 90%</td>
<td>95.5%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>14.</td>
<td>Decrease the Medical Incident rate</td>
<td>2019: 0.79</td>
<td>0.58</td>
<td>0.38</td>
</tr>
<tr>
<td></td>
<td>15.</td>
<td>Reduce total number of safety recalls issued to 0</td>
<td>2020: 25</td>
<td>24</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>16.</td>
<td>Be in the Top 25% in external ratings for Cybersecurity performance</td>
<td>2020: Top 25%</td>
<td>Top 25%</td>
<td>Top 25%</td>
</tr>
<tr>
<td></td>
<td>17.</td>
<td>Assess our suppliers under our ‘Vigilance Program’</td>
<td>2020: 374</td>
<td>2,083</td>
<td>4,000</td>
</tr>
</tbody>
</table>

These programs contribute to UN SDGs

(1) The baseline year for each indicator is provided together with its baseline performance.
(2) Each year, Schneider Electric obtains a “limited” level of assurance on methodology and progress from an independent third party verifier for all the SSI and SSE indicators (except SSI #8 and SSE #12 in 2022), in accordance with ISAE 3000 assurance standard (for more information, please refer to the 2022 Universal Registration Document). In addition, SSI #8 received a “reasonable” assurance level in 2022. Please refer to the 2022 Universal Registration Document for the methodological presentation of each indicator. The 2022 performance is also discussed in more detail in each section of Chapter 2 of the 2022 Universal Registration Document.
(3) 2022 performance is in progress for SSE #12 ‘Social Excellence’ because the program is still in development.

2022 Highlights

Schneider was named as Ethisphere’s ‘most ethical company in the world’ in 2022, for the 12th consecutive year.
Schneider was among the top 10 in the Transparency Awards 2022.
Triple recognition in UK and Ireland, for demonstrating excellence in safety, health and environmental impact.
Gartner #1 Supply Chain in Europe. Our third consecutive year at the top.
A changemaker for sustainability

For over 15 years, sustainability has been at the core of Schneider Electric’s transformation journey. The Group is now a world corporate leader in sustainability and a critical partner to our customers, suppliers, investors, NGOs and other stakeholders using our services and products to accelerate their own energy efficiency and sustainability transition. Our purpose drives us in “empowering all to make the most of our energy and resources, bridging progress and sustainability for all”. Schneider Electric is an Impact Company.

At Schneider Electric, we pride ourselves in being an Impact Company because sustainability does not only inform what we do, it drives corporate decision making. This entails a responsibility to share learnings and keep raising the bar.

We are an Impact Company convinced that to do good, we need to do well, and vice-versa. To deliver sustainability impact, we must combine solid profitability with leading practice on all environmental, social, and governance (ESG) dimensions. At the same time, this positive impact supports the long-term resilience of the Company as we attract new customers, investors, and talents.

Our sustainability and business impacts converge to act for a climate positive and socially equitable world, while delivering solutions to our customers for sustainability and efficiency.

We bring everyone along in our ecosystem, from employees to supply chain partners, customers, as well as local communities and institutions. Building on a foundation of trust, our unique operating model with a multi-hub approach is set up to impact at both global and local levels. From a meaningful purpose, our culture builds on strong people and leadership values empowering all Schneider Electric people to make a great company.

1. Do well to do good and vice versa

- **Performance**: The foundation for doing good
- **Business**: Part of the solution
- **All ESG Dimensions**

2. Bring everyone along

- **Model & culture**: Set up for global and local impact
- **All stakeholders**: in your ecosystem

### An Impact model recognized in external ratings

- **Platinum medal**: recognizing top 1% performance among 100,000+ companies.
- **CDP A List Climate**: The only company in its sector listed as A List 12 years in a row.
- **A Global 100 Most Sustainable Corporation**: Schneider has been featured on Corporate Knights’ Global 100 list of sustainability leaders every year since 2012, ranking #4 in 2022.
- **Terra Carta Seal**: obtained in 2022, the guiding mandate for the Sustainable Markets Initiative.

See our recognitions on the Awards page at [www.se.com](http://www.se.com)
Our 2025 sustainability commitments

With less than 10 years left to reach the 17 United Nations Sustainable Development Goals (SDGs), Schneider Electric has accelerated its impact and is making new, bold commitments to drive meaningful impact within the framework of its business activity. Schneider Electric’s 6 long-term commitments are to:

**Act for a climate-positive world**
by continuously investing in and developing innovative solutions that deliver immediate and lasting decarbonization in line with our carbon pledge.

**Be efficient with resources**
by behaving responsibly and making the most of digital technology to preserve our planet.

**Live up to our principles of trust**
by upholding ourselves and all around us to high social, governance, and ethical standards.

**Create equal opportunities**
by ensuring all employees are uniquely valued in an inclusive environment to develop and contribute their best.

**Harness the power of all generations**
by fostering learning, upskilling, and development for each generation, paving the way for the next.

**Empower local communities**
by promoting local initiatives and enabling individuals and partners to make sustainability a reality for all.

Our unique transformation tool

Since 2005, Schneider Electric measures and demonstrates its progress against sustainability goals with a unique transformation dashboard called Schneider Sustainability Impact (SSI).

The SSI is the translation of our six long-term commitments into a selection of 11 highly transformative and innovative programs executing our 2021 – 2025 sustainability strategy. It has been designed to focus on the most material issues, leveraging internal and external stakeholders feedback.

Every quarter, the SSI provides, on a scoring scale of 10, an overall measure of all the programs’ progress, which is shared with all our stakeholders together with financial results.

At the end of the year, 64,000 employees of the Group are rewarded for the progress achieved as the SSI constitutes 20% of their short-term incentive plans’ collective share (STIP).

To ensure robustness, the SSI’s performance and monitoring systems are audited annually by an independent third party and obtain a “moderate” assurance, in accordance with ISAE 3000 assurance standard, except for SSI #+1. In 2022, the Group obtained a “reasonable” assurance for SSI #8 and will progressively cover all externally assured KPIs with this new level of assurance.
1 Trust Charter, Schneider Electric’s Code of Conduct

1.1 Earning trust with people

Trust powers all Schneider Electric’s interactions with its stakeholders and all relationships with customers, shareholders, employees, and the communities they serve, in a meaningful, inclusive, and positive way. Trust is evident in the following ways:

- **Trusted Teams** that are built thanks to leaders setting the tone and exemplifying Schneider Electric’s culture, as well as through creating for all our employees equal opportunities, harnessing the power of all generations, championing well-being and new ways of working, and being S.A.F.E. (Self, Activity, Facility, Environment) First;
- **Trust with Customers and Partners** is earned by striving for high quality, resiliency, the highest standards for cybersecurity, data privacy and protection, as well as prohibiting any form of corruption, requiring third-party integrity, avoiding conflict of interest, upholding fair competition, abiding by export controls and sanctions, and selecting and managing suppliers responsibly;
- **Trust with Investors** comes from preventing insider trading, delivering accurate financial statements, records, and tax information, delivering solutions in compliance with financial and risk management standards, and preserving information technology and related intellectual property assets as well as Schneider Electric’s reputation;
- **Trust with Communities** is possible by acting for a climate positive world, being efficient with resources, upholding responsible lobbying and political activity, empowering local communities, not using “conflict minerals”, and acting as good corporate citizens.

1.2 Trust Charter

In 2021, Schneider Electric launched the Trust Charter, which acts as the Group’s Code of Conduct and demonstrates its commitment to ethics, safety, sustainability, quality, and cybersecurity. Schneider Electric believes that trust is a foundational value. It is earned and serves as a compass, signaling true north in an ever more complex world, and Schneider Electric therefore considers trust to be core to its environmental, social, and governance (ESG) commitments.

Leadership at every level of the organization was involved in the design, creation, and deployment of the Trust Charter to ensure that everyone at Schneider Electric is aware of the importance of trust and understands how to get the most out of the Group’s Code of Conduct.

As trust fuels empowerment, each section of the charter states clear Dos and Don’ts and provides clear references to relevant policies and procedures, which are adapted to meet local legal requirements when necessary. This Code of Conduct applies to everyone working at Schneider or any of Schneider’s subsidiaries. It is both an individual and collective responsibility to comply and respect laws and regulations, to apply Schneider Electric policies, and to uphold strong ethical principles to earn trust at all times.

1.3 Deployment of the Trust Charter

In addition to the Trust Charter being available in 30 languages on Schneider’s website (se.com), a Trust Portal was made available to Schneider’s employees to guide them towards related content such as policies, useful contacts, sites, guidelines, templates, and reports for each section of the Trust Charter. In 2022, the Group saw an increase of global policy views of +72% compared with 2021.

Finally, the Trust portal is an Intranet portal that gives access to the right resources to all employees when they face situations in which they need support, and to help give them the confidence to alert any unethical behavior they witness or even remain informed of the news the Group provide on new Trust programs or policies they publish. As a testimony of the risen awareness and engagement to Trust, more than 17,000 unique views between February and November 2022 have been recorded on the Trust Portal.

Leadership at every level of the organization was involved in the design, creation, and deployment of the Trust Charter to ensure that everyone at Schneider Electric is aware of the importance of trust and understands how to get the most out of its Code of Conduct.

2022 was a strong deployment year for the Trust Charter. In fact, as a proof of this increasing involvement in Trust at all levels, almost 23,000 downloads of the Trust Charter on se.com have been recorded, which takes into account not only employees but all the Group’s other stakeholders.

The mandatory Schneider Essentials trainings aim at ensuring that all employees are trained on the most important topics covered by the Trust Charter, notably: “Trust at Schneider Electric”, “Cybersecurity for Schneider Electric 2022”, “We All Have Mental Health” and “The Schneider Electric Story”. Thanks to the high level of engagement of all employees and the effort of sensibilization, the course dedicated to Trust was completed at 97.5% overall.
The Trust Month, the largest and longest-running global internal communication campaign, has been a great medium to draw together all the pillars of Trust into a single event. The campaign consisted of 15 keynotes, 70 webinars and more than 15,000 webinar attendees. By offering different activities and involving all employees in the events the group noticed a very high level of engagement and impact, with 88% of participants agreeing they learnt something that impacts their daily work life.

Discover the Trust Charter of Schneider Electric on www.se.com

2 Ethics & Compliance program

2.1 Context

Over the years, Schneider Electric has earned the trust of its customers, shareholders, employees, and communities through the quality of its products and its sustainability commitments. To fully serve these stakeholders, the Group’s commitment to business integrity must be equally robust. This means acting at all times in accordance with the ethical principles it has set and in compliance with the laws and regulations in force in all the countries where it operates.

2.2 Risk and opportunities

Unethical practices or non-compliance of Schneider Electric, its employees or third parties acting in its name and/or on its behalf with applicable laws and regulations may expose Schneider Electric to criminal and civil proceedings, reputational damage, business interruption and damage to shareholder value. Due to broader externalities, the Group’s exposure to those risks has been increasing for several years, through its geographic expansion, participation in complex projects, and a large range of acquisitions. Moreover, over the past years, there has been an increase in law enforcement by public authorities, new regulations, and higher reputational risk with media exposure.

In 2021, Schneider Electric carried out a specific risk mapping dedicated to “Ethics and Compliance” regarding the following risks: Corruption, Conflict of Interest, Human Rights & Labor Laws, and Sanctions & Export Control. Its objective is to capture operational risk exposure at zone level, based on local interviews led by the Regional Compliance Officers and the Legal teams.

The process at regional level was as follows:

• **Step 1** – each region defined its local risk universe taking into account local specific risks.
• **Step 2** – each region assessed its gross risks and effectiveness of its local mitigation measures, generating a mapping of regional net risks. In addition, a global risk mapping was consolidated at Group level.
• **Step 3** – each region defined action plans to reduce the risk exposure. In addition, a set of global action plans was established at Group level. All action plans were monitored during the course of 2022.

By contrast with those risks, there is competitive advantage in approaching this proactively. Companies can experience significant improvements when they hold themselves to high standards of integrity. The primary benefits range from increasing employee satisfaction, improving workplace culture, maintaining legal compliance and strengthen public reputation. It can also reinforce the engagement and loyalty of customers, partners, suppliers and local communities.

2.3 Group policy

Through its Ethics & Compliance program, Schneider Electric aims to prevent, detect and mitigate integrity risks, including corruption, fraud, violation of human rights, health and safety, responsible workplace (including discrimination, harassment and sexual harassment), anti-competitive practices, sanctions and export control. The program design and operation are influenced by the Group’s risk profile, business model, organizational structure and culture.

To reflect this commitment to integrity and to enable employees to respect the Trust Charter, Schneider Electric deployed global and local policies: Anti-Corruption Policy (aligned with French Sapin II law requirements), Conflict of Interest Policy, Business Agents Policy, Anti-Harassment Policy, Export Control Policy, and Case Management & Investigation Policy.

In 2022, the Group also updated and deployed a set of new policies: Gifts & Hospitality Policy, Competition Law Policy, Human Rights Policy, Whistleblowing Policy, Philanthropy Policy, and Sponsorship Policy. Moreover, to ensure that the principles and rules of the Ethics & Compliance program apply throughout the Group and for new entities joining the Group, the Ethics & Compliance department worked on specific Trust Standards. This work is part of the Governance Models program (see page 8), applicable during the acquired company’s integration.

All Schneider Electric employees are expected to comply with Schneider’s Ethics & Compliance program. The Ethics & Compliance program is based on management commitment which makes its pillars effective and on risk assessment which assists decision making, determining the risks to be treated and the priority to implement the treatment.
2.4 Governance

The Ethics & Compliance program is managed through a dedicated governance framework:

- **Board level**: Schneider Electric’s Board of Directors oversees the Ethics & Compliance program through a dedicated annual session of the Audit & Risks Committee during which the program, risks and improvements, and action plans, are reviewed by the Directors. Once a year, the Directors also review the Ethics & Compliance program’s effectiveness and the allocation of resources to the program. In addition, the Directors agree on the audit plan which covers several audits related to the Ethics & Compliance program.

- **Executive level**: Since April 2022, the Ethics & Compliance program is overseen by the Group Executive Committee, through the Group Function Committee. This Committee merged several existing committees, including the pre-existing Group Ethics and Compliance Committee.

- **Corporate level**: Schneider Electric has created a standalone Ethics & Compliance department, chaired by a Chief Compliance Officer acting on behalf of the Group Ethics & Compliance Committee, and reporting to the Chief Governance Officer & Secretary General, to drive the strategy of the Ethics & Compliance program. The Ethics & Compliance department includes the following teams: Group Compliance, Group HR Compliance, Fraud Examination, Health & Safety, and IT Assets Governance. It works closely with the Legal, Human Resources, Finance, Digital and Strategy & Sustainability departments, as well as Internal Control and Audit; which are directly responsible for managing certain specific risks.

**Speak-Up Supervision**

Schneider Electric employees must feel free and psychologically safe to share their ideas, opinions, and concerns, without fear of retaliation. To ensure the effectiveness of that Speak Up mindset and related whistleblowing system, the Group has created two specific committees:

- **The Group Operational Compliance Committee (GOCC)** detects and manages cases of non-compliance with the Ethics & Compliance program in accordance with the Whistleblowing Policy and Case Management & Investigation Policy, and reviews monthly the effectiveness of the whistleblowing system. The GOCC is composed of the following members: Chief Compliance Officer (secretary of the Committee), Chief Legal Officer, Group Internal Audit & Control Officer, Group Compliance Director, Group HR Compliance Officer, and Head of Fraud Examination Team.

- **The Group Disciplinary Committee** levies sanctions and remediation actions on serious non-compliance cases to guarantee a fair and transparent disciplinary policy upon request of the GOCC. The Group Disciplinary Committee is composed of the following members: Chief Governance Officer & Secretary General, Chief Human Resources Officer, Chief Compliance Officer (secretary of the Committee), Chief Legal Officer, and one rotating member.
• **Operational level:** Regional Ethics & Compliance committees ensure implementation of the Ethics & Compliance program in alignment with risks identified. Operationally, they rely on Regional Compliance Officers who drive the implementation in the zone, with the support of Ethics Delegates and relevant subject matter experts at local levels.

Management commitment is evidenced by the participation of Schneider’s Chairman and CEO who sits on the global Board of the United Nations Global Compact. Schneider Electric also works with other companies and stakeholders to build integrity and common standards. The Group participates in the initiatives of many non-governmental organizations (NGOs) and professional associations, such as Transparency International France, Le Cercle d’Éthique des Affaires (The Ethical Business Circle), International Deontology & Compliance Committee of the Mouvement des Entreprises de France (Movement of the Enterprises of France) and Anti-Corruption Committee of Business at OECD (BIAC).

### Training and awareness

Internal communication provides employees with essential baseline information on Schneider Electric’s integrity commitment while also raising awareness and understanding of the Ethics & Compliance program. To do this, the Group created a dedicated intranet page, a global internal social network group and a specific email address to answer questions. Schneider Electric also regularly distributes videos and other communication assets on integrity-related subjects to its employees. In addition, communication around the Ethics & Compliance program is rolled out locally by the Regional Compliance Officers and Local Internal Communication teams.

Each year a global campaign of mandatory training is run for all employees, called Schneider Essentials, from March to the end of September. Training is available in 18 different languages in the organization’s Learning Management System. In 2022, Schneider Essentials trainings were: Trust at Schneider Electric, Cybersecurity, We All Have Mental Health and The Schneider Electric Story. For around 40,000 employees exposed to corruption risks, an additional anti-corruption training is required each year.

A number of specific trainings are also delivered:

- A dedicated module on Ethics & Compliance was prepared for Country Presidents. The module raises Country Presidents’ awareness about their role and responsibility in supporting the Ethics & Compliance program.
- The Ethics & Compliance program includes dedicated training for leaders of companies acquired as part of the integration process. The training entails a specific focus on what is expected from the leadership teams, including endorsing the program and actively following up employees’ completion of mandatory trainings on Trust Charter and anti-corruption.
- In 2022, ad hoc learnings were organized for all employees and managers as part of the Trust Month in June 2022 (e.g. Speak-Up) in sensitive geographic areas (e.g. Brazil, India) or in locations where a specific risk is higher (such as the export control risk).

The Group monitors and discloses its completion rate on trainings on ethics (Trust Charter and anti-corruption for eligible employees) and cybersecurity, aiming for 100% completion each year (SSE #13). The performance of this KPI received a “limited” external assurance level each year as part of the Group’s annual extra-financial audit. At the end of 2022, SSE #13 achieved a 95.5% completion rate.

### 2.5 Actions and impacts

#### Management Commitment

Rules and policies alone do not suffice. Management sets the company standards and promotes a culture of integrity and a Speak Up mindset. Top management regularly expressed its commitment through statements and extensive communication (called “tone from the top”), such as during the Trust Month organized in June 2022. This global event marked the deployment of the Trust Charter. Its launch was supported by the Chairman and CEO in a video in which he notably reminded colleagues of the importance of business running on trust and integrity. This integrity is also expressed by middle- and first-line management (called “tone from the middle”) by spreading the right message in their teams and supporting reporting of misconduct.
100% of employees trained every year on Cybersecurity and Ethics

Feedback received from employees confirm that the trainings are efficient in helping them to act with integrity.

Cybersecurity training is regarded as “Good training. Essential in today’s world.”

Trust at Schneider Electric training: “We have never had this topic before in training but this is great course!”

Anticorruption training: “Excellent!”

Third-party integrity

Third-party relationships may create risks for companies, including corruption exposure and impact on brand and reputation. Conducting third-party due diligence is important to make informed decisions and avoid potential problems associated with compliance, regulations and public image:

- **Customer questionnaires:** Schneider Electric is a third party for its clients and is subject to evaluation as such. The Group regularly responds to questionnaires and other additional requests to demonstrate its integrity to its customers.
- **Compliance screening:** In 2022, 100% of direct customers were screened for both export control and sanctions as well as corruption risks. A pilot was also launched to provide automatic real-time screening of all direct customers. The Group is also working to screen its vendors and started an initial screening of its strategic direct vendors in 2022.
- **Business Agents:** Schneider Electric has implemented a due diligence process for its intermediaries that it qualifies as “Business Agents”. The Business Agent Policy sets out the rules under which Schneider Electric will determine whether there is a legitimate business purpose before engaging. The Ethics & Compliance department performs the due diligence and manages the approval process by analyzing risks of corruption, sanctions, and unethical practices.
- **Mergers and acquisitions:** M&A operations represent specific risks regarding ethics and compliance. A specific process and guidelines were put in place in 2020 to ensure full compliance of M&A operations with anti-corruption and export control regulations; this process was developed by the Ethics & Compliance department, the Legal department and the M&A team, ensuring a methodology that fits with M&A processes and ways of working. In 2021, this process was extended to the management of Human Rights risk. In 2022, the integration of ESG assessments at each stage of the M&A process has been reinforced to further protect the Group and accelerate the integration of new entities to its Sustainability Strategy and reporting.

External communication informs stakeholders of Schneider’s integrity and of the design and implementation of the Ethics & Compliance program. The Group communicates through a webpage dedicated to Ethics & Compliance and the dissemination of specific external communications. Schneider Electric also responds to several questionnaires from extra-financial rating organizations related to ethics and compliance. In 2022, Schneider Electric was once again recognized as one of the World’s Most Ethical Companies by Ethisphere, a global leader in defining and advancing the standards of ethical business practices.

7 steps to securing long-term value creation in acquisitions

1. Screening
   Business + Corp. Strategy

2. Due Diligence
   M&A, Functions, Consultants

3. Day 1 Gate
   PMI + Integration Team

4. 100 Days Gate
   PMI + Integration Team

5. Year 1 Gate
   PMI + Business Team

6. Post Year 1 Gate
   PMI + Business Team

7. Integration Wrap up
   PMI + Business Team

Monitoring starts
Strategic objectives, performance & synergies

Signing
Definitive Agreements

Closing
Funds & Shares Transfer

PMI = Post-Merger Integration Team

Timing depends on conditions precedents (such as clearance with Anti-trust Authorities)
Specific accounting controls

Schneider Electric has developed accounting control procedures to ensure that books, records, and accounts are not used to conceal corruption or the influence peddling. In 2022, a revised cross-functional program involving mainly Accounting, Internal Control, Digital Ethics & Compliance, as well as upstream functions such as Procurement, Sales, Marketing, was launched to further improve and digitalize the defined preventive and detection controls with the sponsorship of Executive Committee members. The program’s priorities were defined based on the results of the 2021 Ethics & Compliance risk assessment, i.e. Gifts & Hospitality, Travel & Expenses, Sponsorship, Donations, Business Agents, Marketing Development Funds, Performance Bonuses.

Whistleblowing

As part of the Speak Up mindset, and as developed in the Whistleblowing Policy, Schneider Electric employees have a responsibility to report potential unethical behaviors.

Case management: a structured process led by Group Compliance

1. Report
   - Report potential violation
     - By employees, third parties

2. Assess
   - Confirm (or not) validity of alert
   - Assign investigator(s)
     - By Group Compliance Team

3. Investigate
   - Facts finding process, interviews, data analysis
     - Allegations confirmed or not
     - Root cause analysis.
     - By assigned investigator(s)

4. Remediate
   - Remediation and/or disciplinary measures.
     - By Group Compliance Team and Management

5. Follow-up
   - Check implementation of actions decided and non-retaliation.
     - By Group Compliance Team

In 2022, Schneider Electric reinforced the protection of the reporter, reported person, witnesses and other involved people by highlighting rights and responsibilities of people involved. A significant reinforcement of people protection has taken place in particular with:

- a new procedure to ensure Schneider Electric’s zero-tolerance policy against retaliation by prohibiting retaliation or other discrimination.
- a set of protection and care measures that can be offered in the course of the investigation, in case he/she needs and as per local legislation, such as: security measures (distancing), accommodations, flexible time management, change of function/service and psychological support.
- a possibility of internal or external mediation to help rebuild respectful collaboration.

Number of concerns received through our whistleblowing system per region

- North America: 9%
- Rest of the World: 6%
- Europe: 10%
- China: 32%
- France: 36%
- India: 32%

719 concerns received

Status of concerns received through our whistleblowing system

- Valid alerts confirmed after investigation: 13%
- Valid alerts not confirmed after investigation: 3%
- Valid alerts under investigation: 12%
- Not valid alert: 48%
- Ongoing assessment: 24%

Distribution of confirmed alerts by type of issue

- Discrimination, Harassment, Unfair treatment: 19%
- Fraud: 13%
- Conflict of interest: 13%
- Bribery & Corruption: 44%
- Health & Safety: 13%
- Other: 9%

*as of 31st January 2023
In 2021, to measure the effectiveness of the Trust Line, Schneider Electric created SSI #7 and added a question to its annual employee engagement survey, OneVoice: “I can report an instance of unethical conduct without fear”. 81% of employees surveyed answered “yes”. Since then, the Group is working to increase this measurement by 10 points by 2025 as part of Schneider Sustainability Impact. In 2022, 82% of employees surveyed answered “yes” which constitutes an improvement of +1 point over a 12-month period.

**Corrective actions**

Deficiencies associated with the implementation of the Ethics & Compliance program – and potentially reported through whistleblowing – are analyzed to identify their cause and remedy them with appropriate measures, which can take the form of:

- disciplinary measures decided by the relevant managers together with Human Resources, or by the Group Disciplinary Committee for the most sensitive alerts based on the findings of an investigation and depending on local disciplinary policies and law;
- remediation measures (such as launching a specific audit, reviewing a process or performing training);
- external actions (such as entering civil litigation or similar legal proceedings).

**Monitoring and audit**

The Ethics & Compliance program is an integral part of the Group’s Key Internal Controls (KIC). Developed in 2021 and becoming effective in 2022 for the first time, this KIC framework has been significantly reshaped and enhanced by increasing the number of KICs for the Ethics & Compliance program aligned with new policies and processes. In addition, in 2022 Schneider Electric executed the central monitoring of key processes of the Ethics & Compliance program aligned with new policies and processes. In addition, in 2022 Schneider Electric executed the central monitoring of key processes of the Ethics & Compliance program such as Business Agents, Conflict of Interest, Whistleblowing and Anti-corruption training results. The outcome of these controls is regularly shared with key stakeholders to ensure continuous process and design improvements.

Furthermore, the Group’s Internal Audit program includes specific tasks related to the Ethics & Compliance program, and to activities or subsidiaries for which an evaluation of the maturity and effectiveness of the program will be reviewed. Several internal audits were conducted in 2022 resulting in recommendations related to the improvement of the Ethics & Compliance program.
3 Zero-tolerance for corruption

3.1 Context
Corruption is illegal and refers to the abuse of entrusted power for private gain. It undermines the effectiveness of any given ecosystem by undermining the trust and confidence which are necessary for the maintenance and development of sustainable economic and social relations. Moreover, it threatens the rule of law, democracy and human rights, undermines good governance, fairness and social justice, distorts competition, hinders economic development and endangers the stability of democratic institutions and the moral foundations of society. Over the past years, anti-corruption regulations have been strengthened worldwide. Fighting corruption has become a legal obligation in several countries with more controls and sanctions in case of misconduct.

3.2 Risks and opportunities
Engaging in corruption exposes to legal proceedings, prosecutions and sanctions for companies and individuals. Companies accused or convicted of illicit behavior may then suffer a serious public relations backlash and expose themselves or individuals to being debarred from public tenders/ public funds. They may also be subverting local social interests and/or harming local competitors while the cost of funding corruption may be perceived by investors as a hidden “tax” or illegal overhead charge, thereby increasing costs for companies, and further down the chain, their customers.

Multiple studies indicate that companies that have anti-corruption measures significantly increase profits compared to companies that do not. Indeed, such an approach will attract customers, investors, employees and suppliers who are concerned about risks as well as those who value integrity. It is then translated directly into tangible benefits, including risk reduction, cost savings and sustainable growth.

Schneider Electric’s exposure to corruption risk materializes through various factors, in particular:

- Organic growth and mergers and acquisitions in countries with a high perceived level of corruption (especially in Asia and Africa);
- Business model relying on a large ecosystem of partners, including accountability for activities performed on behalf of the Group;
- Participation in complex projects in sector at risk, such as oil and gas, where the amounts invested may be very high and with end-users from the public sector subject to more restrictive anti-corruption regulations.

To meet the legal obligations specified by the December 9, 2016 French law known as the Sapin II law, the Company launched a risk mapping exercise focusing on corruption risks in 2018. In 2021, this risk assessment was updated as part of the new Ethics & Compliance risk mapping, which focuses in particular on Corruption and Conflicts of Interest. Please refer to section 2 “Ethics & Compliance program”, page 5. In 2021, 8% of the confirmed valid alerts, reported through whistleblowing, concern a potential violation of the Anti-Corruption Policy. In 2022, this represented 13%.

3.3 Group policy and governance
As stated in the Trust Charter and Anti-Corruption Policy, Schneider Electric has zero tolerance for corruption and is committed to comply with all applicable anti-corruption laws. This commitment is demonstrated by a strong and continuously developing Anti-Corruption Compliance program, which is part of the Ethics & Compliance program and managed by the same Ethics & Compliance Governance (see page 6).

Schneider Electric published and rolled out a revised Anti-Corruption Policy in 2019, meeting the requirements of the French Sapin II law, to take into account results of the corruption risk mapping and to provide employees with examples illustrating situations they may face. This policy acts as a handbook to be consulted when in doubt about the appropriate behavior to adopt. It is not intended to address every issue one may encounter, but it provides appropriate examples of corruption risks and offers guidance to resolve many ethical dilemmas.

3.4 Actions and impacts
To operationalize the behavior rules of the Anti-Corruption Policy, Schneider Electric has created a set of additional policies and procedures related to Conflict of Interest, Business Agents, Gifts & Hospitality, Philanthropy and Sponsorship and revised anti-corruption accounting controls program. Moreover, the risks associated with onboarding new acquisition targets are numerous and consequently, Merger and Acquisition (M&A) guidelines have been published to identify, manage, and mitigate those risks at the earliest possible stage. These guidelines aim to cover the very first steps of identifying potential targets, what to look out for in data-rooms, and finally how the Group plans to integrate the acquired entity into its anti-corruption compliance framework through dedicated Trust Standards. These same rules also apply when Schneider Electric decides to make a divestiture with a step-by-step approach to managing the transition.

Schneider Electric has also developed a suite of anti-corruption e-learnings, providing guidance on real life risk scenarios, designed to meet the trainees’ needs and expectations. The training is mandatory for targeted employees exposed to corruption risks, as identified by the corruption risk mapping. A curriculum of modules of e-learnings was deployed in 2020: a general module on the “zero tolerance” message against corruption and an explanation of the legal framework and risks, and two specific modules about third parties and gifts and hospitality. In 2021, four additional modules were created on facilitation payments, conflict of interest, the conditions that create a climate for wrongdoing and how to raise concerns. The modules were supported by videos from top leaders demonstrating the “tone at the top” and are available in 14 languages. In 2022, those e-learnings were rolled out to more than 40,000 employees, with a completion rate of 97%.

Moreover, the year saw ad hoc anti-corruption learnings delivered to all employees and managers as part of the Trust Month that took place in June 2022 (e.g. Conflict of Interest) and in functions deemed to be priorities (e.g. Services). Notably, Schneider Electric also organized specific communication campaigns dedicated to the new policies for Gifts & Hospitality, Philanthropy and Sponsorship.
3.5 Focus on responsible lobbying, political activity, and donations

Through its Trust Charter, Schneider Electric has taken a clear stance with regards to responsible lobbying, political activity, and donations. As a Company, Schneider has a role to play in the public debate addressing leading issues with the global community. It is necessary that the Group states its positions clearly, participates in technical discussions, and supports responsible public policy development. Donations and lobbying activities are risks specifically addressed in the Anti-Corruption Policy.

Schneider believes that this representation of interests should be conducted in a transparent and fair manner, allowing third parties and stakeholders to understand its activities, positions, and statements. In particular, Schneider Electric does not engage in political activity or political representation and does not make any payment to political parties in relation to its public representation. In 2022, Schneider Electric was not involved in sponsoring local, regional, or national political campaigning.

In the US, political contributions can only be made by a corporation through a legally formed Political Action Committee (PAC) or Super Political Action Committee. Schneider Electric does not engage with Super PAC activity nor does it have a PAC in the US and therefore cannot make any political contributions in this country.

Schneider Electric presents information about its lobbying activities in the French High Authority for Transparency in Public Life, in the EU transparency register, and in the US Lobbying Disclosure Act Registration.

From 2019 to 2022, the Group discloses expenses in membership fees towards trade associations, business coalitions, and think-tanks, that are dedicated by the association to lobbying or representation. Generally, the budget allocated to lobbying or representation rather than total membership fees. The data collected covers the main Group organizations in particular Europe including France, North America, China, India, Indonesia, the UK or Philippines.

Total contributions globally amounted to about €0.5 million in 2019, €0.6 in 2020, €1.2 million in 2021 and €1.1 million in 2022.

The largest contributions and expenditures concern two main engagement topics:

- The first is “Sustainable energy for all”: Schneider Electric believes that energy management and energy efficiency are critical to move towards a new energy landscape and therefore supports a policy framework that unleashes the business and climate opportunities related to the new energy landscape. Contributions and expenditures on this topic amounted about €0.6 million in 2022 ($0.5 million in 2021) globally;
- The second is “Powering the digital economy”: the Group supports the emergence of the digital economy to bring new opportunities for businesses and people and therefore supports a policy framework that facilitates the digital transformation globally. Contributions and expenditures on this topic amounted about €0.2 million in 2022 ($0.1 million in 2021) globally.

4 Responsible Workplace

4.1 Context

A responsible workplace is an open and supportive place where all employees, no matter who they are, or where they live in the world, feel uniquely valued and safe to contribute their best. It is settled when everyone is treated fairly, when difference is acknowledged and valued, and everyone feels free from any type of harassment, victimization and discrimination.

4.2 Risks and opportunities

Not creating a responsible workplace may expose Schneider Electric to liability towards the person who has allegedly been harassed or discriminated, potential claims from the alleged perpetrator and future allegations to not prevent a potential culture of harassment and/ or discrimination to flourish or took insufficient steps to protect employees. Moreover, the Group could be exposed to reputational risk.

To assess risks relating to the workplace, Schneider Electric conducted a risk mapping exercise as part of the Ethics & Compliance risk mapping, under the Human Rights risk stream. In 2021, 30% of the confirmed valid alerts, reported through whistleblowing, concern Discrimination, Harassment or Unfair treatment. In 2022, this represented 44%.

Building a responsible workplace establishes trust for employees. It also encourages talented candidates to join Schneider Electric’s safe and comfortable work environment. Additionally, for the same reasons, it retains Talents by developing engagement and increasing employee morale. As Schneider’s Employees are first in the line of defense, the Group has renewed and deployed its Core Values and Leadership Expectations. Each year, Employees are evaluated on their global performance, taken into consideration their alignment with the Group’s values and corresponding demonstrated behaviors.

4.3 Group policy and governance

Schneider Electric has “zero tolerance” for any kind of workplace misconduct. This commitment is evidenced by a specific HR Compliance program, which is part of the Ethics & Compliance program and manages by the same Ethics & Compliance Governance.

Schneider Electric published and rolled out an Anti-Harassment Policy in 2018, serving as an employee manual to address and prevent misconduct that violates the dignity of employees. In 2022, the Group worked on a new version and extended the policy on discrimination. The new Anti-Harassment and Anti-Discrimination Policy will be rolled out in 2023.
4.4 Actions and impacts

To operationalize responsible workplace behavior principles, Schneider Electric has renewed the Global “Flexibility at Work” Policy in 2020 and the Global Family Leave Policy in 2022, which both support greater inclusion and care to help its diverse workforce adapt to the “next normal” workplace. Moreover, the HR Compliance program is applied across the Schneider Electric group through dedicated Trust Standards. These are deployed during the integration of new entities and the onboarding of new employees when they join the company.

To build a common understanding and alignment, Schneider Electric also created a mandatory training entitled “Building a Culture of Respect” and assigned it to all employees as part of Schneider Essentials (mandatory for all) in 2021. 98% of employees completed the training. This training was available to all employees who wished to take it in 2022. In addition, some specific trainings were deployed in line with local initiatives to prevent harassment and discrimination in specific countries (e.g. U.S.).

In 2022, Schneider deployed a new e-learning called “We All Have Mental Health” as a mandatory training for all, to raise awareness of the “next normal” working conditions and the company’s care of its employees. Due to the sensitivity of workplace-related alerts and the human factor involved, the Group has also created a specific e-learning for its network of internal investigators. This aims to ensure full impartiality and fair common practices everywhere. More than 240 HR investigators were trained. In addition, workshops have been conducted for internal investigators in many geographies.

Schneider Electric also organized specific communication campaigns promoting a responsible workplace as part of the Trust Month that took place in June 2022. As part of this initiative, the company organized a dedicated awareness session on psychological safety. In addition, Schneider Electric encourages the Speak-Up mindset to allow employees and stakeholders to report any violations of the group’s ethical standards or any workplace-related concerns.

5 Compliance with tax regulations

Schneider Electric Group applies a responsible fiscal approach supported by strong governance, as outlined in the tax policy of the Group which can be consulted on our website at se.com. Tax risk management is an integral part of the company’s risk management process, and in this context, the Tax Director, under the authority of the CFO, is in charge of implementing the Group’s tax policy and reports regularly to the Audit Committee. The Group engages to comply with the international and local tax regulations applicable in each of the countries in which it operates, and to build a lasting and transparent relationship of trust with the tax authorities.

The above-mentioned risks could have a significant impact on the financial performance of the Group. The business reputation of Schneider Electric could also be negatively impacted. Indeed, the Group has been impacted by several recalls. With the quality transformation, Schneider Electric has established the visionary goal to eliminate product recalls by 2025 (SSE #15).

6 High standards for the quality and safety of our products

6.1 Context

Schneider Electric holds dear the trust customers and employees place in its products and services to protect themselves and their property. Continuous quality improvement is therefore central to the organization’s strategy and foundational to achieve its overall business purpose and mission. Recognizing the opportunity that delivering superior quality would bring, the Group began a company-wide transformation of quality to accelerate its journey.

6.2 Risks and opportunities

Schneider Electric operates globally with a wide-ranging portfolio of customer solutions. The corresponding complexity of the product portfolio and supply chain brings with it risks and opportunities for quality. Many of the Group’s solutions serve essential industries where product quality and safety are a critical topic. Product malfunctions or failures could result in Schneider incurring liabilities for tangible, intangible damages, or personal injuries. The failure of a product, system, or solution may involve costs related to the product recall, result in new development expenditure, and consume technical and economic resources.

Schneider Electric’s products are also subject to multiple quality and safety controls governed by national and supranational regulations and standards. Maintaining compliance to new or more stringent standards or regulations could result in capital investment.

Risks identified by Schneider Electric in regard to product, project, system quality, and offer reliability can be:

- Design quality concerns
- Manufacturing and Logistic issues
- Deficient product safety
- Software quality
- Brand labelling, Supplier & Supply mismanagement

6.3 Group quality policy

In its Trust Charter, Schneider clearly outlines its commitments to strive for high quality.

The Quality Policy of the Group is guided by the following principles:

1 Customer First: Quality is the safety of customers. Schneider Electric prioritizes their interests and anticipates customer needs through customer journeys and customer personas deployment everywhere in the Group.

2 Offer Quality: Schneider Electric innovates with agility, discipline, and good business sense throughout the offer’s lifecycle, from creation to supply, all the way through manufacturing, delivering, and operations and until services. Schneider Electric delivers safe, reliable, and cybersecurity offers, for products, systems, and software, to secure customers’ business continuity.
Driving responsible business with Trust

3 Intelligence: Schneider Electric runs strong analytics to convert its process performance and customer experience data into actionable information, enabling us to better fulfill customer needs, prevent complaints, and improve customer satisfaction all touch points.

4 People: Quality is every employee’s responsibility. Schneider Electric puts customer first by empowering them to stop work whenever they have a concern and removes internal barriers to achieve customer-centric solutions.

5 Ultimate experience: Customer experience is recognized in the Group as a strong competitive advantage, to earn trust from customers and develop business in a sustainable manner. Therefore, the group deeply analyzes customer experience to prioritize improvement efforts and investments.

It is the policy of Schneider to only propose products, solutions, and services which are safe when properly used for their intended purpose or for other reasonably foreseeable purposes contributing to the sustainability ambitions of the Group. It is the obligation of Schneider to notify customers of safety issues caused by its offer that may result in bodily injury or property damage, and include instructions for immediate remedial actions, even after the end of the useful life of the offer.

Schneider Electric benefits from a full set of quality directives that require the application of systematic processes to properly address potential offer safety issues discovered inside or outside Schneider. These processes are to be used for all offers sold or manufactured by Schneider Electric. They are:

- **Quality Directive “Managing Customer Safety Risks”**. This directive requires the application of Schneider Electric’s systematic processes to properly address potential offer safety risks of bodily injury or property damage, discovered inside or outside Schneider Electric. These processes are to be used for all offers sold or manufactured by Schneider Electric.

- **Quality Procedure “Offer Safety Review”**. The overall objective of offer safety is to reduce the risk arising from the use of Schneider’s products, solutions, or services throughout their life cycle. Offer safety reviews are conducted by Offer Safety Review Committees and are used to focus attention on safety and help ensure that offers are safe when properly installed (based on safety manual), maintained and used for their intended purpose and other reasonably foreseeable use or misuse.

6.4 Governance

The Group policy is realized through a robust Quality Management System, which is improved continuously to fulfill expectations of all relevant parties. It is in full alignment with the Group’s Trust Charter, Schneider Electric’s Code of Conduct, as well as in compliance with and certification to ISO 9001 standard. 231 Schneider Electric manufacturing sites have achieved their ISO 9001 certification.

At Schneider Electric, the customer satisfaction and quality network covers all layers, functions, global supply chain, operations, and lines of businesses. Within presence of quality throughout the Group, Schneider seeks to create a culture of quality and spread the customer-first mindset everywhere.

Schneider has strengthened the governance committee with a new accelerated operating rhythm wherein the new Head of Customer Satisfaction & Quality (CS&Q), together with the Executive Committee, reviews the status of quality across the company and guide the quality transformation journey.

The quality transformation is further informed with first-hand experience gained from over 50 quality-focused Gemba walks through Schneider operations worldwide. During the Gemba walks, the new Head of CS&Q personally compares the current standard to actual conditions and to industry best practice to identify necessary corrections and opportunities for improvement.

6.5 Actions and impacts

To accelerate and focus the company-wide transformation of quality, the Group has invested in strengthening and reorganizing the quality function, beginning with a new Head of CS&Q bringing to the Group best practices that produce world-class quality in Automotive and Aerospace industries. The Group further enabled and accelerated the change through a revised organizational structure and investing in new capability.

Quality System

Building on the foundation of the existing quality system, the Group has identified opportunities to simplify the existing processes and procedures, while adopting the highest applicable standards in every category. To ensure processes are completely implemented and procedures followed with discipline, the Group aims to greatly strengthen quality internal auditing program.

Quality Planning

The Group continues its ReeD program (Reliability End To End by Design), to secure fundamentals and ensure full integration of new customer expectations (from Quality to Reliability). Designed with R&D at its heart, with huge interactions with all functions and businesses of Schneider Electric:

- By ensuring that new offer development is focused on customer promises.
- By animating mitigation plan until deviation is fixed.
- By ensuring Excellence in Offer Life Cycle changes.
- By transitioning from product quality to systems reliability.
- By combining people’s competency with robust digital processes.
- By leveraging more digital tools to detect issues early and reduce the number of bugs seen by customers.
- Reinforce risk analysis to ensure proper usage of systems, software, and products to prevent associated issues and risks.

It is the obsession of the Group to ensure that “Reliability” is a signature value of Schneider Electric branding. Accordingly, the program is being further strengthened with dedicated resources and the introduction of new processes and methods supporting increases in Reliability and Robustness. The new processes and methods are being animated through capability-building “design fundamentals” training and practices.
Quality Assurance

Schneider strengthened its use of Failure Modes and Effects Analysis extending coverage, deepening the analysis, and creating a laser focus on severe failure modes, ensuring risk-mitigating controls are in place, and successfully reducing the risk on over 600 processes.

Through the process improvement efforts, the Group recognizes the opportunity to integrate and strengthen existing industrialization procedures with “Advanced Product Quality Planning” (APQP) which seeks to introduce new products with outstanding quality. As APQP matures it would enable the Group to bring together the Design, Industrialization, Manufacturing, and Service teams to co-create solutions that are more reliable, robust, manufacturable and serviceable, contributing to the sustainability goals of the group.

Quality Control

Within operations, the Group pursues a twin strategy of “back to basics” while it accelerates and leverages its digitization. The “quality basics” were developed and are being deployed or strengthened across the group. To introduce the quality basics special radical change events (kaikaku) were held to immediately implement the basics. The radical change events serve to build quality capability in participants and organizations, further strengthening the Group quality culture.

Accelerated implementation of digital solutions for real time process control and statistical process control, traceability, and other digital capabilities to over 300 manufacturing lines. Establishing the digital foundation encourages innovative thinking and ways the Group can unleash its digital potential. Globally the Group identified over 100 applications for Artificial Intelligence (AI) and Machine Learning, successfully adding AI to manufacturing processes to improve first-time quality and successfully applying vision and machine learning to improve quality control.

Quality Improvement

Schneider Electric’s “Issue to Prevention” process continues to deliver valuable insights to root causes of problems and their corresponding improvement opportunities. The process was further strengthened through the implementation and verification of corrective and preventive actions, and by creating a mechanism to share learning horizontally across the Group.

Schneider has an Offer Safety Alert (OSA) process to alert the relevant Line of Business and other interested parties as soon as it is suspected that customers’ health or property safety may be put at risk by Schneider products, solutions, or projects. The Offer Safety Alert Committee (OSAC) is a permanent corporate committee that oversees and regulates the management of OSA. Its mission is to ensure all OSA are managed with the due diligence and urgency to minimize safety risks to customers. Its independent, multi-discipline nature allows the OSAC to make decisions in the customers’ best interest. As part of the Trust pillar of Schneider Sustainability Essentials 2021–2025, Schneider has set the visionary objective to eliminate recalls by 2025 (SSE #15), which is an enhancement of the previous program to “reduce scrap from safety units recalled” originally set.

In 2022 the Group recalled 24 products as approved by the Offer Safety Alert Committee, vs. 14 in 2021. In addition to Safety, recalls have large environmental footprints consisting of re-production of the recalled units and multiplications of packaging and transportation.

The increase of Offer Safety Alerts in 2022 is consistent with the increase of detection policy close to defect “Point of Creation”, reducing the magnitude of impact for customers and for the environment.

For each alert, Schneider reaches out to customers impacted by the recall to arrange for product replacement. Investigation will be conducted on products returned to Schneider’s premises to determine the final root cause of the safety issue. The returned product thereafter will be assessed on its reusability and parts which could not be reused will be scrapped according to the local environmental regulations.

It is the ambition of the Group to eliminate recalls though the adoption and rigorous execution of a quality system consisting of the highest available standards.

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<th>2020 Baseline</th>
<th>2022 Progress</th>
<th>2025 target</th>
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2022 Progress
7 Digital trust and security

7.1 Cybersecurity context

Schneider Electric commits to provide solutions to achieve a greener low-emissions future, a shift mostly driven by digitalization and fueled by innovation. While hyperconnectivity and subsequent digital enablers provide transformative business and operational value, they also expand cybersecurity threats.

On top of that the Group operates in over 100 countries, sources goods and services from five continents and manages more than 50,000 unique suppliers. All of this increases the cyber complexity under which our companies operate and introduces sources of risks.

Cybersecurity is an essential business imperative for Schneider Electric. This means that the Group takes a risk-informed approach, managing cyber risks thoroughly to better protect its supply chain, working to shape a company-wide cybersecurity culture and finally partnering with experts to reach the highest cyber standards.

7.2 Risks and opportunities

Schneider Electric’s strategy aims:

1. to protect its customers assets and operations
2. to mitigate the possibility of having its operational continuity disrupted by an attack by identifying and prioritizing high-value digital assets within the company’s operations and enforcing a certification discipline across its major sites and assets
3. to comply with global and local regulations where the company operates
4. to prevent voluntary and involuntary loss or exposure of its intellectual property.

In this journey, Schneider Electric seeks to learn and mature its posture. Hence, cyber events are continuously monitored, detected, responded to, and learned from. The Group measures its improvement thanks to date-based reality checks, internal and external reviews, cyber crisis drills, and vulnerability assessments to its acquired companies and entities acquired which are under control form a business standpoint but whose IT management systems are out of our control.

Schneider Electric believes that cybersecurity is everyone’s responsibility, hence at Group level, clear expectations shape both individual and collective secure behaviors, not only to protect the Group but the society at large. Online training on cybersecurity is mandatory for all employees. This training helps employees to identify the cyber threats they may face and understand how to protect themselves. At the end of 2022, 99% of Schneider Electric employees had completed this training. Certain employee categories received mandatory training for risks linked to their activity. Hence there are trainings for:

- HR teams as they are confronted daily to data
- 33,000 shopfloor employees are concerned, as well as the 84,000 white collars of the Group.
- Employees that are directly facing customers, approximately 20,000 employees, need to validate a “cyber badge” as they access customer sites
- Teams in charge of R&D are bound to train as they deal with intellectual property on a daily basis.

Finally, as cybersecurity is a collective play, Schneider Electric works collaboratively with the ecosystem sitting along its value chain (suppliers, authorities, customers, especially the ones in critical infrastructure etc.) to build trust, as it has an ambition to raise the defense level of the industry at large.

7.3 Group Policy

Cybersecurity policies are foundational to the Group’s security posture as they are compulsory for all stakeholders, they set management’s tone and provide guidance towards secure behaviors (people, practices (processes) and environment (technology)) throughout the company.

The company’s overarching General Information Security Policy and all supporting security policies are in line with broadly recognized standards and regulations such as ISO27001, NIST, ISA/IEC62443, and General Data Protection Regulation (GDPR).

Schneider Electric’s current policy framework governs and regulates security behaviors, and encompasses products, solutions, services, and sites. These guidelines apply to all employees and contractors, and relevant populations are regularly trained on them.

Our public security-related policies can be found in the Cybersecurity and Data Protection page on www.se.com

7.4 Governance

Cybersecurity and data protection are integral to the Group’s corporate business strategy and digital transformation journey, and at the core of the Trust Charter. In addition to corporate commitment, executives play a crucial role through the sponsorship of the Executive Committee and oversight from the Board of Directors.

A central body governs the companywide cybersecurity portfolio, coordinating the execution of strategic and operational initiatives, and orchestrating a broader community of security practitioners distributed across businesses and territories. The community includes:

- Digital and operational Security Leaders appointed to manage security risks within their domain (Sales, R&D, Supply Chain, Finance, HR, AI, Digital Offers...). They prepare for and respond to an incident by coordinating the investigation, containment, and remediation.
- Industrial and R&D Site Leaders nominated to act as cybersecurity experts in all industrial and R&D sites. They carry a strong knowledge of OT assets and technologies as well as their plant’s network infrastructure.

For all security practices and initiatives, monthly updates on projects and report on metrics are orchestrated centrally to allow continuous improvement on all capabilities.

The company relies on an open and transparent culture where employees are encouraged to self-report any possible issue (intrusion, errors, vulnerabilities etc.). Schneider Electric has adopted a “see something, say something” approach to encourage escalation to facilitate more rapid detection of exposure and breaches via “people sensors”.

Our public security-related policies can be found in the Cybersecurity and Data Protection page on www.se.com
7.5 Actions and impact

Schneider Electric seeks to align with broadly recognized standards and has received several recognitions for its performance (available on dedicated se.com page(1)).

ISO 27001 demonstrates rigorous information security methodologies, reducing risks, and safeguarding against security breaches within Schneider Electric.

See the certification

CREST Certification for Penetration testing acknowledges Schneider Electric’s product security teams for their skills and proficiency when it comes to testing the resilience and security of the company’s products and systems.

See the certification

ISA/IEC 62443-4-1 certified Secure Development Lifecycle (SDL) process testifies that Schneider products and systems development practices are in line across all software and system development lifecycles.

See the certification

CyberVadis is a third-party cybersecurity risk assessment platform. Schneider Electric was certified mature based on international information security standards such as ISO 2700x, NIST Cybersecurity Framework, Cybersecurity for ICS, PCI, DSS, and GDPR.

See the certification

Schneider Electric also works collaboratively with cross-industry organizations to secure and strengthen digital trust.

As a result the Group became:
• A founding member of the ISA Global Cybersecurity Alliance and a member of both the Paris Call and Cybersecurity Coalition.
• A signatory of the Cybersecurity Tech Accord, and now works with its partners towards addressing supply chain security.
• An active contributor to the World Economic Forum, sitting at the advisory board of Oil and Gas group to strengthen resilience across the industry, leveraging collective intelligence and expertise. Public reports (available on Schneider’s website(1)) are an output of this strong collaboration, as well as tighter connections with leaders from other companies.

Finally, as part of the Trust pillar of its 2021–2025 sustainability strategy, Schneider Electric commits to remain in the top 25% in external ratings for Cybersecurity performance (SSE #16).

7.6 Data privacy and protection

Schneider Electric implemented the General Data Protection Regulation (GDPR) requirements and launched specific training to manage the major challenges of this regulation. This training is mandatory for Schneider Electric employees in Europe and key functions.

Schneider Electric believes that the global implementation of a digital strategy must reconcile economic objectives and respect for fundamental human rights, including the right to protection of personal data and privacy.

Schneider Electric has established an organization, work streams, policies, procedures, and controls required by the obligations stemming from GDPR and data privacy and protection regulations, including:
• Internal data privacy policy and Binding Corporate Rules (BCR).
• Training and awareness campaigns.
• Processing registers.
• Online privacy policy and privacy notices.
• Digital assets privacy assessment process.
• Data breach management and notification process.
• Maturity assessment and audit controls.

A governance ecosystem is in place including a Group Data Protection Officer (DPO), a DPO network, an implementation team, Data Privacy & Protection Champions and Steerco.

Schneider Electric is rolling out its Global Data Privacy & Protection compliance approach beyond GDPR in China, the USA, and India and is globalizing its standards to address new regulatory challenges like PIPL and CPRA. A new data protection addendum has been deployed, including the new Standard Contractual Clauses of the European Commission.

8 Human rights

8.1 Context

Human Rights issues have been increasing in terms of risk exposure and geopolitical influence. New challenges are emerging, due to social, economic, and digital disruptions, such as forced labor, living wages, migrant workers or artificial intelligence.

As a global company operating in over 100 countries, Human Rights have been a main priority for a long time. Schneider Electric’s ambition goes beyond compliance with existing regulations. Its ambition is to ensure that Human Rights are not infringed upon and to play an influential role with external stakeholders by promoting health and safety, diversity, inclusion, equity, and decent work for all.

8.2 Risks and opportunities

In accordance with the 2017 French duty of vigilance law and its ambition to behave as an exemplary company, Schneider Electric implemented a specific vigilance plan. In 2022, Schneider Electric reviewed and updated its “duty of vigilance risk matrix” which highlights the risks the Group poses on its ecosystem including its sites, suppliers, contractors, and local communities for more information, please refer to the 2022 Universal Registration Document.

This review of risk covers fundamental Human Rights. This includes some rights that may be threatened as a result of the evolution of the geopolitical context: increased flow of migrant workers and threats of modern slavery(1) as a consequence of regional conflict and wars, pressure on working hours and individual income as a result of tension in the supply chain and accelerated inflation.

In front of these risks, the Group engaged into several programs that span across its supply chain and its workforce. A core commitment regarding Human Rights is the transformation program related to Decent Work launched in 2021. This program is based on 10 fundamental Human Rights pillars, with the aim of ensuring dignity for all and protecting workers’ rights. The program benchmarks current standards around worker rights to ensure that fair policies and practices are followed. This was rolled out to all the Group’s employees in 2022, and has started to be rolled out for the Group’s strategic suppliers (see page 32).

The Group has also engaged into Duty of Vigilance program. As part of this program, Schneider Electric is performing audits of risky suppliers to identify potential gaps and suggests areas for improvement.

8.3 Group Human Rights Policy

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

1. Schneider is committed to fully respecting and applying laws and regulations in all countries where it operates.
2. Schneider is committed to fostering and promoting human rights throughout all its operational sites and subsidiaries worldwide.
3. Schneider wishes to support human rights beyond its borders, leveraging its large network of partners and stakeholders to promote the implementation of actions that will ensure the respect of people’s rights.

Schneider Electric’s Global Human Rights Policy(2) is applicable to all Schneider permanent or temporary employees working on Group premises. It also aims to inspire external stakeholders. For all human rights risks identified above, and based on the “Protect, Respect, Remedy” principles, the policy provides a framework and gives guidance to employees and teams on how to behave in their daily operations or when facing a specific situation.

At the end of 2022, Schneider published the second version of its Global Human Rights Policy. The Company intends to increase its commitments by making clear its position on new challenges such as migrant workers and artificial intelligence. It confirms the Group’s engagement to strive for the respect of all internationally recognized Human Rights and to ensure that Human Rights are respected for everyone, everywhere, at all times. The new policy includes eight new topics: respect and dignity, human rights in cyberspace, migrant workers, conflicts minerals, intergenerational solidarity, human rights activities within the Group’s supply chain, civic space and human rights defenders, and access to a healthy environment. Full deployment including the creation of an e-learning is planned for 2023.

Find Schneider’s Global Human Rights Policy on www.se.com

Alignment with international standards and frameworks

Schneider Electric adheres to the following principles or guidelines:

• The international human rights principles encompassed in the Universal Declaration of Human Rights (as part of the International Bill of Human Rights), which sets out a common standard for all types of organization.
• The OECD Guidelines for Multinational Enterprises, which formulate recommendations for companies, including for the respect of human rights.
• The ILO Declaration on Fundamental Principles and Rights at Work.
• The UN Guiding Principles on Business and Human Rights (UNGPs) which precisely define the roles and responsibilities of States and businesses on these matters. Schneider Electric is committed to these Guiding Principles and to the United Nations Convention on the Rights of the Child.

The procedures implemented by Schneider Electric, notably its vigilance plan and Ethics and Compliance program, ensure that the Group adhere to the EU Taxonomy “minimum safeguards” requirements referred to in Article 18 of Regulation (EU) 2020/852.
Specific policies

In addition to its Trust Charter and the Global Human Rights Policy, Schneider Electric has implemented specific global policies to provide guidance in the following areas:

### Human resources

<table>
<thead>
<tr>
<th>Policies</th>
<th>Policy description</th>
<th>Reference in this URD and online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversity &amp; Inclusion</td>
<td>Applies to the entire Company and covers all facets of diversity, as Schneider Electric wants to reflect the communities in which the Group operates. This policy is based on respect and dignity, which are the foundations of fairness and equity.</td>
<td>Pages 202 to 208 of the 2022 Universal Registration Document Consult and download the Policy: <a href="https://www.se.com/ww/en/about-us/diversity-and-inclusion/">https://www.se.com/ww/en/about-us/diversity-and-inclusion/</a></td>
</tr>
<tr>
<td>Family Leave</td>
<td>Provides a framework so that every employee, in every country, can take leave specifically to enjoy some of life’s special moments with their families.</td>
<td>Page 217 of the 2022 Universal Registration Document</td>
</tr>
<tr>
<td>Anti-Harassment</td>
<td>States Schneider Electric’s commitments to have zero-tolerance for any kind of harassment or offensive behavior.</td>
<td>Pages 203 of the 2022 Universal Registration Document Consult and download the Policy: <a href="https://download.schneider-electric.com/files?p_Doc_Ref=GAHP">https://download.schneider-electric.com/files?p_Doc_Ref=GAHP</a></td>
</tr>
<tr>
<td>Flexibility at Work</td>
<td>Defines global Flexibility at Work pathways, mandatory and recommended, to ensure consistency and equitable treatment in the application of flexible work arrangements across business units and countries for all eligible Schneider Electric employees.</td>
<td>Page 204 of the 2022 Universal Registration Document</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>Defines the global principles, standards, and governance for the provision of employee benefits at Schneider Electric.</td>
<td>Pages 215 to 217 of the 2022 Universal Registration Document</td>
</tr>
</tbody>
</table>

### Health and safety

<table>
<thead>
<tr>
<th>Policies</th>
<th>Policy description</th>
<th>Reference in this URD and online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health &amp; Safety</td>
<td>States the rules and guidelines applicable to all Schneider Electric employees, and also to specific populations performing specialized tasks. It is supported by learning tools, and is the subject of an annual “Global Health &amp; Safety Day”.</td>
<td>Pages 127 to 130 of the 2022 Universal Registration Document Consult and download the Policy: <a href="https://download.schneider-electric.com/files?p_Doc_Ref=SE-Health-Safety-Policy">https://download.schneider-electric.com/files?p_Doc_Ref=SE-Health-Safety-Policy</a></td>
</tr>
<tr>
<td>Travel</td>
<td>Defines the rules applicable to travelers, including the safety guidelines, procedures, and processes to ensure the safety of Schneider business travelers at all times.</td>
<td>Page 303 of the 2022 Universal Registration Document</td>
</tr>
<tr>
<td>Security</td>
<td>Defines the global scope of security applicable to all entities, locations, and activities. This policy also emphasizes the crucial role of managers to ensure security.</td>
<td></td>
</tr>
</tbody>
</table>
8.4 Governance

The strategic part of the Human Rights policy as well as the measurement and its full deployment is led by the Corporate Citizenship Department, composed of Human Rights experts supported by Human Resources, Global Supply Chain Departments as well as the countries, the internal audit team and the compliance functions.

This policy is validated by the Chief Strategy and Sustainability officer, Chief Governance officer and Secretary General, the Chief Human Resources officer and the Executive Vice President Global Supply Chain.

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

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

8.5 Controls, actions and impacts

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

Internal actions regarding respect and dignity, freedom of association, health and safety, working time and leave, wages and benefits, harassment, discrimination, diversity and inclusion, and development of competencies are described in section “5 Great People making Schneider Electric a great company”, page 198 of the 2022 Universal Registration Document.

Schneider Electric is implementing training programs that are specific to the policies listed above, to raise the level of awareness of employees and give them advice on how to react or behave in specific situations. Some of these trainings are mandatory, others are part of recommended training paths. Such programs cover a very wide area of topics, from anti-harassment to well-being, how to overcome bias and how to develop an inclusive culture. For more details, see page 211 of the 2022 Universal Registration Document.

Specifically, for health and safety, the Group maintains a follow-up of safety metrics. Incidents are reviewed with management, corrective actions are implemented when necessary, and communications are sent to relevant teams throughout the Company. When needed, a global safety alert can be launched to alert all relevant employees. Schneider Electric organizes a yearly “Global Health & Safety Day”, to inform all employees and keep the level of awareness high on this key topic. For more details, see page 127 of the 2022 Universal Registration Document.

Suppliers

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

Schneider Electric’s Supplier Code of Conduct states the framework in which the Group wishes to operate with vendors. Schneider Electric expects suppliers to respect the fundamental principles on health, safety, people’s protection, and development as defined in this document. Strategic suppliers are also assessed through EcoVadis, a third party that leverages ISO 26000 standard, and includes Labor and Human rights as one of the four pillars in its methodology. Other actions are implemented through the Group’s vigilance plan.

Lastly, Schneider Electric launched in 2022 a Decent Work Program (SSI #6) for the Group’s strategic suppliers (see more details in the 2022 Universal Registration Document).

Consult and download Schneider Electric’s Supplier Code of Conduct from the Suppliers page on www.se.com

Contractors

Schneider Electric has developed specific actions to mitigate human rights risks related to project execution environment. These apply anywhere co-ordination with project contractors is necessary.

The Group is working to evolve the project decision-making process to incorporate a risk assessment covering ESG topics including human rights. The aim is to better calibrate the mitigation measures and anticipate their implementation earlier in the project process. Pilots have been launched in 2022.

Schneider Electric is also conducting specific on-site audits for contractors included into the Vigilance Supplier Audit program. At the end of 2022, 17 subcontractors had been audited. For more details, see page 135 of the 2022 Universal Registration Document.

Communities

The risks for these locations were assessed for the first time in 2020 in the vigilance risk matrix. In 2021 Schneider Electric deepened the analysis with a specific segmentation to select potential risks that may have an impact on local communities. For more details, see page 146 of the 2022 Universal Registration Document.
9 Employee health and safety

9.1 Context

The world in which Schneider Electric operates is changing and many aspects of this change accelerated during the COVID-19 pandemic. Health and Safety is a value Schneider Electric will not compromise, which was demonstrated by Health and Safety being one of the five Schneider Electric Trust Charter pillars and by setting ambitious 2025 Health & Safety Targets.

The advances in digitization have made the world a smaller place, and it is now so much easier for H&S teams across the world to work together efficiently, to implement global solutions, including virtual audits, remote Factory Acceptance Testing, live performance dashboards and working from home.

In a fast-changing environment, where so many communication opportunities are available to everyone, Schneider Electric H&S team is making the most of all the new technologies and innovative ideas, to convey its messages to all employees.

New technology also exists to identify ‘at risk situations’, and to warn employees about risks so they can take action to mitigate them. Schneider Electric is constantly exploring how these technologies can make the work environment safer. Schneider Electric has embedded new digital technologies in many products so customers can benefit from improved safety while operating their electrical equipment.

9.2 Risks and opportunities

Key Health & Safety risks include human injury connected with a workplace accident, and non-compliance with regulations. These risks can potentially impact productivity, customer confidence, company image or financial penalties through legal proceedings. At the same time, the effort taken to manage risks can create new business opportunities through greater trust.

Strategic action plans, based on previous incidents and results of risk analysis are performed each year. These plans include opportunities to reduce serious and fatal incidents, maintain legal compliance, provide safe working conditions, and encourage employee engagement in the safety processes. The plans are built on the previous Top 5 Hazards, which include driving, electrical, falls, powered industrial trucks (PIT), and fixed powered machines (FPM).

Injuries based on the Top 5 Hazards since 2018

![Pie chart showing percentages of injuries]

With regards to compliance, all Schneider Electric sites prepare a legal register, which identifies improvement opportunities and is audited as part of the ISO 45001, external certification.

9.3 Group policy

Safety is a key pillar of the latest Schneider Electric Trust Charter, is reviewed each year and is fully aligned with ISO 45001 and is available publicly.

Schneider Electric is committed to invest in its people and its workplace as stated in its Group Safety and Occupational Health Policy.

Schneider cares for all, including colleagues, customers, contractors, and partners, and wants everyone returning home safe & well every day.

Each employee is responsible for safety and plays a key role in identifying and mitigating hazards. This practice applies at Schneider Electric sites, at customer sites and while driving or traveling.

The Group values engagement at all levels and:

- Expects each Manager to role model Safety as defined in the Global Safety Strategy (see details below).
- Empowers employees to Act Like Owners, by having an active role with their personal Health and Safety.
- Seeks the views of all employees, their representatives and those working on the Group’s behalf, through consultation, including their participation in reporting and resolving safety improvement opportunities.
- Sustains relationships with Suppliers, Contractors and Customers under the condition that Safety commitments are agreed and met.

The Group provides a safe work environment for all and:

- Invests in resources and training to support Schneider’s Safety & Occupational Health vision and goals.
- Compliance with external legal requirements and internal directives.
- Embeds safety into its business practices and is an integral part of all major decisions, from acquisition, product development, the launch of a business and change management.
- Is determined to eliminate hazards and reduce risks.

The Group communicates in an open and transparent manner and:

- Continually improves its Safety & Occupational Health Systems by benchmarking, adopting best available techniques and through continuous learning.
- Captures, analyzes and communicates safety improvement opportunities, near-misses, and incidents in a systematic manner.
- Creates global action plans and share with all potentially impacted employees to prevent (re)occurrence.
- Sets Safety & Occupational Health goals and objectives, monitor performance, and reports progress internally and externally.

Consult and download Schneider’s Health & Safety Policy on www.se.com
9.4 Strategy and action plan

The Schneider Electric H&S Strategy has been developed to deploy the Schneider Electric Health and Safety Policy.

The fundamentals of the Strategy are:

- "S.A.F.E. First" at its core, developed as a personal reminder to pause and reflect on safety before beginning any task.
- Top five hazards, which have been identified and controlled to prevent serious accidents.
- Five guiding principles, which have been defined to set the expected H&S behaviors.
- Four strategic priorities, which have been identified as strong levers to deliver the Schneider Electric Policy.

Each year a global action plan is generated by the H&S corporate team based on previous years’ performance and 2025 vision. In 2023 the plan will cover the implementation of a new H&S software solution, a safe driving initiative, a program on high-risk activity and H&S training for front line managers.

A local action plan, managed by each region, complements the global plan and includes the improvements identified by the Environment Health and Safety Assessment deployment, the IMS implementation and the Safety Culture assessment. In 2022 the Safety Culture assessment of Industrial and field service employees had a high engagement rate and employees responded positively to their sites Safety Culture. In 2023 the Safety Culture assessment will be extended to all Schneider Electric employees.

Communication is important to ensure that standards are known and implemented to provide a safe workplace for everyone and make safety performance visible, so that leaders can take action to continuously improve risk prevention. Each quarter, Schneider Electric focuses on key safety subjects (Quarterly H&S Spotlights) to raise awareness of both workplace and human factors. The campaign, promoting the importance of safety globally, is supported by training materials, posters, employee videos and a quarterly video message from Schneider Electric’s top leaders.

9.5 Governance

Schneider Electric has a strong H&S governance in place with several instances of control to ensure the H&S strategy is fully deployed.

Steering Committees

Quarterly H&S Report to Executive level:

A report is created each quarter by the Global H&S VP and presented to the Executive level. The report includes H&S performance versus targets and H&S program deployment update.

Monthly Global H&S Steering Committee

Each month the Global H&S team share H&S performance versus targets and H&S program deployment, with the Regional and Organizational H&S VP’s.

Audits & Engagement

Integrated Management System (IMS) – ISO 45001: The key elements of certification to ISO 45001 includes annual site management review and internal site audit program, and external audit program at site and corporate level. This certification is in place for 211 locations, including 176 manufacturing and logistics sites and the headquarter.

Annual Environmental Health and Safety Assessments (EHSA): To ensure successful implementation of the strategy, annual EHSA are performed in industrial and customer facing sites worldwide, by the site Safety team and validated by the regional H&S specialist. This assessment is a global process which measures compliance against H&S directives and identifies improvement opportunities and recognizes excellence. The EHSA digital Tool has been deployed in manufacturing and logistics locations in 2022. 96% of sites have carried out a self-assessment and for 84% of sites the assessment has been validated by regional H&S expert.
9.6 H&S Performance Results

In 2020, Schneider set a 5-year safety target to reduce the Medical Incident Rate (MIR) to 0.38 by 2025, from a 0.79 baseline in 2019. The Medical Incident Rate (MIR) is the number of work-related medical incidents (including injuries and occupational illnesses) multiplied by one million hours (average hours of 500 employees working for one calendar year) divided by the total hours worked. Work related injuries and occupational illnesses requiring medical treatment are included. Medical Incidents, where the Injured Party requires hospital treatment for 24hrs, are classified as Serious.

The MIR performance has reduced to 0.58 in 2022, which represents a 51% progress of the 2021–2025 program. 2022 was the best performance ever showing a MIR reduction of 11% compared to 2021, this translates to 171 medical incidents, of which 9 were classified as serious without any fatal accidents.

As a result of all the H&S programs deployed over the last 8 years, Schneider Electric has been very successful in meeting goals for the reduction of workplace injuries and illnesses, including those injuries resulting in lost time days. The frequency of incidents (Medical Incident Rate, MIR) has reduced by 69% and the severity of incidents (Lost Time Incident Rate, LTIR) by 66%.

<table>
<thead>
<tr>
<th>Year</th>
<th>Baseline</th>
<th>2022 Progress</th>
<th>2025 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>0.79</td>
<td>0.58</td>
<td>0.38</td>
</tr>
</tbody>
</table>

We believe that all accidents are preventable, and use the MIR indicator to measure progress made against this target. The Schneider Electric 2025 target of 0.38 MIR represents 1 accident per 1,450 employees per year, which is a big step towards Schneider Electric’s ambition of 0 accidents. Every accident that Schneider Electric avoids, prevents pain and suffering that a Schneider Electric employee and their friends and family would have experienced.

Employee safety participation trend

MIR historical trend

<table>
<thead>
<tr>
<th>Year</th>
<th>MIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1.15</td>
</tr>
<tr>
<td>2018</td>
<td>0.94</td>
</tr>
<tr>
<td>2019</td>
<td>0.79</td>
</tr>
<tr>
<td>2020</td>
<td>0.58</td>
</tr>
<tr>
<td>2021</td>
<td>0.57</td>
</tr>
<tr>
<td>2022</td>
<td>0.38</td>
</tr>
</tbody>
</table>

LTIR historical trend

<table>
<thead>
<tr>
<th>Year</th>
<th>LTIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.62</td>
</tr>
<tr>
<td>2018</td>
<td>0.46</td>
</tr>
<tr>
<td>2019</td>
<td>0.39</td>
</tr>
<tr>
<td>2020</td>
<td>0.32</td>
</tr>
<tr>
<td>2021</td>
<td>0.34</td>
</tr>
<tr>
<td>2022</td>
<td>0.32</td>
</tr>
</tbody>
</table>
9.7 Recognition and awards

Schneider Electric was the recipient of several awards for occupational health and safety programs in 2022. This includes 137 Occupational Excellence Achievement Awards from the National Safety Council (NSC) for safety performance that was 50% or better than their industry peer group.

Schneider Electric’s Safety VR Program was awarded the Singapore International Chamber of Commerce awards for Collaborative Innovation.

Schneider Electric UK&I received three RoSPA Awards (The Royal Society H&S Performance Awards) during 2022: RoSPA Gold Medal (6 consecutive Golds) Award, RoSPA Fleet Safety Gold Medal (6 consecutive Golds) Award, and RoSPA Winner in the Fleet Safety Trophy.

In 2022, a Schneider Electric employee, from Australia, was awarded 2021 Safety Representative of the year.

9.8 Future evolution of safety at Schneider Electric

Safety is a never-ending journey towards excellence. Schneider Electric’s vision is for all employees and contractors to work in a safe and healthy workplace, so they can perform to their full potential, positively impacting safety for its customers, and therefore always returning home safely to their family.

This translates into the following health and safety three-year improvement plan:

- To strengthen H&S knowledge, skills, and abilities of all employees and contractors.
- To equip all leaders to role model H&S at every opportunity and encourage employees to speak up and engage in safety program.
- To accelerate transformation with digitization, data analytics and promote local innovation to accelerate H&S maturity.
- To develop and implement effective controls for high-risk activities and to sustain a safe workplace for everyone.
- To positively impact all stakeholders through effective communications.

10 Vigilance plan

10.1 Context

Schneider Electric seeks to be a role model in its interactions with customers, partners, suppliers, and communities when it comes to ethics and the respect and promotion of human rights. The Group also strives to have a positive impact on the planet and the environment by contributing to finding solutions to limit climate change, and by trying to be more efficient with natural resources.

The Group's vigilance plan reflects this ambition. It also complies with the provisions of the 2017 French law on Corporate duty of vigilance. The plan includes:

- A risk analysis specific to vigilance risks that Schneider Electric poses to the ecosystem and environment (ie externalities)
- A review of the key actions implemented to remediate or mitigate these risks;
- An alert system;
- Governance specific to vigilance.

In this Registration document, Schneider Electric reviews the risk analysis and describes the actions that mitigate these risks. Readers are also directed to other sections of the report for relevant and detailed information. For more comprehensive and complete information, the full vigilance plan of the Group is available as a standalone document and can be downloaded from Schneider Electric’s website at se.com.

Consult and download Schneider Electric’s Vigilance report on www.se.com

10.2 Group policy

Duty of Vigilance is a notion that has been evolving significantly over the recent years. In 2017, a French law was introduced, that applies to large multinational companies. In 2023, a similar law will be implemented by Germany and Norway. In 2023 also, a draft for a European directive on vigilance will be presented to the European Parliament for a probable vote in the same year, and a transposition in local laws for each EU member state starting in 2024.

The objective of Schneider Electric is not only to respect these national laws but also to be at the forefront of the notion of vigilance, and to implement the actions that will contribute to significantly reduce the risk for its ecosystem, whether these actions are part of a law, or part of Schneider Electric’s own ambition.

10.3 Governance

The plan is governed by the Duty of Vigilance Committee, set up in 2017. The steering committee meets twice a year in normal circumstances. Overall, since its inception, 15 Committee meetings have been held (five in 2017, and two per year in 2018, 2019, 2020, 2021 and 2022). The Committee’s objective is to provide a discussion on strategic orientation and prioritize initiatives and the resources allocated to their implementation. This Committee also reviews the actions in progress and their results and defines decisions on next steps for action.

Composition of the Duty of Vigilance Committee

Chairman:

Executive Vice-President, Global Supply Chain (Executive Committee member)
Management:
Global Duty of Vigilance Group coordinator
Duty of vigilance coordinator for German law deployment
Senior Vice-President (SVP), Sustainability
SVP, Corporate Citizenship
SVP, Global Safety and Environment
SVP, Global Procurement
SVP Sustainable Supply Chain & Safety
SVP, Global Customer Projects
SVP, Human Resources
SVP, Ethics and Compliance

Experts:
Environment Performance Measurement
Sustainable Procurement
Human Rights

10.4 Vigilance risk assessment

Methodology
Schneider Electric has developed a specific vigilance risk matrix, using a methodology consistent with other risk evaluations maintained at Group level but focused specifically on adverse impacts Schneider has or may have on its environment and ecosystem. The methodology is based on interviews with internal experts from areas such as Health & Safety, Social Relations, and Data Privacy. In 2021, Schneider expanded the scope of the risk mapping to local communities living close to Schneider locations and customer project sites. In 2022, Schneider initiated specific workshops that include members of the European Work Council. The conclusions of the workshops will be integrated into the 2023 risk evaluation. This process will gradually include other stakeholders, both internal and external.

The scope of work covers Schneider Electric and its subsidiaries, joint ventures, suppliers, and subcontractors. A review of the downstream supply chain is carried out for a sample of large customer projects.

Risk categories
Four risk categories have been identified and for a more granular assessment of the risk level based on the nature of that risk and the magnitude of its impact on Schneider Electric’s ecosystem, each category has been divided into specific risk areas.

Overall, these risk areas cover more than 60 natures of risk and were selected from a saliency perspective. However, to simplify the reading, they have been grouped into the following sections that are synthesized as below.

Human rights:
- Decent workplace
- Health and safety

Environment:
- Pollution and specific substances management
- Waste and circularity
- Energy, CO2, and GHG

Business conduct:
- Ethical business conduct
- Alert system, protection, and non-retaliation

Offer safety and cybersecurity:
- Offer safety
- Cybersecurity and data privacy

Risk location
The Group has focused on four areas where risks may occur:

- **Schneider Electric sites**: these have been segmented based on categories that present a specific level of risk. For example, office buildings, R&D laboratories and production factories each carry a different level of risk.
- **Suppliers**: the level of risk differs based on the type of process and technologies used, and the Group has therefore segmented the analysis by component category of purchase. The risk level is an average assessment. The geographical location is factored in when selecting suppliers for the audit plan;
- **Contractors**: when implementing a customer project, such as building a large electrical system at a customer’s site, Schneider Electric works with contractors, leveraging their expertise (civil work, electrical contracting, etc.). This “off-site” project work bears specific risks for contractors. A separate “off-site and projects execution” category for contractors has therefore been defined for the assessment.
- **Local Communities**: Schneider Electric has identified two distinct segments: communities located around Schneider Electric sites and communities located around customer project sites. Communities have been assessed against three risk categories: human rights, environment, and business ethics.

Risk evaluation and scale
The evaluation combines the probability of occurrence of the risk, with the seriousness of potential impacts. The risk level displayed in the matrix is an evaluation before impact of mitigation actions (“gross risk”). After taking into consideration the impact of these mitigation actions, the level of risk may be significantly reduced. However, this “net risk” is not reported in the matrix. Risks are assessed on the following scale:

1 – Non-existent; 2 – Low; 3 – Medium; 4 – High; 5 – Very high.

In this 2022 risk assessment, no “very high” risks were identified.

Key findings
The overall risk mapping exercise across Schneider’s value chain is detailed in the matrix below, and can be summarized as follows:

**Medium to high risk: Suppliers**

Schneider uses a large panel of suppliers across different geographies in the world: more than 53,000 in the first tier, and several million at the level of tier 2 and above.

- **Human Rights** have been identified as a key risk, especially in countries where labor laws and social protection are below average standards. The areas of concern are mostly around safety at work, decent workplace and labor standards. The most frequent issues detected by Schneider’s audits are related to decent working hours, paid leave and proper resting time;
- **CO2 emissions** coming from the transformation of raw materials into components, and then the transportation of these components, have been identified as an area of risk. This risk is quantified in the Scope 3 “upstream” analysis of the company’s carbon footprint;
- **A few very specific pollution risks** are linked with some categories of purchases, due to the nature of substances used (solvents, Greenhouse gases, etc...).
Medium to high risk: Contractors

Among Schneider’s 53,000 tier 1 suppliers, 9,900 are off-site contractors (or otherwise called solutions suppliers), working on the construction sites for customer projects. Key risks identified are:

- **Health and Safety** has been identified as a high risk, mostly linked to the physical injuries that can happen during construction, or when doing services and maintenance operations. Some of the risks are specific to the presence of electrical equipment, and some other risks are more general to a construction site.
- **Business Ethics** is also identified as a risk due to the contractual nature of this activity. Specifically, corruption, conflict of interest and integrity are the most salient subjects.
- **Human Rights** is an area of concern, as these contractors often resort to temporary manpower, contracted for the duration of the construction at conditions that may not respect decent work standards. In several countries, this manpower is also coming from other countries of origin, therefore at risk of being forced labor or in the difficult condition of migrant workers.

Low to medium risk: Schneider entities and sites

Schneider Electric is operating in 100+ countries, with 162 production factories, 84 distribution centers, and about 800 commercial offices and R&D laboratories. The risk evaluation for these locations has been assessed from low to medium, with the exception of cybersecurity, which is considered high (see below).

- **Health and Safety** risks mostly concern production sites, especially when the components or equipment manufactured are heavy (medium voltage activities) or when electrical tests are being performed (project execution centers). The risk is also concentrated on the service teams, as their activity is performed on customer sites, and in the frequent presence of powered electrical systems.
- **Human rights** concerns are linked to working hours and business pressure, these two subjects also being linked to social dialogue. Following the challenge of COVID-19, supply chain disruptions have left little room for teams to rest, therefore increasing the overall fatigue, and its consequences on mental health.

Specific situation of cybersecurity on Schneider Electric sites and systems: as Schneider is a supplier of connected components and software for complex, digital solutions, the company is a potential target for cyberattacks aimed at reaching its customer’s systems. Therefore, Schneider considers this risk as high, and top of the agenda for its support to customers.

Low to medium risk: local communities

The ongoing risk evaluation for communities living around Schneider Electric sites (factories, offices) demonstrates that the level of risk is mostly low to medium, as Schneider Electric operations are usually located in large, well-structured urban areas. A very limited number of production sites may be an exception to this, and they are the subject of a specific review.

As regards customer projects, the review of a sample of large projects shows that in most instances, impacts on local communities are limited. However, in a few specific cases, interactions with communities are significant, and require greater attention. As these projects are usually very different from one another, a “customized” approach is necessary, both for risk evaluation, and selection of mitigation actions.

Special mention of Carbon emissions for customers (scope 3)

Since the beginning of the vigilance plan in 2017, the focus has been on Schneider operations, on the upstream supply chain and the transformation programs associated (supplier vigilance, contractors, The Zero Carbon Project, Decent Work, etc.). The downstream part of the supply chain has not yet been the subject of an evaluation from a Human Rights perspective. However it has been analyzed from the perspective of climate and CO₂ emissions. Scope 3 carbon emissions have been quantified, and several major action plans are deployed as part of Schneider’s Net Zero Commitment. Schneider considers that acting on carbon and climate are key responsibilities of the company. The Duty of Vigilance section does not provide details of these measures. For more information, please see page 148 of the 2022 Universal Registration Document.

Comparison of the 2022 analysis with 2021:

The following items have evolved:

- Psycho-social risks are increasing. Although this is difficult to quantify, the impact of a complex business environment and the pressure it entails is having consequences on employee well-being and mental health. This subject is carefully monitored at global and local level;
- Business Ethics is also at risk due to the highly competitive pressure commercial teams are facing;

Given the increasing complexity of regulatory environment, combined with the increased sophistication of the Group’s software and systems, the subject of data privacy (employees and customers) is also the subject of specific attention;

Schneider is using an independent database and risk assessment methodology for its suppliers from the Responsible Business Alliance (RBA). In 2022, RBA reviewed some of the parameters used in its database. Some of the adjustments are merely “technical”, and some others reflect a slight degradation of risk parameters for specific categories of suppliers. The consequence for Schneider is that the number of “risky suppliers” increased from 1,300 to 3,000. In response, Schneider’s on-site supplier audit program remains focused on the top 1,300 risky suppliers. The 1,700 remaining suppliers are covered by the digital self-assessment tool; which allows to monitor suppliers that may become eligible for an on-site audit (see more details in the section “Vigilance plan for suppliers” later in this report).

2023 German Law on Supply Chain Due Diligence: Schneider Electric has significant operations in Germany and is subject to the new vigilance law that came into force in January 2023. The specific requirements of this law are being integrated into the global Vigilance Plan.
### Schneider Electric 2022 vigilance risk matrix

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

<table>
<thead>
<tr>
<th></th>
<th>Schneider Electric sites</th>
<th>Suppliers</th>
<th>Contractors</th>
<th>Communities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human rights</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decent workplace</td>
<td>![Risk Matrix]</td>
<td>![Risk Matrix]</td>
<td>![Risk Matrix]</td>
<td>![Risk Matrix]</td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pollution and specific substances management</td>
<td>![Risk Matrix]</td>
<td>![Risk Matrix]</td>
<td>![Risk Matrix]</td>
<td>![Risk Matrix]</td>
</tr>
<tr>
<td><strong>Business Ethics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alert system, protection and non-retaliation</td>
<td>![Risk Matrix]</td>
<td>![Risk Matrix]</td>
<td>![Risk Matrix]</td>
<td>![Risk Matrix]</td>
</tr>
</tbody>
</table>
### 10.5 Actions and impacts

The following measures are the main actions implemented to mitigate the highest risks identified in the vigilance risk matrix.

<table>
<thead>
<tr>
<th>Key Topics</th>
<th>Risk Categories</th>
<th>Policies implemented and Mitigation Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schneider Electric sites</td>
<td>Human rights</td>
<td>Decent workplace</td>
</tr>
<tr>
<td></td>
<td>Health and Safety</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Environment</td>
<td>Pollution and specific substances management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Waste and circularity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Energy CO2 and GHG</td>
</tr>
<tr>
<td></td>
<td>Business Ethics</td>
<td>Ethical Business Conduct</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Alert system, protection and non-retaliation</td>
</tr>
<tr>
<td></td>
<td>Offer safety</td>
<td>Offer safety</td>
</tr>
<tr>
<td></td>
<td>Cybersecurity and Data privacy</td>
<td>Cybersecurity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Data privacy</td>
</tr>
<tr>
<td></td>
<td>Suppliers</td>
<td>Supplier vigilance</td>
</tr>
<tr>
<td></td>
<td>Subcontractors</td>
<td>Subcontractors vigilance</td>
</tr>
<tr>
<td>Local Communities</td>
<td>Around Schneider Electric sites</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Around customer projects sites</td>
<td></td>
</tr>
</tbody>
</table>
11 Relationships with project execution contractors

11.1 Context

Schneider Electric’s products and solutions are usually combined into larger systems such as electricity distribution and energy management in a building, or production process automation in a factory. The building of such systems can be complex and typically involves several different parties before they are commissioned by end customers.

For Schneider Electric, there are two options: to sell components through channel partners who take the responsibility to build and deliver the system; or to build and deliver the system directly for the end customer, as a project. This second option requires coordinating several project contractors (panel manufacturers, system integrators, building contractors, etc.), usually on the premises of the end customer. The common characteristics of these projects are that they happen primarily off-site (mostly on customer premises, existing or future), and they involve several different parties, global or local, bringing their added value. Each project is unique in its size, duration, and location.

Therefore, relationships with contractors are specific to a contract, and not necessarily recurrent. In 2022, Schneider Electric worked with approximately 10,000 solution suppliers in the Group’s portfolio (with a total spend of approximately €1 billion; please note that not all of them may be simultaneously active during a year).

11.2 Risks and opportunities

Human Rights: as project sites are located in countries where Schneider Electric may not be present, and involve independent subcontractors, there is a risk that the standard policies recommended by Schneider Electric in terms of health and safety, as well as decent workplace, may not be properly implemented. The main risks are physical accidents and injuries, or the improper treatment of employees (wages and salaries, resting time), especially temporary and/or foreign employees.

Business Ethics: Projects that are conducted in countries where business ethics standards are insufficient may be subject to ethical risks such as corruption, bribery, or pressures of a similar nature.

Cybersecurity: Some subcontractors may have digital interactions with the end customer and Schneider Electric at the same time. Therefore, their level of cybersecurity and data protection may create some risks for the project and the final customer.

A rigorous management of subcontractors supports a reduction in risks of incidents or accidents on site, and therefore protects workers, the communities living around the project site, and the final customer’s employees and assets.

11.3 Group policy and governance

In 2021, to further anticipate and reinforce its risk mitigation measures, the Group introduced an evolution of its project decision-making process. The aim is to include a risk assessment of human rights and environmental impacts at all key milestones of the process, and to select the mitigation measures that will enable Schneider Electric to reduce these risks. During the execution of the project, a regular review of the efficiency and effectiveness of these measures will be conducted. This process evolution has been implemented in pilot mode to project reviews in 2022, on a selection of projects based on their size. The process will be gradually enlarged based on the pilot’s result.

The overall governance for this topic is under the responsibility of the Duty of Vigilance steering committee. The implementation of actions is a joint responsibility between procurement teams and global customer projects teams.

11.4 Actions and impacts

Out of the 10,000 solutions suppliers, Schneider Electric has identified about 130 solution suppliers categorized as “high risk.” Since 2018, around 80 of those suppliers have been audited, with 17 audits performed in 2022 leading to Schneider raising 190 non-conformances. Out of these non-conformances, 7 were assessed as “top priority” for two suppliers.

The most recurring non-conformances with high-risk solution contractors are related to labor, in particular terms of working contract which needs to be provided in writing and in workers’ native language, and working hours which need to be better controlled not to exceeding standard.

As a consequence of 2022 audits, it has been decided to stop business with one solution supplier.

In addition to these non-conformances, specific risks related to local contract negotiation and relations with local authorities may occur.

Actions following non-conformances are the same as with other suppliers (re-audits, trainings, workshops). Specific measures are implemented for this project environment: Schneider Electric implements regular reviews of safety incidents on customers’ sites, involving the Global Safety team and the Project Management leadership. The Group has also reinforced training on Anti-Corruption and Business Agent policies for its employees involved in commercial negotiations. The project follow-up with contractors and the selection processes for contractors have been adapted to ensure vigilance topics are considered early in the project stage.
12 Sustainable relationships with suppliers

12.1 Context

Schneider Electric is the most local of global companies, with a presence in more than 100+ countries and a revenue and employee footprint almost evenly distributed across major geographies. While this provides a balanced market position, it also results in a supply base that is almost evenly distributed across the world. In 2022, Schneider Electric sourced goods and services from more than 53,000 suppliers, across more than 60 categories amounting to approximately €16 billion. This diverse supply base represents a unique combination of mature companies operating on a global scale, to small & medium scale enterprises serving local or niche markets and categories which require simple assembly to complex manufacturing activities. Deeply committed to advance all UN SDGs, and delivering solutions for sustainability and efficiency, Schneider Electric is in a unique position to influence and support its supply chain partners to progress and embrace more sustainable social and environmental practices.

12.2 Risks and opportunities

Owing to the location, size and nature of the Group’s operations, its operating environment is directly impacted by climate change, resource scarcity and human rights issues across its global supply base. While the impact of Schneider’s own operations is relatively limited, the footprint of its wider supply chain is more significant and affected by the evolving trends. As an example, GHG emissions from its upstream supply chain is estimated to be 25 times higher than its operations emissions.

By taking a combined approach to proactively managing upstream supplier risks through Schneider Electric’s Vigilance plan, while also driving ambitious Sustainable Development programs and processes, Schneider Electric secures its business resilience and increases its attractiveness to customers, investors or new talents.

Key risks identified by the Vigilance risk assessment include human rights (in particular safety at work, decent workplace and labor standards), CO2 emissions (especially coming from the transformation of raw materials into components and their transport), and pollution risks linked with some specific purchases categories.

12.3 Group policy and governance

Our global procurement mission aims to strongly align with our company strategy of delivering customer value through transformation of energy management. We will do this by contributing to top line and bottom line growth, while establishing a leadership position in sustainable sourcing. Our key priorities of Quality, Innovation, Cost, Cash and Sustainability are strongly supported by our people, our Tailored, Connected, Sustainable Supply Chain and Digitization. As a key part of our end-to-end supply chain, we count on our suppliers to be strong contributors across all aspects of performance.

Schneider Electric embeds sustainability at every stage of supplier lifecycle. It starts with the mission of the global procurement organization, which embodies sustainability in its core. In addition to top line growth and bottom-line impact, sustainability in sourcing operations is one of the three key enablers for procurement function and firmly institutionalized.

In order to sensitize all current and potential suppliers about expectations and various stages of collaboration with Schneider Electric, a Guide Book is documented, initially launched in 2016 and updated regularly. The document articulates expectations for suppliers on sustainable development in the following five areas: environment, fair and ethical business practices, sustainable procurement, labor practices, and human rights and subsequently dwells on various stages for approval, qualification, and performance evaluation.

Consult and download Schneider’s Supplier Guidebook on the Suppliers page on www.se.com

Supplier collaboration steps

Schneider Electric deploys a three-step process comprising of Supplier Approval Module (SAM), Supplier Qualification Module (SQM) and Supplier Performance Module (SPM), to qualify new and legacy suppliers for continued business association, where Sustainability performance is a key evaluation criteria.

Supplier Approval Module (SAM)

The journey of a new supplier starts with the SAM. This module has a dedicated evaluation on labor, ethics, environment, and occupational health & safety, in addition to other elements. It is a questionnaire-based evaluation combined with on-site audits by Schneider Electric auditors. For all new suppliers, it is mandatory to undergo this evaluation and only approved partners can proceed to next stage of functional and technical audits required for business qualification. Legacy suppliers are also required to periodically renew the approval module.

Supplier Risk Management (SRiM)

The SAM assessment results have an impact on the overall risk profile of the supplier managed by the SRiM process. Suppliers with low and medium risk are favored for business association, and those with high risk are requested to work on risk mitigation plan.

Supplier Qualification Module (SQM)

Post the successful approval module the suppliers undergo SQM, which evaluates the technical feasibility with respect to the supplies, and after successful completion the supplier can begin the commercial association by supplying products to Schneider Electric.

Supplier Performance Module (SPM)

During the commercial stage the performance of supplier is constantly evaluated by the SPM. Different functional teams evaluate different performance parameters, including sustainability as one of the pillars and the overall performance has an impact on the nature of business relationship (strategic or non-strategic).
Schneider Supplier Portal—Supplier Relationship Management (SSP-SRM)

The results of approval and performance evaluation are available in real time on the Schneider Electric supplier portal (SSP-SRM) and are accessible to global supply chain community, making supplier interactions/decisions more fluid and preventing any supplier with poor sustainability performance from entering into the supply base.

The supplier performance is tracked by Schneider Electric supplier leaders on a monthly or pluri-annual basis depending on the severity of the risks and classification of the supplier. All business reviews with suppliers and internal functional business reviews with department Executives cover the sustainability performance as a key criteria of evaluation.

General Procurement Terms and Conditions

All Schneider Electric suppliers must abide by the General Procurement Terms and Conditions: each supplier undertakes to apply the principles and guidelines of the ISO 26000, the rules defined in the ISO 14001 standard.

Suppliers also commit to respect all national legislation / regulations, REACH regulation, RoHS directives, and, more generally, the laws and regulations relating to the prohibition or restriction of use of certain products or substances. Lastly, suppliers are expected to report the presence and country of origin of any and all conflict minerals supplies in accordance with the requirements of the US Dodd-Frank Act of 2010 known as the “Conflict Minerals” law. In this context, Schneider Electric has a “conflict-free” objective.

Supplier Code of Conduct

The foundation of Schneider Electric’s sustainability ambition is its own Supplier Code of Conduct. It is the mother document of all supplier relationships and lists out the basic expectations with its suppliers across, but not limited to, environment, human rights and decent work, fair business practices, sustainability procurements, occupation health and safety. The document also provides access to remedy by means of Trust Line, which is the ethics hotline of Schneider Electric. Any partner can access this help line to raise concern associated with ethical or sustainability standards with respect to business association. The Supplier Code of Conduct is also included in General Terms & Conditions, and in all other contractual documents.

Consult and download Schneider Supplier Code of Conduct from the Suppliers page on www.se.com

12.4 Sustainable Procurement framework and strategy

Schneider Electric has deployed a Sustainable Procurement Framework, which institutionalizes strong governance mechanism to proactively screen, identify and mitigate sustainability risk from suppliers and embed preventive controls into the procurement processes and integrate in the day-to-day operations. This ensures sustainability is embedded in the routine operational activities of all procurement team working around the world.

The framework also identifies thematic areas across ESG spectrum, where Schneider Electric has material impact and can play an industry transforming role. Collaborating and engaging with supply partners to develop maturity on climate action, circularity, human rights and challenging status-quo allows to unlock newer areas of growth. The Group’s ambitious sustainability roadmap leads its partners to define the next wave of evolution of industry, making them fore-runners who shape the future. This pursuit of sustainability helps identify new and several hidden avenues of efficiency, operational improvement and creating and capturing new markets, which provide competitive advantage and positively correlate with financial performance. All engagements within Schneider Electric and its supply base establish that sustainability is good for business and has to be looked at as an opportunity.

For more details please visit se.com/ww/en/about-us/suppliers.

For Indirect Procurement, Quality, Delivery & Logistics are merged into 1 dimension: Service Level
## Sustainable Procurement Framework 2021–2025

### Vision:
Collaborate with global supplier network for an inclusive and carbon neutral world, where ecosystems and resources are preserved, and people get access to economic opportunities and decent lives.

<table>
<thead>
<tr>
<th>Environment</th>
<th>Social</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Zero Carbon Project</strong></td>
<td><strong>Green Materials</strong></td>
<td><strong>Conflict Mineral/Cobalt</strong></td>
</tr>
<tr>
<td>Reduce CO₂ emissions from top 1000 suppliers’ operations by 50%</td>
<td>Increase green material content in our products to 50%</td>
<td>100% strategic suppliers provide decent work to their employees</td>
</tr>
<tr>
<td>(SSI #3)</td>
<td>(SSI #4)</td>
<td>(SSI #5)</td>
</tr>
<tr>
<td><strong>Sustainable Packaging</strong></td>
<td><strong>REACH/ROHS</strong></td>
<td><strong>Decent Work</strong></td>
</tr>
<tr>
<td>100% packaging uses recycled cardboard &amp; no single-use plastic</td>
<td>Continued adherence and compliance to regulations governing hazardous materials and conflict minerals</td>
<td>Deploy a “social excellence” program through multiple tier of suppliers</td>
</tr>
<tr>
<td>(SSI #6)</td>
<td>(SSI #12)</td>
<td></td>
</tr>
</tbody>
</table>

ISO26000: Improve sustainability profile of suppliers though leading ESG practices (strategic suppliers)

Duty of Vigilance: 4,000 suppliers assessed under Vigilance Program (SSE #17)

Supplier Code of Conduct: Summarizes the most fundamental requirements from Schneider Electric towards its Suppliers

### 12.5 Vigilance plan for suppliers

#### Supplier risk categories and audit plan

In order to evaluate and mitigate the sustainability risk from its global suppliers, Schneider Electric conducts a risk evaluation of its entire supply base on an annual basis. This evaluation covers sustainability risks and specific parameters such as the type of industrial process used by the suppliers, their technology, and the geographic location. This allows the Group to factor in risks that may arise from a country’s specific situation (social, political, etc.). These parameters are compiled in a third-party independent database (Responsible Business Alliance methodology, RBA, ex-EICC, of which Schneider Electric has been a member since January 2018). Schneider Electric’s entire network of about 53,000 tier 1 suppliers is processed through this methodology and is refreshed every year with the new supplier baseline in order to identify high risk suppliers.

**Overall plan**

The audit plan started in 2018. 2020 was the third year of implementation and Schneider Electric completed 3 years schedule with 374 audits.

From 2021 to 2025, Schneider Electric has defined new objectives as part of its sustainability strategy: expanding from the previous plan, the Group set an objective to conduct 1,000 on-site audits of high-risk suppliers and deploy 3,000 self-assessment audits for other suppliers not in the high-risk category. This audit plan is integrated into the Schneider Sustainability Essentials (SSE #17) and progress is externally assured and published each year.

For the Group’s 2022 plan, about 1,300 “high risk” suppliers have been identified; this number varies depending on the year.
**On-site audits**

Schneider Electric’s on-site audit questionnaire and audit methodology are fully aligned with the RBA framework. The RBA framework is linked to the Duty of Vigilance risk matrix categories as follow:

- Human Rights and decent workplace: 36 questions
- Health and safety: 40 questions
- Environment: 21 questions
- Offer Safety: non-applicable in RBA framework. More details about Schneider’s quality strategy are provided in section “6 High standards for the quality and safety of our products” page 13.
- Business Conduct: 11 questions
- Cybersecurity: non-applicable in RBA framework. More details about Schneider’s end-to-end cybersecurity approach are provided in section “7 Digital trust and security” page 16.

In 2022, despite COVID-19 travel restrictions during the first part of the year, notably in Asia, the Group conducted 223 initial on-site audits with suppliers (audits conducted for the first time with a supplier). These audits allow Schneider Electric to identify non-conformances and request the supplier to implement corrective actions. Re-audits were then conducted to review the corrective actions implemented to remediate non-conformances identified during the initial audit and validate the closure.

Information and findings regarding on-site audits with new suppliers are described below.

Most non-conformances in 2022 were related to health and safety, labor standards and management systems (32%, 27%, and 23% respectively). Graph 3 provides the breakdown of non-conformances by topic and graph 4 by geography.

For the most serious non-conformances, each case is escalated to the Chief Procurement Officer level. An analysis of the 172 “top priorities” raised in 2022 shows the following issues are the most recurring:

- Labor standards (47% of top priority non-conformance issues): lack of respect of working time and resting days (time measurement systems are often insufficient); poor overtime reporting and payment; lack of formalization of working contracts.
- Health and safety (44% of top priority non-conformance issues): weak emergency procedures; insufficient emergency training issues and preparation drills; insufficient fire alarm and protection systems; lack of medical response equipment.
- Environment and management systems (9% of top priorities): lack of administrative compliance, management tools, and systems; and insufficient waste management and pollution prevention systems.

As of end of 2022, Schneider Electric has closed 90% of 2021 and 28% of 2022 non-conformances (all types). Schneider Electric’s approach is to help suppliers remediate the issues by sharing good practices and providing them with guidance and training. When non-conformances are not remediated (mainly top priorities), escalation to the Chief Procurement Officer may lead to the end of the business relationship. In 2022, two relationships with suppliers were terminated, including a contractor for project execution.

In 2022, Schneider Electric implemented a program to review a selected number of audits that were carried out in previous years to review whether the non-conformances resolution measures were still in place and durable. So far, no major drift has been identified, confirming the efficiency of the program.

**Self-assessments**

In 2021, a specific self-assessment questionnaire was developed, building on the experiences of on-site audits performed during previous years. Among the questions asked, the core ones aim to check whether the suppliers are compliant on mandatory subjects of labor, human rights, environment, and health and safety. The two main goals of this assessment are to help the supplier to reflect on its compliance to vigilance standards, and for Schneider Electric to identify whether on-site audits may be necessary.

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**Trust**

**SSE #17**

4,000 suppliers assessed under our ‘Vigilance Program’

Overall, the resolution of non-conformances identified since the program’s inception in 2017 has supported the improvement of the working conditions for 250,000 employees.

- Decent Work: during an audit, Schneider Electric identified a medium size company active in plastic molding that did not correctly pay overtime to workers. The overtime was measured, but not paid in full as it should have been. The supplier acknowledged the situation and proceeded to recalculate the amounts due. Two months after the audit, the situation was corrected. After the re-audit, Schneider Electric validated the resolution, and the non-conformance was closed. The supplier now precisely tracks the working hours and makes payment of overtime at the legal rate.
- Health & Safety: during an audit, Schneider Electric’s auditor noticed that the fire alarm/fire detection system was not operative. An analysis of the root cause showed that the emergency activation point was blocked. The supplier worked with its safety contractor to analyze the root cause, and subsequently implement remediation actions. A comprehensive maintenance plan was implemented following this event. After two months, a re-audit was carried out to verify compliance and Schneider Electric decided to close the nonconformance.

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**2020 Baseline 2022 Progress 2025 target**

<table>
<thead>
<tr>
<th></th>
<th>2020 Baseline</th>
<th>2022 Progress</th>
<th>2025 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 Baseline</td>
<td>374</td>
<td>2,083</td>
<td>4,000</td>
</tr>
</tbody>
</table>
During 2021, 624 suppliers submitted answers, and 657 in 2022. Procurement teams reviewed the answers and identified a few suppliers where on-site audits were conducted to ensure suppliers have implemented corrective actions.

In order to reinforce the co-ordination between Schneider Electric teams and suppliers on vigilance topics, a specific training program has been implemented. The primary target audience is the Schneider Electric Procurement team, and the training modules aim to increase their knowledge on the nature of risks, so they can integrate these topics early in the discussions with suppliers. At the end of 2022, approximately 800 employees have taken this training. These trainings combine in-class experience with e-learning sessions.

To raise suppliers’ awareness, improve their ability to identify risks earlier, and implement mitigation solutions, Schneider Electric organized face-to-face workshops dedicated to vigilance subjects. At the end of 2022, approximately 1,000 supplier team members had attended these events. These sessions include in-class face-to-face workshops and digital webinars.

Impact

From the beginning of the program in 2017 to the end of 2022, about 800 suppliers had been audited on site, and 10,000+ non-conformances were raised, and subsequently remediated. Most were related to health and safety and labor issues. Among the most serious ones are issues of fire safety, protection of workers from accidents and injuries, respect of a decent working time including proper resting periods and payment of overtime.

Schneider Electric is well on track to reach the new target. The 223 on site audits performed in 2022 have allowed Schneider to raise 2,700+ non-conformances. Out of these non-conformances, 170+ are assessed as “top priority” and are given very specific attention during the re-audits of the suppliers. Schneider Electric’s objective is to close 100% of all types of non-conformances identified, whatever their priority level.
12.6 Promotion of a continuous improvement process based on the ISO 26000 standard for strategic suppliers

Sustainable development is one of the pillars to measure supplier performance, allowing the highest-performing suppliers to become and remain “strategic” suppliers. Performance resulting from the EcoVadis / ISO26000 evaluation is a key element of the sustainable development strategy and SRiM process. The results of the assessment are an integral part of the business reviews scheduled between buyers and suppliers on a quarterly to yearly basis. The goal is to share with suppliers all improvement plans to put in place before next assessment, in order to improve all aspects of their sustainability posture, based on facts and clear recommendations.

The Group has set out to engage all its strategic suppliers in a process of continuous improvement in sustainability. At the end of 2022, strategic suppliers represented c. 55% of Schneider Electric’s purchases volume. Strategic suppliers who have passed the third-party evaluation process cover 70%+ of total strategic purchasing volume.

In 2018, the Group took on the ambitious target of achieving +5 points out of 100 in the average ISO 26000 assessment score of its strategic suppliers between 2018 and 2020 as part of the SSI. In 2019, this target was raised to +5.5 points. At the end of 2020, +6.3 points were achieved, with an average of 57.4 points.

The new ambition for 2021 – 2025 is to raise the bar even higher to achieve an average of 65 points within 5 years.

2021 end of year result was +1.3 points with an average of 58.7 points, and , the target set at +1.6 points was achieved, so to reach 60.3/100 average score. Overall, since end 2017 the average ISO26000 score of Schneider’s strategic suppliers has increased by more than 9 points.

ISO 26000 Program Progress

<table>
<thead>
<tr>
<th>Year</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>51.1</td>
</tr>
<tr>
<td>2018</td>
<td>52.9</td>
</tr>
<tr>
<td>2019</td>
<td>54.6</td>
</tr>
<tr>
<td>2020</td>
<td>57.4</td>
</tr>
<tr>
<td>2021</td>
<td>57</td>
</tr>
<tr>
<td>2022</td>
<td>60.2</td>
</tr>
<tr>
<td>2025</td>
<td>65.0</td>
</tr>
</tbody>
</table>

Note that average score of companies assessed by EcoVadis more than 100,000 companies is approximately 45 points. It means Schneider’s strategic suppliers sustainability position is much more mature than the global average.

12.7 Conflict Minerals program

In August 2012, the US Securities and Exchange Commission (SEC) adopted the Conflict Minerals rule as part of the Wall Street Reform and Consumer Protection Act. As defined by the legislation, “conflict minerals” include the metals tantalum, tin, tungsten, and gold, often called “3TG”, which are the extracts of the minerals cassiterite, columbite-tantalite, and wolframite, respectively. The legislation focuses on the sourcing of these minerals to be “DRC conflict free” – meaning when these minerals were extracted, they did not directly or indirectly benefit armed groups in the Democratic Republic of Congo (DRC) and adjoining countries. This rule requires companies to conduct a “reasonable country of minerals’ origin inquiry” and due diligence to determine whether “conflict minerals”, as defined in the rule, are used in their supply chain.

Although the US SEC Conflict Minerals rule does not apply directly to Schneider Electric – since it is not registered with the US SEC – it is deeply concerned about social and environmental conditions in some mines that could supply metals for its products. As part of the Group’s sustainable business practices, it is committed to increasing its responsible metal sourcing efforts.

In working towards these commitments, Schneider Electric has taken numerous steps including:

- Updating its Procurement Terms and Conditions to reflect its expectations of suppliers.
- Establishing a “Conflict Minerals Compliance program” supported and sponsored by its top leadership. This program was developed based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Areas (CAHRA) and other appropriate international standards, which covers a wider scope of minerals and countries.
- Identifying the use of conflict minerals in its products.
- Engaging with its suppliers so that they respond in a timely manner to its requests for evidence of compliance.
- Participating in smelter outreach program.

Schneider Electric is working with an expert third party, collecting information from its suppliers to identify the source of the minerals in question and ensure they are recognized as “conflict-free” within established international standards such as the Responsible Minerals Initiative (RMI), the London Bullion Market Association (LBMA), and others. The Group is aware of the complexity of this task, and that it will take time to collect the required information, but it is committed to contributing to this responsible sourcing initiative as well as responding to its customers’ potential concerns.
Driving responsible business with Trust

At the end of 2022, 88% of the smelters and refiners identified in Schneider Electric’s supply chain were designated as compliant with a recognized third-party validation scheme or actively engaging in same approach (equivalent to approximately 67% of the relevant spend being compliant). The reduction of 14% points is due to the ongoing war in Ukraine and the campaign is still ongoing, and the Group is still working on eliminating all unwanted smelters from its supply chain. At the time of the creation of this report the due diligence process is still ongoing and the campaign will close at the end of February 2023. Schneider Electric is actively working with its suppliers and closely monitors its supply chain to comply with the Conflict Minerals regulations and meet the Customers’ expectations as much as possible. Based on current knowledge, the Group has no reason to believe that any conflict minerals the Group sourced, have directly or indirectly financed or benefitted armed conflict in the covered countries, nor supported illegally operating or sanctioned entities.

Another example is Schneider’s commitment to supporting the small and medium enterprises (SME) network. This support is enabled by working in an adapted manner with certain suppliers. In France, Schneider Electric is a major player in the International SME Pact.

Finally, by the very nature of its activity, the Group continually encourages its ecosystem (including customers and suppliers) to implement energy efficient solutions.

12.9 The Zero Carbon Project (SSI #3)

In 2022 Schneider Electric’s new Net-Zero commitment was validated by the Science Based Targets initiative. The Group aims to reduce its scope 3 emissions by 25% by 2030 and by 90% by 2050 against a 2021 baseline. This means that all Schneider factories and transportation, and those of its suppliers in the entire upstream value chain need to transition towards operating without using any fossil fuel and run only on clean energy. To achieve this ambitious target, as a first step Schneider has launched The Zero Carbon Project, which aims to cut 50% of operational carbon emissions from its top 1,000 suppliers by 2025 (SSI #3). At the end of 2022 SSI #3 achieved a remarkable 10% performance and has laid the ground to accelerate decarbonization in the coming years.

Consult our webpage dedicated to The Zero Carbon Project from the Sustainability section on www.se.com

12.10 Green materials (SSI #4) and sustainable packaging (SSI #5)

Green Materials (SSI #4)

Similarly, an initiative has been launched to increase the proportion of green material in Schneider products to 50% by 2025 (SSI #4).

The scope of this initiative currently includes about 30% of Schneider’s procurement volume:

- thermoplastics (direct and indirect purchase);
- steel (direct purchase); and
- aluminum (direct purchase).

Other kinds of materials such as steel purchased as fabricated components, other non-ferrous metals (such as copper, silver or brass), and thermoset, both direct and indirect procurement, will be considered for the next phases. At the end of 2022, 18% of materials in scope were qualified as “Green”, following specific criteria.

For thermoplastics, the 2022 performance was achieved mainly by embedding recycled plastics in products and by obtaining supplier proof for both recycled and green flame retardant.

Cobalt and Mica program

Mid-2020, Schneider Electric added cobalt to its Conflict Minerals Compliance program and added Mica in 2021, shifting to Extended Minerals Program. Cobalt and Mica sales have been identified as potentially funding or supporting inhumane treatment, including human trafficking, slavery, forced labor, child labor, torture, and war crimes in known CAHRA. These areas are identified by the presence of armed conflict, widespread violence, or other risks of harm to people, and are often characterized by widespread human rights abuses and violations of national or international law.

The program is focusing on the responsible sourcing of cobalt used as a key element for lithium-ion batteries in Schneider Electric’s supply chain. With 64% data collected (that is relevant to 90% of the spend of selected suppliers), 100% of the smelters and refiners identified in the Group’s supply chain were designated as compliant with a recognized third-party validation scheme or actively engaging in same approach. Therefore, the Group has no reason to believe that any Cobalt or Mica the Group sourced, have directly or indirectly financed or benefitted armed conflict in the covered countries, nor supported illegally operating or sanctioned entities.

Consult the page dedicated to Suppliers on www.se.com

12.8 REACH and RoHS

Schneider Electric is rolling out several eco-responsible initiatives with its suppliers.

For example, Schneider has chosen to go further than the European REACH and RoHS regulations. The approach is rolled out in the Group over the whole product portfolio and to all suppliers, regardless of their geographic origin. To support the REACH and RoHS projects, Schneider has implemented a data collection process supported by a dedicated team to gather the required information from its suppliers. This has allowed it to significantly reduce its response time to collect such information and therefore be quicker to respond to its customers’ inquiries. In addition to data collection, the Group put in place a review process for this data to guarantee its quality. Through this process, the level of verification required for a given supplier can be adjusted in order to make the controls more stringent in cases where deviations have been detected.
For steel, good progress was made, notably due to the certification of large steel suppliers to Responsible Steel in 2022, as well as sourcing from suppliers using Electric Arc Furnaces.

For aluminum a similar approach to the one for steel will be applied, focusing on building trust and transparency with suppliers.

**Sustainable Packaging (SSI #5)**

Resource efficiency and conservation are the underlying principles that guide all actions at Schneider. During the period of 2018 – 2020 the Company implemented an initiative to successfully move to 99% of cardboard and pallets used in the transport of goods to be sourced from recycled or certified sources.

In 2021, this ambition was extended to use recycled cardboard in all primary and secondary packaging and remove all single use plastic from Schneider packaging by 2025 (SSI #5). To achieve this transformation, a two-pronged approach is deployed. On the one hand, a cross functional team is deployed to review the packaging design and explore and authorize the use of alternate materials for packaging; on the other hand, various procurement teams engage with suppliers across regions to ensure the deployment of the roadmap by the suppliers to meet the prescribed requirements.

To ensure streamlined actions, dedicated categories of packaging material were identified to be included in the transformation. As a result of concerted efforts by various teams, over 45% of the packaging spend in scope was attributed to sustainable packaging and the end of 2022, vs 21% end 2021.

**12.11 Decent work**

**Context**

Supply chains power the economic engine of the world. On the one hand they help companies leverage the global capabilities and benefit from collective genius; on the other hand, they help economies progress and engage in global commerce. However, the benefits of this global integration are often unequally distributed. One of the areas where this is prominent is working conditions and rights available to the workers in their workplace.

**Working condition crisis**

Studies and research across the world have shown that mere involvement in global commerce is not sufficient to uplift underprivileged populations. According to the United Nations, over 700 million workers lived in extreme or moderate poverty in 2018 and as per estimates by civil society organizations, more than 50 million people are trapped in modern day slavery worldwide, with more than 70% being women and children. The COVID-19 onslaught had a catastrophic impact on employment conditions. A survey by the United Nations Global Compact revealed that global labor income declined by an average of 10% in the first three quarters of 2020 compared with 2019. Widespread job losses and loss of earning members increase insecurity, making workers vulnerable to poor and exploitative working conditions. The scale of this challenge is too great to be handled by governments alone. Corporations need to take responsibility and do their part in ensuring that worker rights are respected universally.

**Decent Work Program**

The extent and severity of the crisis requires a systematic, broad based, ecosystem approach and not simple rectification of observed malpractices. The focus needs to be opening dialogue and normalizing universal worker rights irrespective of the geography or the context of employment.

The Decent Work Program focuses on engaging suppliers to protect worker rights, going beyond the regulatory requirements and prevailing normative practices. The initiative is aimed at implementing preventive controls that act as an additional buffer against any potential violations and reduce the likelihood of any malpractices. Gradually, such actions need to become the new norm for evaluating performance of the supply chain.

The key requirements of the initiative are based on the principles of decent work, promulgated by the International Labour Organization (ILO), and also leverage concurrent issues, to make it comprehensive. The details of the 10 pillars forming the foundation of the program are outlined on the next page.

**Implementation**

The scope of the program includes strategic suppliers across direct (also known as production) and indirect (known as non-production) procurement.

The initiative adopts the approach of a development program, acknowledging that the program criteria may be new for many suppliers and Schneider Electric will need to support them by handholding, capacity building, and constant engagement for implementation. To facilitate the execution by suppliers in a gradual way, the program is split in two stages.
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The evaluation of supplier performance will be carried out through an online questionnaire that is rolled out via SSP-SRM – Schneider’s supplier relationship portal. A specifically trained team of associates from the Global Procurement Services (GPS) lead the launch of the initiative. The suppliers are required to respond to the questions and upload evidence to support the responses. All responses and accompanying evidence are evaluated to meet the minimum criteria of decent work. In cases where the supplier actions do not meet the minimum requirements, feedback is given, and corrective actions need to be implemented by the suppliers in a timely manner. Upon rectification, the information needs to be resubmitted along with the evidence for the re-evaluation.

To formally record suppliers’ commitment to the Decent Work Program, a participation confirmation survey is sent to the suppliers. Once the supplier responds in the affirmative, the decent work program stage 1 survey is sent to them for participation.

During the year, 765 suppliers were invited to participate in the Decent Work Program and by the end of 2022, more than 525 suppliers agreed to join the program, and engagements are underway to onboard other eligible suppliers. Owing to the dynamic nature of the supplier categorization, Schneider Electric will review the list of eligible suppliers on an annual basis and ensure inclusion of relevant suppliers in the program. In addition to English, the program requirements were also translated into Mandarin, including trainings to ensure adequate coverage for suppliers.

12.12 Supplier diversity program in the United States

Schneider Electric’s US supplier diversity program strives to identify, include, and engage qualified diverse suppliers to support the company’s goals and foster equal opportunities.

Schneider Electric US is in constant pursuit of qualified businesses that are certified as one, or more, of the following business classifications and provide quality products and services at competitive prices:

- Small Business Enterprise (SBE);
- Veteran (VET);
- Minority-Owned Enterprise (MBE);
- Women-Owned Enterprise (WBE);
- Historically Underutilized Business Zones (HUBZone);
- LGBTQ+-Owned Enterprises (LGBTBE)

As of end of December 2022, the Group is on target to spend more than 4% of its total US Procurement spend with uniquely diverse businesses. This represents an increase of nearly 0.5% vs. 2021. Schneider Electric is aware of the work it has to do in this area and is committed to growing its program within, and outside, the US to bring more opportunities to the diverse business community.

In 2022, Schneider Electric enhanced its Supplier Diversity program in the following directions:

- Expanded relationships with supplier diversity partner organizations
- Performed data cleansing exercises quarterly to reflect the diversity more accurately in its supply chain
- Updated policies, procedures and web site content to more fully articulate its efforts in supplier diversity
- Conducted robust training across the North America organization for both procurement and other employees who have authority to purchase goods/services on behalf of the company
Key pillars of the Decent Work program include:

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<tr>
<td>1.</td>
<td><strong>Employment opportunities</strong> Employment opportunities should be available to all eligible, in a transparent, well-informed manner, and without any charges, as a right. In case of any expense incurred by the worker towards obtaining employment, the same should be reimbursed by the employer. The work should respect and uphold the dignity of employees and proactively create an environment to address and resolve modern slavery, forced labor, and bonded labor. There should be a process to ensure no child is employed.</td>
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<td>2.</td>
<td><strong>Adequate earnings and productive work</strong> Employment should be a source of economic independence and dignified living. The gradual decline of industrial wages and the COVID-19 crisis have severely impacted the economic outlook of the workforce, globally. Companies should review wage policies to ensure the affordability of a dignified living by the workers. Additionally, employment should equip the workforce to improve current skill sets and knowledge for future employability.</td>
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<td>3.</td>
<td><strong>Decent working hours</strong> Excessive working hours is a legal violation, often accepted as “necessary”. It is generally connected with low industrial wages and used as an excuse to not provide appropriate wages. Companies should review and remediate excessive hours and should align with the legal and/or international requirements.</td>
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<td>4.</td>
<td><strong>Stability and security of work</strong> Employment should be a source of economic stability and peace of mind. Uncertainty of job security increases stress and makes the workforce vulnerable to abuse and hazardous working conditions. The problem has been exacerbated due to COVID-19-related job losses.</td>
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<td>5.</td>
<td><strong>Social dialogue and workplace relations</strong> Employees should have the right to engage with management and collectively put across their concerns and demands. Collective bargaining encourages workers to raise concerns in a timely manner, acts as a barometer and early warning system to assess worker satisfaction and reduces worker vulnerability.</td>
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<td>6.</td>
<td><strong>Fair treatment in employment</strong> Employment should be based on merit and the ability to do the job, and fair treatment should be extended to all employees. Differences in lifestyle, choices, etc., often become a source of discrimination, victimization, and harassment. This curbs freedom of expression, hiding preferences, and creates mental health challenges. Companies should ensure a workplace that accepts diversity and provides an inclusive work environment.</td>
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<td>7.</td>
<td><strong>Safe work</strong> Employment should result in economic independence and augment the ability to exercise a healthy and prosperous life. It should not result in ill-health, risk to well-being, or be a source of injury/misery.</td>
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<td>8.</td>
<td><strong>Social protection</strong> Industrial wages are often not sufficient to provide adequate living standards. The problem is exacerbated in cases of health emergencies. Social protection, provided by employers/governments, provide a much-needed safety net from economic shock, descent into poverty, and vulnerability. Companies should ensure that all employees have access to the social security safety net.</td>
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<td>9.</td>
<td><strong>Purchasing practices</strong> Purchasing practices and requirements significantly impact working conditions. They influence the working culture of the supplier organization to meet customer requirements. The power of procurement can be a strong driver for positive change to include decent work conditions as a pre-requisite among the supply chain partners, when balanced with other commercial criteria.</td>
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<td>10.</td>
<td><strong>Balancing work and family life</strong> Family responsibilities disproportionately impact genders and result in unequal participation in economic activities. Workplaces should strive to create a level playing field and provide all possible opportunities to employees to participate in economic activities without compromising the family responsibilities, which may require periods away from work (e.g., maternity, family care, flexible hours, adequate child care). Work environment should act as a leveler/equalizer and not augment the disparity.</td>
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13 Vigilance with local communities

13.1 Context

In 2020, Schneider Electric extended the scope of its vigilance risk analysis to communities in geographic proximity of Schneider’s local operations. As a result of this proximity, people’s conditions of living could be affected by the Group’s activity. Schneider’s local operations are of two types:

- Local facilities, such as a factory or an office building.
- Local project sites where Schneider is operating as a contractor or subcontractor for a customer.

13.2 Risks and opportunities

The risk overview exercise has been carried out for the top 30 Schneider Electric sites throughout the world and a selection of 40 customer projects and is still in pilot mode. The main risks that have been explored were related to the impact of Schneider Electric’s activities on the local infrastructures such as transportation and mobility, access to energy or water, access to staple-good and utilities, safety, and protection against ethical breaches.

Opportunities have also been identified in the form of improvement of infrastructures, better access to education, support to socio-cultural local projects, and improvement of local employment.

13.3 Governance

The overall governance is under the responsibility of the Duty of Vigilance steering committee, throughout the pilot phase. In the next phase, the steering committee will bring in additional stakeholders to implement the actions that will be decided.

This subject is governed by Schneider Electric’s Human Rights policy as well as the ambition set forth in the Group’s vigilance plan. At a later stage, some specific policy may be drafted to further structure the framework.

13.4 Communities living around Schneider’s sites

Vigilance risk assessment for Schneider Electric’s 30 largest sites

The overall result shows that the level of risk to local communities living around Schneider Electric sites is “low” in most cases. This is mainly due to the fact that the Company is usually located in large, urban, or peri-urban areas, crowded with many similar or larger companies. In the case of factories, they are mostly located in already existing dedicated industrial areas, with stable infrastructures and transportation networks, and Schneider Electric’s presence does not have an impact on these areas.

Among the top 30 sites, the Group only identified a very limited number that may have a “moderate” impact on local communities and found no site where Schneider Electric could have a “high” or “very high” impact.

It is to be noted that although Schneider Electric speaks about risks, the notion of impact can also be positive, as it is part of Schneider Electric’s policy to include local parameters in its sourcing policy: providing employment; including a percentage of local companies and contractors for services (catering, maintenance, etc.).

13.5 Communities living around customers’ project sites

In 2021, Schneider Electric extended its risks assessment to cover local communities residing close to the sites where the Group is implementing projects for customers. These projects can be, for example, the building of an electrical switchgear station to distribute electricity, either to the grid or to private large users (factories, professional buildings, etc.). Depending on the profile of the end-customer, these projects necessitate the on-site coordination of several types of contractors: civil engineering, industrial process experts, electricity specialists, communication infrastructure experts. Relations with local communities, when relevant, are usually handled by the main contractor, or by the end-customer.

To identify the main sites presenting potential risks, Schneider Electric has pre-selected customer projects based on the combination of two criteria: country risk and customer activity. Country risk is a compound of several external publicly available indicators (transparency, human rights, etc.). Customer activity is based on the industrial process specific to the end-customer. For illustration, the top five risks are ranked as follows:

<table>
<thead>
<tr>
<th>Top country risk</th>
<th>Top customer activity risk</th>
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<tbody>
<tr>
<td>Chad</td>
<td>Mining, minerals and metals</td>
</tr>
<tr>
<td>Mauritania</td>
<td>Oil, gas and petrochemicals</td>
</tr>
<tr>
<td>Angola</td>
<td>Power and grid</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Life sciences</td>
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<td>Tanzania</td>
<td>Water</td>
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Based on the combination of these criteria, a sample of 40 projects have been selected for review.
Evaluating the impact for selected sites

Projects reviewed can be grouped into three categories, each reflecting the type of involvement of Schneider Electric, and the mitigation capabilities of Schneider.

- **Type 1**: Schneider Electric provides switchgear and/or industrial equipment, is also the main contractor for the project, and is present on site. Mitigation actions can be decided and implemented by Schneider.
- **Type 2**: Schneider Electric provides switchgear and/or industrial equipment, but it is not the main contractor. Mitigation capabilities are limited.
- **Type 3**: Schneider Electric provides software and control, and is mostly working remotely, being present on site only for final testing and commissioning. Mitigation capabilities are very low.

Among the projects reviewed, two were of type 1, six of type 2, and six of type 3.

- A study of the two projects of type 1 shows the following risks and benefits to local populations:
  - Temporary/brief disturbance in transportation and mobility due to large materials and equipment delivery.
  - Temporary and planned power outages.
  - No environmental or pollution risk.
  - Local security implemented by final customer, with no or little impact on the neighboring communities.
  - The project is a source of employment for local companies.

For type 1 projects that have been reviewed, Schneider Electric and the contractors under its responsibility were not found to create major or significant risks for communities. Some points of improvements that would contribute positively to the communities were identified, such as for example: additional focus on local education and technical training, awareness of energy-related subjects, or more emphasis on local hiring. Globally, a more structured communication and pattern of interaction with communities or their representatives would bring value.

- Among the 12 projects of type 2 and 3, six are projects with significant impact on the local communities (petrochem, etc.) and six have limited impact (desert or remote location). For the projects with significant impact, relations with local communities are handled by the end-user or the main contractor. Given the small size of Schneider Electric’s contribution to the overall project investment, the capacity of Schneider to be a significant contributor to the mitigation measures is very limited. Specific policies, adapted to these project profiles, are currently under review.