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# EDITED TRANSCRIPT

SCHN.PA - Schneider Electric SE ESG Investor Day

EVENT DATE/TIME: NOVEMBER 16, 2020 / 12:30PM GMT

## CORPORATE PARTICIPANTS

**Amit Bhalla** *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

**Annette K. Clayton** *Schneider Electric S.E. - EVP of North America Operations*

**Barbara Frei** *Schneider Electric S.E. - EVP of Europe Operations*

**Charise Le** *Schneider Electric S.E. - Chief HR Officer*

**Christel Heydemann** *Schneider Electric S.E. - EVP of France Operations*

**Hervé Coureil** *Schneider Electric S.E. - Chief Governance Officer & Secretary General*

**Hilary Maxson** *Schneider Electric S.E. - CFO*

**Hilary Maxson**

**Jean-Pascal Tricoire** *Schneider Electric S.E. - Chairman & CEO*

**Linda I. Knoll** *Schneider Electric S.E. - Independent Director*

**Manfred Kindle** *Schneider Electric S.E. - Vice-Chairman & Independent Lead Director*

**Mourad Tamoud** *Schneider Electric S.E. - EVP of Global Supply Chain*

**Olivier Pascal Marius Blum** *Schneider Electric S.E. - Chief of Strategy & Sustainability Officer*

**Peter W. Herweck** *Schneider Electric S.E. - EVP of Industrial Automation*

**Philippe Delorme** *Schneider Electric S.E. - EVP of Energy Management*

**Tina Mylon** *Schneider Electric S.E. - SVP of Talent & Diversity*

**Xavier Houot** *Schneider Electric S.E. - SVP of Safety, Environment & Real Estate*

## CONFERENCE CALL PARTICIPANTS

**Sanda Ojiambo**

## PRESENTATION

**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

(presentation)

Hello and welcome to our first all-virtual investor event focused on ESG. We know that your time is precious. So on behalf of all of Schneider Electric, I'd like to say that we appreciate that you choose to spend it with us today.

Over the next 2.5 hours, we've set up an engaging agenda to help us get you to know us better with the lens of ESG. We have executive presentations, panel discussions as well as some representations from Board members as well. We will also be unveiling our new Schneider Sustainability Impact for the next 5 years.

Following the session, we will also have Q&A. So feel free to raise your questions on the platform, and we'll get to them towards the end of this event.

So with that, let's get started. I want to thank you again for your interest in our company. And I'd like to pass the ball now to our Chairman and CEO, Jean-Pascal Tricoire, for his opening presentation.

**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Thank you, Amit. Hi to all of you. I hope that all of you do very well. And I'm really happy to be with you today to focus on the subject of ESG and sustainability because, as you know at Schneider, ESG is embedded everywhere. At the core of our business and our strategy, what we do. At the core of our DNA, the way we do business, in the way we interact with our communities around us and, of course, at the core of our governance. So I'd like to go with you through those main points and detail with you the main elements of our commitment to ESG.

First you know, our purpose. Our purpose is to empower all to make the most of our energy and resources, bridging progress on sustainability for all. And we believe at Schneider that it's important to reconcile those 2 dimensions. We see a world where we can leverage technology. To bridge progress means access to energy for all.

On sustainability, means cutting carbon emissions by 2 in the next coming 20 years. At Schneider, we call this Life Is On, energy for all on a sustainable planet. And our mission is to be the digital partner for our customers for sustainability and efficiency.

How do we do that? We converge energy management and automation to deliver to our customers the values of sustainability, efficiency and, of course, now in times of COVID, the reinforced need of resilience. And we do it for 4 end markets: building and data centers, 50% of our business; infrastructure and industry, 50% of our business. And we do it around the world in a very balanced manner: Asia Pac and North America, at the same level in terms of business; Europe slightly behind; on Rest of the World, 16% of our business.

We deliver our solution in an integrated digital platform, EcoStruxure. And because our customers want solutions, we deliver it with a model which is integrated, which makes people on the ground responsible. We call it Empowered. We are open, associating partners and integrators to our solutions. And finally, everything we do is geared to sustainability.

Over the past 20 years, we've positioned our business on the energy demand side because we are convinced this is a place where technology brings the most changes and brings the most capacity to decarbonize the use of energy. And we've built an integrated portfolio for the demand side to be all-electric, all-digital to enable decarbonization.

Over time, we've seen more and more cases where micro grids, local microgrids based on renewable and local storage are integrating the demand side by chipping away generation capabilities from the traditionally centralized generation. And we've realized early enough that to orchestrate all those autonomous points of consumption and production of energy, we will need a smart and green grid. And Schneider has assembled a unique portfolio to put all the bricks of that demand and smart grid together for an optimized usage of energy.

When we say that our mission is to make sure that life is on, Schneider might not be visible in many places where we live and work, but we operate mission-critical processes, and we touch lives every day and make life and the environment more sustainable. Think about it. During the COVID, we realized that more than 90 countries have declared what we are doing mission-critical operations and asking us to keep operating our factories and our services to make sure cities', hospitals' grid could keep working.

We operate, of course, data centers. We are in 50% of the data centers in the world, critical networks like water networks, utilities and grids. And of course, we are present in 40% of buildings like hospitals, and we participate to critical industries in the world.

We've seen over the past 5 years a tipping point, an acceleration of the awareness for sustainability. Think about it. Today, more than 300 companies have signed for the 1.5-degree trajectory of the Global Compact. We've seen multiple coalitions forming, the EV100, the [I100], the EP100, where companies work together with their ecosystem of suppliers to make sure that their operation together are becoming more sustainable.

We have been working with many of those companies to find the equation that would allow us to bring progress to all, means energy and digital to all, and, at the same time, cut emissions and make climate sustainable for our planet. And it's pretty simple. First, we have to use digital for savings and make sure we save on energy and resources. Second, use digital to organize circularity and make sure that we reuse most of the resources that were already used. Third, make the world more electrical and expect a world which in 20 years will be twice as much electrical, twice more electrical than today, best example being, of course, electric mobility. And finally, make sure that electricity is green and renewable. And especially, we see a great future for wind and solar.

We at Schneider have a role in this transition. The first role is to deliver a unique level of efficiency, which is a major engine of a better sustainability. And as you know, that [foldable] efficiency is integrating energy and automation, connecting everything from the endpoint to the cloud, making sure life cycle of every installation is integrated, from design-build to operate and maintenance. And four, make sure that our customers go from the management of their company site-by-site to an integrated management of their whole company.

On the top of efficiency, we deliver decarbonization solutions. We do that using massively digital and services, which, I remind you, are now 50% of our business. But on the top of it, we manage, for the sake of our customers, EUR 30 billion of energy sourcing, doing 2 things: helping our customers to save and consume less; and second, making sure they buy the right source, green sources of energy, which makes that, over the past years, we've become the biggest platform of renewable sourcing in the world.

And we are attached to measure the value that we bring to our customers. And to be very precise and very targeted, we do that measurement only on 20% of our total business. So of course, the value we deliver to the total of our customers is much higher. But on that 20% that we measure, over the past 3 years, we've helped our customers to save 120 million tons of -- metric tons of carbon.

Just to give you a sense of what we do on the top of efficiency. We also innovate for sustainability. 5% of our R&D is dedicated to innovation in sustainability. Probably the best example of that is this big innovation in Medium Voltage, getting rid of SF6 on any gas in Medium Voltage. Our AirSet product will be the first one to use no gas to deal with Medium Voltage applications. 75% of our products are Green Premium, exceeding all the highest requests for environmental compliance around the world. And finally, we do EcoDesign to make sure that we manage the whole life cycle of our products and our systems.

But it's not all about efficiency and sustainability. What we do, digitizing the environment around us, makes the future more digital and electric, makes the future smart and green. And if you speak about net zero building, Industry 4.0, smart cities, microgrids based on renewables and electric mobility, these are all the points that we address at Schneider with the technologies we bring on the market.

I'll explain to you. Our ESG is at the core of our strategy and our business mission. Now let me explain you our ESG is at the core of our DNA, the way we do business. You've been following Schneider for a long time. And you know that every 3 years, we've come with a new plan in which we are embedding objectives for ESG on which -- or against which we have been progressing and keeping on developing our ambition.

We are also practitioners of sustainability on all the sites of Schneider. 13 net zero sites. 80% of the electricity that we buy today based on renewable. Minus 15% of energy consumption, thanks to the usage of EcoStruxure Advisor -- Energy Advisor -- Resource Advisor, sorry. 200 sites which are zero waste to landfill already. And we are proud to see that the World Economic Forum has picked 5 of our factories as landmark factories for sustainability and digitization.

We have also upped or increased our ambition in terms of carbon ambition. We want to be carbon neutral by 2025, net zero by 2030 on scope 1 and 2. And if you go to scope 1, 2 and 3, we want to be carbon neutral by 2040 and net zero by 2050. And this supposes that we bring along all the scope 3 of companies working with us, both suppliers and integrators. So multiple capabilities and opportunities for us to work with them on their progress in carbon performance.

We believe that what makes a difference at Schneider is the fact that ESG is embedded in the values we propose to people working at Schneider; embedded in the values that our customers are looking at when they come to Schneider; and more and more, I'm happy to see that, in the value that our investors are looking for to invest in.

And we believe at Schneider that great people make a great company, and what we propose to our people is, at Schneider, a meaningful mission in what we do, in the way we do business, an environment of work which is the most inclusive in every direction, and a place which allow people to make decision and feel empowered.

And these are not only intentions. They are supported by tangible policies that you see in this slide and that we deploy on a global scale, policies, tools and processes to support their implementation. We also attach to benchmark with other companies on our ESG commitments. And we've

been participating to multiple rankings for now a long time, and we keep competing in the world of ESG to make sure that we get inspired by the best methodologies deployed by the best companies around the world, and we keep staying at the front of what is being done in the field of ESG.

Third point is that this commitment to ESG applies to our ecosystem. And in the time of COVID, we've immediately created the Tomorrow Rising Fund. Today, we have 73 projects of the Schneider Electric Foundation dedicated to helping communities in difficulty and especially helping the youth, which has been, at the moment, sometimes deprived of school or is having difficulties to find a job, making sure that we offer opportunities to young people around the world; helping on the access to energy, where over the past years we've brought energy across the world to almost 30 million people; on social inclusion, making sure that we educate youngsters to the business of the future in the field of energy and in the field of automation. In the past years, we've trained 250,000-plus youths to the business of what Schneider does.

To take an example, for instance, of what we do in India, which has been a place where we have focused particularly in the past years. We are securing energy in more than 100 million homes with specific systems specific to India. We have installed 45,000 solar water pumps. We have brought together 150-plus microgrids based on solar. And we have helped the creation of more than 300 enterprises in the field of electricity and in the field of automation.

But we deploy that commitment to ESG beyond the perimeter of Schneider. And we go to our partners because, as you know, Schneider in our industry is a company that works the most with partners, suppliers and integrators.

And this deployment goes into a shared vision of ESG with a sharing of the principles of trust, quality, safety, cybersecurity and ethics. Our climate commitments, when we decide to be net zero emission on increasing our scope 3, it means that we have to include all of our partners on innovation. And we participate to coalitions to work together of companies. We've been one of the earliest adopters of the UN Global Compact, which gives us a compass on the direction, on a common (inaudible) in the way to reach our objectives but also multiple other coalitions with other companies or with other institutions.

So summarize, our commitment to ESG is embedded into our strategy, into our DNA, our way of doing business, and our ecosystem. And all of this is supported by a strong and robust governance.

In our Board, we have the HR & CSR Committee, which review systematically the questions of ESG. In our ExCom, Olivier is in charge of strategy and sustainability, putting into one hand those 2 subjects and making sure that sustainability is at the core of our strategy.

Sustainability has been part of our incentives for now a long time for almost everybody in the company. It impacts a lot STIPs, or short-term incentive, and LTIP, our performance shares. It's embedded also in our principle of trust on our processes for ethics and compliance, and we make sure that we benchmark externally, and actually, our performance conditions on LTIP are only referenced today to external benchmarks.

In summary, we see ESG embedded, ESG inside at every level of our company: in our business and strategy, in our DNA, the way we do business, in the way we deal with our community and, of course, in the governance of our company. And we certainly don't oppose the imperative of return to shareholders to ESG. Actually, we see the 2 helping each other. Everything I described, higher efficiency, reducing the risk of our company, goes to the interests of our shareholders.

Thank you for taking the time to dive deeper into the subject of ESG and to discover with multiple people of Schneider that you're going to be seeing in the next sessions, discover what it means practically in our daily life to put in motion, to put in execution the principles which I've just described.

What we do here, we don't do it alone. We were, as I said, one of the earliest adopters of the Global Compact. Then after, I had the privilege and the honor to be, for 2 mandates, means 6 years, the President of the Global Compact France, which is actually the second largest network in the world of the Global Compact. And then I've been proposed, and I do it proudly, to be at the Board of the Global Compact. And Sanda Ojiambo, who is the Executive Director of the Global Compact, was kind enough to explain us what is the value Global Compact brings to a company like Schneider.

## **Sanda Ojiambo**

Greetings from New York. I'm Sanda Ojiambo, the CEO and Executive Director of the United Nations Global Compact, the world's largest corporate sustainability initiative.

We are championing the 17 sustainable development goals, calling all companies to align their strategies and operations around our 10 principles on human rights, labor standards, environmental issues and anticorruption. These 17 goals result from a UN process in 2015 that was fully inclusive with governments involving business, civil society and citizens from the outset. We are all in agreement on where the world needs to go.

Fulfilling these goals by 2030 will take an unprecedented effort by all sectors in society, and business has to play a very important role in the process. It is very easy, especially in tough business environments, to ignore principles. But we aim to be a North Star for companies to keep them moving in the right direction.

Since business is a part of the fabric of society as a whole, it has a responsibility to deliver value for society as well. By mitigating climate change, by helping alleviate poverty, promoting inclusion and equality, society will prosper and so, in turn, will businesses. It is a true win-win relationship.

The work of the UN Global Compact is not philosophy or philanthropy. We are here to unite business for a better world.

The SDGs are the agreed road map for companies to do good and to do well in the long term. Delivering on the promises of the 2030 agenda for sustainable development is definitely in their interest and in our collective interest. And this is where we need the support of investors. They will be very strong catalysts for change.

But what we have known for a long time and what the COVID-19 pandemic has reminded us is that no one entity alone can tackle the biggest global issues that we have. We need to work in partnership.

Businesses are now more global and more interconnected. And the ecosystem of companies, governments, civil society and local institutions is incredibly complex. We all need companies, including Schneider, to embrace the SDGs strongly and lead the way forward.

Recognizing the hard work and effort you have already put in climate action and diversity and inclusion, I encourage you to go 1 or 2 steps further and to consider the 17 SDGs as a coherent global framework to stimulate your ambition further.

As a member of the UN Global Compact Board, Jean-Pascal has been a tireless advocate for the SDGs, creating networks of collaborators to speed up progress, and we are grateful for his leadership. I encourage you all to embrace this vision for the future of your company and for the world and join us in uniting in the business of a better world. Thank you.

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## **Linda I. Knoll** - *Schneider Electric S.E. - Independent Director*

Hello to all of you. My name is Linda Knoll. I have served as a Board member of Schneider Electric for the past 6 years and currently Chair of the Human Resources & Corporate Social Responsibility Committee.

During my time on this Board, I have witnessed firsthand the strong commitment of the company to the many facets of ESG. In my view, Schneider Electric has consistently been on the leading edge of ESG topics, which I have seen debated, explored and challenged in frequent discussions in the boardroom since the day I joined. Decisions carefully consider all impacts to ensure the enhancement of society and the environment. The steady progress and trend of results achieved are well reflected in the formal Schneider barometer and subsequently in the Schneider Sustainability Impact.

ESG has clearly been an integral part of Schneider's DNA for many years. It's visible, it's real and it's becoming entrenched in the group's purpose. In the Human Resources & CSR Committee, we spend many hours on these topics so that well-reasoned recommendations are delivered to the Board.

And as we approach the end of the 2020 SSI cycle, we have carefully deliberated with management on the most effective criteria for the next cycle, keeping all stakeholders in mind. In devising the new 5-year program, the HR & CSR Committee wanted to confirm a few key elements were embodied in the framework.

First, embracing simple, limited criteria that are transformational in nature and would have maximum impact for multiple stakeholders; ensuring plan criteria could be easily quantified and measured; progressively raising the bar in sustainability commitments with all parts of the organization contributing; and finally, maintaining focus and progress on delivering in areas from past plans even though they may not be part of the new SSI.

The employees of Schneider Electric around the world strive to continually challenge themselves and lead the way for others to follow. Schneider is not afraid to challenge the status quo. It's a company that cares, a company that is concerned with doing things right but also with doing the right things. The new 2021 to 2025 Schneider Sustainability Impact program is an excellent example of this. I have great hope and support for what lies ahead.

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**Olivier Pascal Marius Blum** - *Schneider Electric S.E. - Chief of Strategy & Sustainability Officer*

Good morning, good evening to all of you wherever you are in the world and thanks a lot for taking the time to be with us today for this Investor Day dedicated to our ESG strategy.

So what I'm going to do in my presentation is to tell you how we see the situation today, what is our strategy for the next cycle and what are the detailed commitment we want to take -- Schneider take as a company for the next 5 years.

First of all, quick wrap-up on what has been said so far. What is the case for change? It's very obvious for all of you. You are expert in ESG. The topic of climate, very high on the agenda. The topic of social aspiration being very important and taking different form in different part of the world. Strong focus from our shareholder, and you know very well that, on the ESG topic. And of course also, an ecosystem which is being more and more demanding. And we get testimony at Schneider Electric that our customer are asking more question, are more demanding when it comes to sustainability. Same with our supplier and same for our entire ecosystem. So interestingly, an acceleration for the case for change with a specific focus on climate change.

Second point, very important, for the first time, we have a universal framework, so sustainable development goals, and I'm sure all of you are very familiar with that. But for the first time, all companies, all organization are somewhere speaking about the same language. And it's important even for us as a company, and we'll talk about it later when we speak about our business, because we see that it's getting momentum, traction inside companies and especially again on the topic of climate change and energy efficiency, which is, of course, very important for Schneider Electric not only because of the commitment we are taking for ourselves but also because we can be part of the solution for our customers. And of course, this framework is translated into specific target to achieve by 2030, which is, again, giving a lot of detailed information on what companies should do in the next cycle.

Third point that I wanted to mention, Jean-Pascal said it, it is a very important topic for Schneider Electric. It's not new. It has been in our DNA for many, many years. We were one of the first company in the world probably to create a sustainability barometer in 2005 when we started really to publish those commitment, midterm commitment, translated in 1-year target measured on a quarterly basis that we published actually to all our investor committees since that time. And also, we were one of the first company to incorporate ESG criteria in the incentive of our employees and our leaders and also having a specific committee at the Board level focused on that sustainability topic for -- since 2014.

The next point that I wanted to mention also in the introduction, we've been recognized a lot in the past year as a company, which give us a lot of energy and a lot of feedback, I should say, on what we are doing less, well or very well. And that's very important for us because while we are very



pleased with all those good scores improving year-over-year that you can see on the screen, we are going into the detail of all those survey to understand what are the gap, what are the area of progress.

And you know that the topic of sustainability is not a topic which is standardized over time, it's a topic which keep evolving year-over-year. What I'm saying here is that the bar is raising, and we are learning a lot for so survey what also other company are doing, and it's a big source of inspiration for Schneider Electric.

Beside those external recognition, we've been also pretty pleased with our people recognition and more than people recognition when we look first at the feedback from our employees in our One Voice internal survey.

The first reason for people to join Schneider Electric and to stay at Schneider Electric, it's actually because of our commitment for sustainability. And I will tell you it's not new. I've been in this company for 27 years, and I can tell you many, many company will tell you that's probably the first reason why they are still at Schneider Electric, because we are really committed to make the difference for what we do at Schneider Electric, but, of course, what we do for our customer. And as a result of that, it has been translated in an important improvement of our employee engagement in the past years.

The second dimension we are also looking at because it's important to hear what people say outside Schneider Electric, and we take here Glassdoor as a proxy, but we've been very pleased with the improvement of our score in the past year, reaching 4 for the overall score but with a very specific focus on everything which is culture, values again. And as a -- really a translation of that, 83% of the people are recommending Schneider Electric to a friend.

So again, we don't take anything for granted, but these are a couple of metric that help us to track how we are doing. But again, just to confirm that it's also a topic which is very high in the agenda of our employee and a very, very strong vector of motivation and engagement for our people.

Last but not the least, to close this introduction, you know that Schneider Electric was one of the first company to publish a carbon pledge more than 1 year ago, in line with the science-based target and, of course, with the objective to contribute to improve the situation in the coming years and leading the way towards the 1.5-degree climate objective.

So of course, we have taken strong commitment on our own operations, scope 1 and 2, to become net zero by 2030 but also a lot of commitment on the scope 3 upstream but also downstream. And I will come back a little bit later on how we want to achieve those long-term goals, which are very important for us because it gives a complete framework for what we want to do in the future. But the most important is what are we going to do in the next 5 years to get there, and that's what I'm going to present to you in a minute.

So to wrap up really my introduction, which was a kind of consolidation of what you have heard so far, you've seen that this is very high in the agenda of many companies. The case for change is very high, and you know that very, very well. Clear framework provided by the Sustainable Development Goal. A very strong DNA at Schneider Electric. A lot of recognition internally (sic) [externally] and internally. Strong commitments to our carbon pledge. Now the question for us is, what do we go next? How we can take sustainability to the next level? And I'm very pleased to share with you now what is our strategy and our commitments toward 2025.

So what is our strategy? First of all, everything starts from the purpose. And you've heard Jean-Pascal explaining before that sustainability is very high in the purpose and the mission of Schneider Electric. How do we differentiate in our sustainability strategy is by playing basically on both sides of the equation. First, leading by example in our own ecosystem, what we do at Schneider Electric to become more sustainable company. But at the same time, we are part of the solution for our customer. And we believe those 2 dimension and playing again on the 2 side of the equation make Schneider Electric's sustainability strategy very differentiated.

We have defined 6 transformation, which are very important, what we call our 6 long-term commitment around climate, resources, what we call our principle of trust, and I'll come back to that a bit more in details later, offering equal opportunities for all, a very strong focus on generation. And beside those 5 key pillar where we take a lot of global commitment, we want to make sure we have also a stronger impact on local communities by empowering people to do more. So this is basically the menu of our 6 transformation for the next cycle.



Now how do we want to make the difference and to have an impact? We want, on one side, to have a very limited number of key transformation, what we call our 2025 key impact transformation, which are assembled in what we call the Schneider Sustainability Impact that you know very well because it's a practice that we have since long at Schneider Electric. But beside that, we have a set of complementary programs, what we call the essential program, and the combination of 2 will make our commitment for each of those 6 transformation.

So let me start with the first long-term commitment. Of course, no surprise, we want to act for a climate-positive world. We want really to be the company that will bring innovative solution to the world, that deliver immediate and lasting decarbonization, and, of course, in all of that, in line with our carbon pledge. And of course, for each of those transformation, we want to make sure that we are aligned with the objective which had been provided by the SDGs.

So how we are going to make it happen? In terms of key impact, key transformation, first of all, we ambition to have 80% of our sales by '25 coming from grid revenues. What does it mean? Activities, which have a strong impact when it comes to sustainability in the world.

Second objective we fixed for ourself is really to achieve 800 megatons of CO2 emission saved and avoided for our customer, which is very, very important because, again, we are providing a lot of solution for our customer that can help to decarbonize the world and very much in line with our long-term carbon pledge commitment on scope 3 downstream.

And last but not the least, learning from the experience we had with Walmart that we published a couple of months ago, where we have built a program to help Walmart to decarbonize their supplier. We are also, at Schneider Electric, building our own program where we are targeting 1,000 supplier, the one which are the most carbon intense, if I may say. And our objective is to help them by creating this program to save 50% of their CO2 emission. And that's very, very important because, of course, that will be a strong contributor to deliver our ambition on the scope 3 upstream at Schneider Electric.

And we are doing all that, thanks to energy and sustainability services which are with our own organization, which is helping our customer to get lower CO2 emission. And you see a couple of program that I'm not going to describe. We want to implement a systematic carbon price, for instance, in all our R&D and investment decision and also a very strong focus to make all -- most of our sites, I should say, 0 CO2.

Second transformation, we want to be more efficient with resources by behaving responsibly and making the most of digital technology to preserve the planet. What are the commitment we are taking? First of all, we want 50% -- we want to deliver 50% of green material content in our products. We are baselining 2020, but we are more or less at 25% based on our first estimation. And second commitment, to have 100% primary and secondary packaging free from single-use plastic and use recycled cardboard.

We have a certain number of program. You know already Green Premium because it was there in the previous program. We are also taking a commitment to get 100% of electrical vehicle by 2030, and we have fixed the first milestone by 2030 -- 2025, sorry, for our own fleet. And we have, of course, a very important biodiversity pledge in which we are taking a certain number of commitment.

So transformation is about living up to our principle of trust. So you would probably ask at that point of time, what does it mean? We consider at Schneider Electric that ethics, safety, quality, cybersec are extremely important. That's why you trust a company to do business with, and that's true for all the stakeholders. And we are taking a certain number of commitment to live up to our principle of trust by upholding ourself and all around to high social, governance and ethics standards.

How we want to make it happen? First of all, we want to make sure that 100% of our strategic supplier provide decent work to employees. How we are going to measure that? We are leveraging the International Labor Organization definition of decent work, and we will make sure that our supplier, the strategic one, are compliant with that organization definition.

Secondly, we want to measure what is the level of confidence of our employees to report behaviors which are against our principle of trust. How we are going to do it? We will measure every year the confidence of our employees through a survey to make sure that they are confident again to escalate issue when there is issue inside the company.

Again, a couple of programs to support those transformation, if I have just to give an example. Since 2 years, we are training 100% of our employees every year on ethics and cybersecurity, which we believe are really 2 important fundamentals in our principle of trust. And of course, we have a very large number of policies to cover those 4 that I mentioned that we have implemented over a year and communicated through the entire company.

When it comes to the next commitment, which is closer to people and social dimension, we really want to be the company that offer equal chance to everyone, everywhere in the world. So that's really a strong ambition that we have, and we want to do it by ensuring all employees are uniquely valued and work in an inclusive environment to develop and contribute their best.

What are the ambition and the target we fixed to ourself by 2025? First of all, a very strong commitment again on gender diversity. It's not new, but we keep raising the bar. So we want to have basically gender parity in recruitment and to have 50% of our recruitment which are female and male. And that's a commitment we've taken many, many years ago, moving from 30% to a little bit more than 40% today, and now we want to go the full gender parity. And that should translate in more female in management at Schneider Electric. So 40% is our ambition for front line manager and 30% for leadership team. And for your information, we are already at 38% at the level of the Executive Committee. So we are really showing the way from the top of the company.

We want also to have impact outside Schneider Electric. And that's why we want to make sure that by 2025, 50 million people, and we started the measurement in 2008, will have access to green electricity. Why? Because we believe that access to electricity is the first thing you need to educate people, to help people to access to opportunity everywhere in the world. So for us, it's very important that we commit both internally and also have an impact externally on our ecosystem.

A couple again of essential program in that transformation. I will mention in particular that we keep a very strong focus on pay gap. We have reached close to 1% of pay gap in -- between male and female in the past cycle. So we keep this strong focus because you know that there are people coming in, coming out. And that may change over time, but we want to make sure we stay below 1% in the next cycle.

And I would like also to mention that we have deployed in the past year a certain number of policies. To give you an example, we launched 2 years ago our global family policy everywhere in the world with the same standard but also a policy for flexibility at work, where we have offered since a couple of years the possibility for employees to work from home, which actually was very helpful when we entered in COVID-19 because it was not something for -- new for Schneider Electric. And we keep raising the bar. But again, what is very important here, all those policy are global policy for Schneider Electric.

When it comes to the next commitment, which is probably a little bit new in that presentation, while we commit on diversity and inclusion in general with focus on, of course, gender like I've described before, in the next cycle, we want to take a specific commitment on generation. So we -- really we want to harness the power of all generation. People are all working inside the same company coming from different generation. And we want to do it really by fostering learning, up-skilling and offering development opportunities for all.

And what we want to do in particular is to focus on the 2 extreme: giving more opportunity to the youth and also reinventing somewhere the end of career for our employees. So the type of commitment we are taking here, one, to offer more opportunities for the next generation and with a very strong focus on internship, apprentices and fresh graduate recruitment, so multiplied by 2 by '25 compared to what we are doing today, but also offering training in energy management to 1 million underprivileged people, and that's a program we started in 2009, but that will continue in the next cycle.

Here in terms of [form], there will be one that I would like to highlight. And we are just starting the journey, so more to come in the future, but we would really to reinvent the last mile of the career of our employee and to have a systematic career plan when you enter in the last 10 years. And rather than going through a very linear career where you are in or out, offering different opportunities for employees to invent themselves somewhere and to offer different opportunity depending on what they want to do. So that's really a very strong commitment that we are taking and a program that we want to build in the next cycle.

And last but not the least, you've heard me talking a lot about global initiative. You heard me in my introduction saying that Schneider Electric was one of the first company in 2005 to launch this strategy with global commitment everywhere in the world, measured, published every quarter.

But we wanted in this next program to employ even more our local communities, because while there are a large number of those initiative that I've described which could be driven globally, and it's good that we can impact all our entities everywhere in the world, we want to make sure that we empower our local communities by promoting local initiative, enabling individuals and partner to make sustainability a reality for all.

So what does it mean? Here, only one goal by '25, actually 3 in reality. But we want all our country president and zone president everywhere in the world to define 3 local commitment in line with the sustainability transformation that I've described before that will have a specific impact in their local communities. And why? Because there are a lot of topic when it comes to sustainability that can be treated at the local -- global level, but you imagine also that there are a lot of local specificity. And no way we can embark everything at the global level, but we want really our country operation to take those local commitment that will make an impact to their local ecosystem.

Here again, a certain number of programs in the pipe with one in particular that I would like to mention. Beyond and beside everything that I've described, we would like really to encourage all our employees to reduce their own environmental footprint in their own life at home, in their own ecosystem and in particular by leveraging all the Schneider Electric product, like, for instance, Wisser solution that help people to have measurement on their energy and to get recommendation on how to save energy. But we would like really to implement those from locally again to have impact.

So as a wrap-up, you can see here what is the new Schneider Sustainability Impact summary for the next 5 years with our 11 global impact where we will measure and track on a quarterly basis our progress versus yearly target in line with our, of course, 2025 ambition.

So this is what we'll form in particular, the basis that we'll use for the incentive of our people, in line with what we've been doing in the past. Beside that, I've explained to you that we have a certain number of program, what we call the essential. And for most of them, actually, we will continue to also have a measurement to track the progress in line with the ambition of each of those program.

Last but not the least, we want to make sure that we leverage our own solution at Schneider. I mentioned before that we are doing a lot for our customer, thanks to our Energy and Sustainability Services solution. And we are going to track basically all those commitments in EcoStruxure Resource Advisor that will help us, of course, to measure the program and to make sure that we can share with all the entity of Schneider Electric everywhere all those commitment that I've described before.

So to conclude, I would say beside those commitment, we also to keep focusing on a certain number of key enablers. I said it in my introduction. So we will continue to have ESG criteria and objective embedded in the rewards and in the incentives of our leaders and employee.

In 2020, as you know, we have introduced this new external index for the LTIP, which is actually a combination of the score of the top 4 rating that we have selected, which is new and help us to benchmark not against our own objective but external objective.

In the next cycle, we'll continue to have 60,000 employee having an objective on sustainability in their incentive, in their short-term incentive. And of course, what we are going to use is a new SSI that I've described before with the top 12 target that I've described that will form the basis of the measurement.

We are going to add a couple of external and internal committee to have external sparring partner but also internally reinforcing the governance. And we will continue to keep upgrading ourself in terms of disclosure and rating and, of course, having a strong alignment with all the standard that you know very well in the market whether it's TCFD, SASB, GRI or whatever. It's very important that we give you a clear visibility, (inaudible), I should say, on how we perform according all those disclosure.

And last but not the least, we will adapt our communication to all the stakeholders. Like we are starting today with this ESG Investor Day. And we have a massive launching plan in January, a kickoff with all the employees of Schneider Electric that will be gathered online at the same time to discover all our new commitments when it comes to sustainability. And by doing all that, we believe we really live up to our purpose, which is really to empower all to make the most of our energy and resources and bridging, again, progress and sustainability for all.

I hope it give you a clear picture on how we are moving, where we commit to go, and we will actually be very happy, of course, to go much more in details in all the Q&A later on today or in the future opportunity that we'll have to meet in our ESG workshop. Thank you very much for your attention.

(presentation)

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## QUESTIONS AND ANSWERS

**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Well, welcome to the first of our 2 panels of the day. In this panel, we're going to talk and further take forward the conversation around how ESG is embedded in everything that we do at a practical level. It's also your chance to get to meet with some of our leaders that you might not have engaged with before. I'm going to introduce the panel now.

We have Barbara Frei, who joins us from Europe. And Barbara is leading the operations for Europe. We have Charise Le, who joins us from China, from Shanghai. Charise was appointed earlier this year as our new Chief Human Resources Officer. We've got Hervé Coureil, who's responsible for governance and the Secretary General of the company, and he's based in Boston. And lastly, we have Mourad Tamoud, who is our Chief Global Supply Chain Officer, and he's based in Hong Kong. So thank you all for joining us and spending the next few minutes together.

Let's get started. I'm going to go directly to Mourad. Mourad, talk about supply chain. Very topical issue at the moment, as you know. You've been taking the company through a transformation on our supply chain, and it's really been tested across the entire world at this point of time with COVID and the fact that the agility and the transformation you've driven in the past, how has that sort of helped us through this crisis? So tell our viewers about our transformation and where we stand today.

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**Mourad Tamoud** - *Schneider Electric S.E. - EVP of Global Supply Chain*

Yes. Thank you, Amit. And kind of thinking through what has been happening in 2020, I have to say what a journey. I mean it really has been one of the most intense year for any supply chain professional and certainly for here, the supply chain teams at Schneider Electric.

I would say it has been a real-life test for our structure, for our processes, for our organization and our people. And while we are still learning a lot through this crisis, and these are feeding our forward thinking about the future of the strategy in the supply chain, I feel that our tailored, sustainable and connected 4.0 transformation and also the strong teams' engagement in the recent years has really helped us in, I would say, facing the challenges presented by this year to do the best for our customers and to get, I would say, all the activities and reaction.

What kind of transformation I can kind of share with you, if you allow me, I mean, there, I think that Schneider has a unique setup with one global supply chain that is strongly aligned and largely regionally set up. This has enabled clearly very agile reactions, quick decisions and arbitration that have been made very close to where our customers are.

And it has been very important to mention that 80% to our industrial costs are located in the regions where we do the sales. And that has been providing us a very short supply chain, globally speaking, the agility level as well as a quick response and ultimately also a strong contribution to the sustainability with a much lower level of CO2 emission.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Well, thanks, Mourad. Thanks for sharing that. And I'll come back to you with probably a couple more follow-up questions. But maybe if I bring in Charise at this point.

Charise, first of all, congratulations on your new appointment. You've been in the company for many years, and you've been leading some of the transformations during that period of time as well.

I think for our audience, if you can just give us a little bit of a sense about the culture of Schneider Electric and unique specificities in terms of our value proposition. And maybe link that also to the overall topic of ESG and how that becomes a driver with regards to our HR setup.

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**Charise Le** - *Schneider Electric S.E. - Chief HR Officer*

Yes. Sure. Well, thank you, Amit. So first of all, I would say I truly believe people are at the heart of a company's performance. And at Schneider, our meaningful purposes and us walking the talk on several topics that is very important for us is what attracts people to Schneider and also why people choose to stay and contribute to the power formation that we have.

I think we have a very strong culture of inclusion. You probably have heard several times from us we provide equal opportunities to everyone everywhere, and we ensure all employees to uniquely value, translate, contribute their best.

And then if you look at how our operating model is, right, our people and the leaders are spread across the world to be able to be closer to customers, and this model enables us to operate effectively being a global company but, at the same, time [aligned] to the local markets very quickly and based on trust and empowerment.

So the 3 pillars of our employee value proposition, as I mentioned, meaningful, inclusive and empowered, are truly at the heart of what makes us a great company. And this is what [ties you] very strongly being many years with Schneider.

And as Mourad, you mentioned, right, this year, of course, health and safety was the primary focus for everyone. Being a people company, we really believe this is a fundamental for us. And also, I think during the crisis, the ability to make quick and fast decisions is key. And this is how we work, I believe, very well. Each country has different situations to manage. And here, the multi-local setup is very useful in countries that empower to make quick, on-the-ground decisions. And we put a lot of emphasis on collaboration, trust and to have global, local all work together to support our employees and customers effectively.

And I think also another point I want to say is many of our employees actually selflessly contributed to community projects through the Tomorrow Rising Fund and also, in several cases, went beyond their regular job scope to support our customer commitment. And I truly believe this is our purpose that guides our individual and collective decisions. And this reminds me our motto, which is if Schneider wins, and we all win.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Well, thank you for sharing, Charise. And I can certainly vouch, and I'm sure I'm talking for many of our employees, that the meaningful purpose and what the company stands for is what keeps a lot of us engaged in the company and wanting to work here.

So Hervé, if I come across to you now. And of course, the elements of compliance, the elements of governance are so important across the board for the company and especially in a year like this, where we've seen a lot of -- we've seen that it's been an unusual year. So can you please talk us through what is top of your mind in general and then more specifically this year as well?

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**Hervé Coureil** - *Schneider Electric S.E. - Chief Governance Officer & Secretary General*

Sure. Well, Charise mentioned 2 very interesting terms, which are trust and empowerment. And the whole point is that we don't want those 2 dimensions to be opposed. We think they can actually integrate pretty well. And you need trust in order to empower people, right? And trust actually is a very core tenet of a company, a very core trait, and it encompasses a lot of dimensions from quality, from safety. This has been mentioned.

But also, indeed, I would probably highlight cyber and ethics and compliance as being 2 pillars of trust that we really insist on a lot, I mean, ethics and compliance, obviously, through training, through making sure that our teams feel that it's okay to speak up whenever they feel that they have to speak up. It's about embedding compliance mechanisms also into key processes so that it doesn't happen elsewhere, but it's actually embedded in the way we work.

And another big tenet is really cyber. We think that in today's world, in today's digital world, cyber is a key pillar of trust. It's our own, how we protect our assets. But it's also how, by protecting our assets, we protect our customer assets. We take a very end-to-end approach to cybersecurity. It's a very big theme for us, and we've been investing quite a fair bit on this one in order to really raise the bar to protect Schneider's asset, Schneider's employees and Schneider customers.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Thank you, Hervé. Very, very, very relevant and important topics.

Maybe I come to Barbara now. I think, Barbara, give us the operational perspective in this discussion. I mean, we've heard supply chain, HR and compliance and governance side. But a lot of these elements we just spoke about, trust, multi-local setup, tell us practically how that applies in your region, which, of course, has seen quite a different sort of setup between Northern Europe and Southern Europe through this year. So take us through how all of these elements of ESG play on an operational basis.

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**Barbara Frei** - *Schneider Electric S.E. - EVP of Europe Operations*

No. Very valid points. And Mourad also mentioned that this year was really challenging for us. And also for us in operation, it has been a really practical test of our operating model, our values as a company and our customer orientation.

And as you just mentioned, the crisis is different from country-by-country basis. So we -- what we usually did follow up was are the construction sites open, are the schools open, can our field service engineers go and visit customers and perform works. So it was really diverse. And I strongly believe that our empowered country organization setup was a relative market strength.

So we decided to adopt, as already mentioned by Charise, a territorial approach by country with our country presidents having full authority to make decisions for all employees in their territory irrespective of business unit or subsidiary companies. So the country presidents are also tasked to liaise with local governments mostly to enable our essential services and operations to continue.

So I give you an example. Like in Italy, one of our manufacturing sites which was providing components for data centers was not really in the right category. So first, we were asked to stop the production, but then we liaised and -- with the government and really told them how to do this, that this is really essential and then we could really continue to do the production. And this is really for the benefit of our customers and the society.

So it was, in the country, a one-size-fits-all, centralized approach. We did ensure we had a strong communication link and also then applied learnings from one country to another in a very swift manner

so -- because there were also different stages of the lockdowns in those different countries. But overall, we managed it also with a lot of empowerment and trust between the teams.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

All right, Barbara, I mean, as leader of Europe, I have to ask you one very topical question that we get increasingly in recent times, which is around the Green Deal, the link specifically around Europe and how that's linked effectively with modernization of the building stock. It's something which is very relevant in terms of our end markets.

Is that something, obviously, which I assume is top of your mind? And what are we doing about it? Do we see opportunities in the future?

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**Barbara Frei** - *Schneider Electric S.E. - EVP of Europe Operations*

Absolutely. Right, it's really on the top of our minds. A few years ago, it would have been unthinkable for a whole continent like Europe to declare its climate neutrality and, consequently, deriving a new business model with restructuring of a entire economic system.

So -- but Europe simply put it into practice by calling it Green Deal. And in 2019 at the UN climate conference, the COP25, while the overall outcome of the conference was mostly discussed negatively, the European Union took a bold commitment to become the first carbon-neutral continent by 2050, something unthinkable 5 years ago.

And as a company, we set the right course decades ago by placing energy efficiency and digitalization at the center of our development. So both are the basis for the decarbonization of buildings and industrial plants. We are, therefore, in a position to offer technologies and business models and also to describe the necessary framework conditions for their implementation. So in concrete terms, this means we can offer to our customers a compelling business case for energy efficiency.

The government intervention is an incremental opportunity specifically in the building space. And therefore, in Europe, we have specific teams who are following not only on EU level but also on county levels. It is high on our agenda, and we are involved. And of course, implementation will take time, but the direction of the travel is very clear from my point of view.

So sustainability is no longer a question of ideology, but it's becoming an integral part of the economy. And it is already an integral part of social demands and political framework conditions. And this is what the Green Deal reflects.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

All right. So direction of travel is very clear. That's good to hear and lots for us to do as we go ahead.

Mourad, maybe if I come back to you. And I think we've been sharing with investors about our strong recognition with Gartner, and we've been improving year-on-year. Practically speaking, a lot of that probably is linked to the level of digitization and efficiency which we've been able to drive in our own factories and our own plants. Talk us through this program and how that is coming along.

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**Mourad Tamoud** - *Schneider Electric S.E. - EVP of Global Supply Chain*

Yes. Amit, indeed, part of this resilience that we have been able to build over the past 3 years is really focusing on this TSC 4.0 program, which is kind of tailoring our supply chain to fit with our customers', I would say, needed capabilities, the way we serve them, the way we do the planning with them and providing them a superior service.

The second is sustainability. We spoke a lot about it. I mean also Barbara has been mentioning. But we are also demonstrating inside our facility and also with our suppliers that sustainability is really a major driver of the way we see the world, next steps, and how we see supply chain evolving in the future. And I will come back to that.

But the third element of this TSC 4.0 is really [C4] connected. And here on the connectivity, we have been investing massively in the last 3 years on developing our smart factories, smart distribution centers that are powered by EcoStruxure as a solution in order to provide visibility. I can mention that during the COVID crisis, it enabled us to support our customers with remote FAT, final acceptance test, on their systems and their equipment.

We have also been able to run Augmented Operator Advisor from the EcoStruxure platform and solutions, enabling us to provide, I would say, remote technical assistance to manage some equipment and some processes. And all that operating also with our suppliers through platforms,



digital platforms, enabling us to react extremely rapidly as -- collaborating with countries, providing the, I would say, suppliers, the fact that we are essential business and helping them to maintain their operations. All that has enabled to demonstrate the power of digital.

And I can just say that we have today 80 factories that are recognized smart factories, of which 5 have been identified by the World Economic Forum (sic) as the lighthouse of the future. 10 distribution centers using all the technologies of EcoStruxure. And we have, on top of that, developed a connection across a network of control towers that are providing visibility and tracking of the various events as well as all the goods, I would say, inside our supply chain between the different nodes of our supply chain. So really a big, big step there that has been made.

And I would just say that it's really material that we are embarking further in our next transformation on which we add, I would say, the resilience aspect, learning from the crisis that we lived through in 2020, understanding the necessity of having redundancy in the system, the necessity to have power of 2 in term of manufacturing but also in term of sourcing. We are clearly engaging in the next steps of the transformation.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Right. So concrete steps to reduce our own carbon footprint. And as we've heard earlier from Olivier in terms of the possibilities in the next 5 years, incorporating our ecosystem and suppliers as well. So absolutely.

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**Mourad Tamoud** - *Schneider Electric S.E. - EVP of Global Supply Chain*

Absolutely Amit. And sorry, but to add to that, we are making a big step to target 1,000 of our suppliers and target with them to reduce by 50% the carbon emission of these suppliers, helping them through the journey of managing their energy, declaring, understanding the possibilities that are offered also through EcoStruxure. And it's really an exciting journey that we are engaging on.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Charise, maybe I come back to you and talking about the last cycle of the SSI which we're going to complete, in fact, at the end of this year. Are there maybe a couple of specific projects that you might want to talk about or highlight which you think are important?

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**Charise Le** - *Schneider Electric S.E. - Chief HR Officer*

Yes. Sure, Amit. It's true. There are several programs actually we have either introduced or are introducing to keep us ahead of the curve and progress on our sustainability commitment. Maybe just highlight a few of them.

So first of all, we have introduced our Global Family Leave Policy and -- 2 years ago, right, aiming to strengthen our commitment of inclusion. And we believe, particularly, I think, in the world of COVID today, we define family life and work as changing every day.

And so coming back to the point of empowerment I mentioned earlier, by supporting our employees with personal time at moments when it matters the most, we truly empower them to manage their unique life and work so that they can be at their best. This is our intention.

And with this policy, we have already made the commitment across all the countries towards all the paid leave and setting global minimum standards while, of course, preserving country flexibility based on (inaudible) and market needs. I'll give you just one example. Like care leave, right? Our employees can have 1 week of fully paid leave of care of their families that either need eldercare or care for serious health conditions, et cetera.

So this family -- Global Family Leave Policy is now fully implemented in all of our countries. And we also made some enhancements specifically for COVID-19 this year and which is very well appreciated by our employees.

And the second example I want to say is the implementation of our Pay Equity Framework and looking at the entire ecosystem, from hiring, promotion and any salary review. It helped bridge the payback -- pay gap for women. And now we decided in the new sustainability index to also raise the bar to be gender agnostic, which means we will focus on closing pay equity gap for all employees, including men and women. And this is the commitment that we are making as a next step.

And last thing to highlight is how we approach new ways of working. And looking at all that happened this year, we know there is no going back to the way we used to work. In fact, our employees told us they need more flexibility in how they work as of our -- in our latest global employee survey. So as a result, we have refreshed our Global Flexibility at Work policy, and we believe the future of work is a hybrid mode.

So starting next January, our employees will have the option to flex between working from office and home, which rotate a week working from home as a global standard and, of course, if their roles allow them to. And we assume flexibility as a given, and it's based on trust and also empowerment and to allow our employees to be at their best. And yes, that's what we committed. And also, we believe this will help to achieve a greener footprint as we commute less to contribute also to the sustainability ambition.

And of course, we still have some challenges, to be very transparent. I think as our strategy evolves to more digitization, we are focused to ensure we are able to have more digital citizens and also ensuring we provide software arms of our company with distinct [view] set and culture, and that's one area we will need to continue to work on.

And we also continue to work on the gender diversity with specific commitment in the new SSI, as you probably already heard from Olivier. There is strong connection between our people strategy and sustainability strategy to make this happen.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Very, very interesting. Thanks for that, Charise. So I'm just mindful of time as well. Fascinating discussion, but I think we -- I might come back to you, Hervé, in terms -- for closing and see if there's any specific aspects which remain at top of your mind that you'd like to share with us.

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**Hervé Coureil** - *Schneider Electric S.E. - Chief Governance Officer & Secretary General*

I think in particular, in the current environment, in that new normal or next normal that many people are talking about, I mean, trust becomes a real key word, right, as we mentioned many times. And I think we can look at it from many angles, but that's why really we're trying to achieve.

And I try to summarize often the approach by a GPS acronym, G for governance, P for performance, S for security. It's really how do you embed performance mechanisms into governance mechanisms, into processes to make sure that you have the right control points that are embedded in your business processes. It's how you work on your performance management in order to make the right decisions based on the right data assets. And then it's how, beyond performance, you think about security and resiliency to make sure that you stay for the long term. So GPS is often the 3 letter of the acronym I use in order to think about how to achieve trust in a large organization like ours.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Well, all right. I think we're out of time. So with that, I just need to thank each of you for joining this panel. It's not done yet because I know that some of you are going to be back joining us for the Q&A that we're going to be taking from the investors. But thank you that, and we close this panel now.

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**Mourad Tamoud** - *Schneider Electric S.E. - EVP of Global Supply Chain*

Thank you.

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**Hervé Coureil** - *Schneider Electric S.E. - Chief Governance Officer & Secretary General*

Thank you.

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**Barbara Frei** - *Schneider Electric S.E. - EVP of Europe Operations*

Thank you.

(presentation)

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Well, welcome, everybody. Welcome to our second panel of the day. And in this panel, what we want to cover is really sustainability as a business enabler. What does it mean for customers today? What is it -- what are we doing today for customers in this fare? And going into the future, what does it mean for opportunities for us as we go ahead?

Joining me on this panel, it's a great panel, we've got 2 of our leaders from the operations, and we have 2 of our leaders from the business. So let me introduce them.

First of all, we have Annette Clayton. Annette is leading our North America business based in the U.S., which is our largest market. And thank you, Annette, for joining us today.

We then have Christel Heydemann. Christel is leading France. France is our third largest market now being tested by India as the joint to our market. Well, Christel, thank you and, of course, based in France.

We have Peter Herweck joining us based in Europe and leading Industrial Automation for the group.

And we have Philippe Delorme, leader of our Energy Management business based in Asia.

So thank you all for being here, and we're going to spend the next few minutes with all of you to discuss this topic with these fare Schneider Electric.

So maybe I'll come to you first, Annette. And I think it's important to look at our largest market, right? So U.S., let's look at that and what we see in the press all the time around the climate change topic, there's hurricanes, there's floods, there's the electrical lines are going down from time to time. And something that we see, it's pretty real and it's happening in front of our eyes. Can you talk us through what this means for yourself on the ground leading this big business for us over here and what it means for our customers?

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**Annette K. Clayton** - *Schneider Electric S.E. - EVP of North America Operations*

Yes. Thank you, Amit. I think -- I mean, you make a really good point that it shouldn't be lost on anyone that 2020 has been the busiest hurricane season in record. I mean we've already had 6 named hurricanes, and the National Oceanic Administration says we'll have at least 25 this year and at least 6 more that will actually have names, which means they're above Category 3. And we have wildfires in California and there are still 4,000 firefighters fighting 22 wildfires. So it's right, what you're saying. And let me say that 70% of Americans believe in climate change.

So our customers are calling us about their own sustainability goals, their own resiliency. I mean we see what's happening in California with intermittent power outages or taking -- purposely taking power down because of highland situations. So we're seeing this across the country. And it's really -- as you said, it's at our doorstep, and it's impacting customers and Americans everywhere.

So our customers are asking us about resiliency, they're asking us about sustainability and they're asking us about efficiency, as they always have. And one of the ways that we've really been able to think about...

So our customers are asking us about resiliency. They're asking us about sustainability, and they're asking us about efficiency as they always have. And one of the ways that we've really been able to help them think about their futures is through, frankly, talking to them about microgrids and distributed energy alternatives. And fortunately, we're now -- many companies are really looking at how they spend their CapEx and their OpEx in the face of economic uncertainty and the pandemic. And so we actually have 2 companies that we have as joint ventures, AlphaStruxure with the Carlyle Group and GreenStruxure with Huck Capital. And these 2 companies have become Energy-as-a-Service to really help our customers drive sustainable solutions, leveraging microgrids, leveraging Schneider solutions without really spinning their own CapEx. AlphaStruxure being kind of the large energy-intensive over-the-5-megawatt size companies and customers. And then GreenStruxure being the smaller sort of 500 to -- kilowatt to 5-megawatt size, medium-sized companies. So these 2 solutions have really helped us meet customers' needs. And it doesn't matter if you are a military installation, trying to drive resiliency or a municipality like Montgomery County or frankly, a company like PACCAR, who is trying to electrify their Peterbilt fleet and really trying to put electrical infrastructure in for their fleet and needing a more resilient grid and a grid that can actually meet their needs. So look, there's a lot of activity in the microgrid space, and our customers are very interested in us working together with them on finding solutions that actually future-proof their businesses.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

So you're saying -- so microgrid is actually a reality. We've seen projects happening on the ground. And even though we have some of these partnerships, as you just mentioned, and there's probably a lot of opportunity to look forward to those ones. But even in the past, we've been doing a lot of microgrids in the U.S. under your leadership, right?

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**Annette K. Clayton** - *Schneider Electric S.E. - EVP of North America Operations*

Absolutely, we have. Yes, it's really been a growing business for us. And frankly, it's been an opportunity to talk to customers about their own sustainability goals. And then it becomes not just about microgrid, but the entire technology stack that Schneider offers to really digitize our customers' energy requirements.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Maybe I come to Philippe next. I think Philippe is the leader of energy management. It's a large part of our group. And you're effectively covering, I would say, all end markets. But if I were to just hone in on 2, right, which are important for your business and topical here, one, of course, is buildings. And we've heard from Jean-Pascal earlier about the fact that what's the level of emissions coming from buildings. There's a real need not just for efficiency, but actually for reduction of carbon as well as a consequence. So give us your thoughts around that? And what do you think is the real opportunity ahead for us?

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**Philippe Delorme** - *Schneider Electric S.E. - EVP of Energy Management*

So indeed, as you said, Amit, buildings are responsible today for 40% of the carbon footprint. So there is no plan for any government or anybody -- sustainability plan that would not impact and involved the building and the data sector footprint. So what we see here is that it's a full life cycle discussion because there is an opportunity to do better at the CapEx phase of the design and build phase and also at the OpEx phase. And the great news is that we see solutions that exist today, today, not tomorrow, today, in the CapEx and the OpEx phase that mostly rely on 2 big transformation, one, moving the world to a more electric technology because electricity is the most efficient energy. Second one is more digital to drive efficiency, and actually, combine the 2.

So if you take -- if you move to buildings, the most obvious application would be in the phase of the life cycle of the OpEx when buildings are up and running, where our experience has been that by bringing together the whole power management, digitize it and all building management

together and building some of the electrical and the digital together, you drive efficiency in the ZIP code on average of 30%, not mentioning better user experience. And as a result, you also drive sustainability. So very obvious application that we see in buildings, in advanced real estate, in life science and many other applications in the building space.

We -- another point that people are talking less about is really in the CapEx phase. We've seen, say, 10 years ago, the whole beam and the 3D modeling deploying with companies like Autodesk, and now we see the fast adoption or transformation of this beam environment, what we call 4D and 5D, which is a costing and scheduling so that the whole phase of construction will become massively more efficient. At the time we're actually post-COVID, people cannot always work in the office, they need to work from home and they need to digitize that all process, a process that is largely inefficient where a lot of these contractors are using paper and Excel, were actually by going digital, you drive much more efficiency in the way you build. And actually, behind this, much less waste and a much more predictable deployment on project, which in the end is bottom line benefit for customers. And in that context, our recent acquisition of RIB Software is square in the trend of optimizing CapEx. So that's for buildings.

Now there is a specific building that many people are talking about and actually that are spreading very fast in the world that are data centers because as we get more digital, we need more data center, quite a bit of debate in the world whether because those data are enabler of a greener future, but they're also using a lot of energy. So there is a big trend here to build carbon-neutral data center. And the data center in the first place is very complicated, very complex, building a carbon-neutral data center with, Annette was mentioning, microgrid capacity for the data center to give back energy either on cooling or electricity to the network, very complicated technology. And I'm very happy to report that we've been at the forefront of carbon-negative data center, carbon-neutral data center. We have an example, for instance, in Sweden with EcoDataCenter, and we see actually that trends popping up very quickly.

Now the interesting question is that pre-COVID, all those trends were actually developing and what we are seeing is that post-COVID with stimulus packages, we see an acceleration of this in everywhere in the world. China has been pledging for a 2060 carbon goal. And we've seen more recently, in Europe, the EU renovation wave, which is targeting specifically with tens of billions of euros, building renovation as probably within building, building renovation will be probably the golden nugget to drive carbon neutrality. So a lot happening in the building space.

And Schneider Electric has been positioning itself on the full life cycle with a very unique value proposition.

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**Annette K. Clayton** - *Schneider Electric S.E. - EVP of North America Operations*

Yes. If I could just add, I think, Philippe, when you think about many of our U.S. customers and U.S. examples, our customers really believe that these green building recognitions really help the asset value of their buildings. And so they're very interested, and we have multiple examples. United Therapeutics is one that we just worked with their entire -- their life science company. We worked across their entire campus, and they are now the largest net-zero building in the United States. But again, it's really improving the value of their assets as well.

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**Philippe Delorme** - *Schneider Electric S.E. - EVP of Energy Management*

So sustainability is -- in that context for real estate provider has a great return on investment, and it becomes for all those real estate developer a must now.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Yes. So seems like a very, very exciting landscape. So on the one hand, what you're saying is that there's an extra need from the customer standpoint because that they -- it's a good return on investment anyway, right, given the level of efficiency and that can be driven. But at the same time, you also have the stimulus, et cetera, which could be an added incentive that could come across over here. And given our installed base, Philippe, because I've heard in the past, we've said we're one in sort of 4 or 5 buildings in the entire world. The opportunity or the ability for us to really make a difference here could be quite immense.

**Philippe Delorme** - *Schneider Electric S.E. - EVP of Energy Management*

Yes. And there is one data that I like, which is 90% of the building -- I mean, 90% of the existing building will still be alive by 2050. So if you believe that 40% of the carbon problems come to building, you absolutely need to go at the installed base at the current buildings to make them more sustainable. And that's where really the opportunity is to drive a more sustainable future.

**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Maybe, Christel, let me jump across to you now. So we've spoken about microgrids. So Annette spoke about microgrids, Philippe has spoken about data centers and buildings and all of these have an angle to sustainability. Within Schneider, we also have the business, which is the sustainability services. We haven't really spoken that much about it in the past, but we do have a sizable sustainability services business where we're doing consulting. I believe we're also doing procurement of green energy for customers. So tell us from the field, you're leading France, and I'm sure you have examples or customer dealings as well, where this sustainability services is becoming more relevant and really getting encompassed into our overall value offering.

**Christel Heydemann** - *Schneider Electric S.E. - EVP of France Operations*

Sure. So I mean there's definitely here growing need, I would say, for every large company to clearly define, I mean, ambitious but realistic targets to address climate change and to take commitments on sustainability. And obviously, this is where our sustainability -- energy and sustainability services teams coming with customers. We have a very comprehensive set of services that we can propose that comes from, I mean, supply, so I mean, procuring energy efficiently, more and more procuring green energy efficiently. And then demand services, I mean, how to optimize energy demand. And where we come in is really with that expertise across various segments, understanding customer processes, understanding deeply, as was mentioned by Annette and Philippe, how buildings work, how factories work, how the grid works. So it's really that combination of our expertise at services level to set ambitious and road maps are really consultants, combined with the expertise of the full Schneider working in those areas for a long time. And clearly, when we engage with customers and I'll come to some examples, I mean, especially in Europe, where there's also some regulation around making clear, ambitious targets to become carbon neutral, for instance, and with clear deadline by 2030 and then 2050, most companies have to build road maps. Beyond the road maps, then they have to build implementation plans. And so we have our consultants that either come in with customers with first set of service where we consult and work on building those road maps, but then we can also help customers to implement those services. And most of those contracts with customers have to be deployed across the world. So indeed, there are a number of boutique consulting firms that can help customers build those road maps. But not many players can provide the -- I mean, can bring the ability to deploy those programs across the world, across geographies. And if I come to one example of public reference customer for SEI in the automotive industry, who selected us as their preferred partner, they've defined an ambitious program to become carbon-neutral on their scope 1 and 2 by 2025. And so we are working actively with them on helping them procure green energy and low carbon fuel energy on all of their sites. So we're talking about 300 sites across the world in many geographies. And we're also working on building that very practical road map program, how to deploy that one country after the other, how to put in place the governance, how to put in place the tools and the systems to monitor and obviously, implementing digital solutions on site in factory, that's where EcoStruxure comes in, to be able to report the data and ensure that we are on track and they are on track with the commitments that they are making. And in those type of customer engagement and there are many customers and many of them are not public, so I'm not going to comment more, but across various segments in the retail industry, we have also many in the food and bev industry, and it's always the same. We -- sometimes only support them on their -- defining their high-level road map. Sometimes we start working with them in one geography. And then we engage with them to help accelerate their deployment road maps. So there is definitely a path there. And really, every time I've been talking to customers, it's that ability to work across the globe and really the deep expertise that we have from our consultant experts who are true consultants working on, I mean, carbon and energy procurement, combined with our field expertise.

**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Yes. And Christel, I mean, I'm reminded of last year when we had the Investor Day for a lot of this audience, which is probably listening in at the moment. We had brought the investors to the Le Vaudreuil, which is one of our -- one of several factories where we've deployed our own technology. So we talk about making it more sustainable and we can capture it. Is there an element that, that also enables you as a sales leader to be able to show that to customers? And is that having any traction in your geography?

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**Christel Heydemann** - *Schneider Electric S.E. - EVP of France Operations*

So absolutely, I mean, that's true with Le Vaudreuil and all our smart factories around the world. That's also true with our smart buildings. And we are just inaugurating 1 in Grenoble in our hometown in France, where it's really demonstrating life for our own carbon road map. And then engaging with customers on very practical things around how to train the teams, how to put in place the governance internally and how to engage on some of those in the digital transformation or really, I mean, sustainability transformation at company level. And so starting from those very practical field experience, sharing our own experience at Schneider, and we have taken ambitious carbon reduction road map. We've been tracking our own commitments for a long time, our own expertise is really something that customers value and that we use a lot when we engage with customers.

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**Philippe Delorme** - *Schneider Electric S.E. - EVP of Energy Management*

Right. I mean that building could be the next feedstock of our investors next time we do summit. I mean that building consumes 10x less energy than an average normal real estate in France and it's carbon-neutral.

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**Annette K. Clayton** - *Schneider Electric S.E. - EVP of North America Operations*

Yes, exactly, even in the U.S. where we take some of our customers through a 1962 factory that's become a digital landscape and an amazing example. It is one of our best ways of selling our customers on what their future should look like. It's just really a great asset.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Let me come across to Peter now. Peter, of course, your -- well, you're leading industrial automation for the group. You're also on the Board of AVEVA. And of course, I think the industrial world compared to buildings has been, in some ways, digitized for a long time with controlled systems, et cetera. I think the key question would be that how high is sustainability really on the minds of your customers on the -- specifically, on the shop floor?

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**Peter W. Herweck** - *Schneider Electric S.E. - EVP of Industrial Automation*

Well, Amit, I think it's really on top of the agenda of every customer where we go, and it's a joint discussion on sustainability and digital. Because digital -- and our digital offers are really enablers in that respect because they ensure efficiency, which is all about -- in manufacturing, but also sustainability ensuring resilience.

Now in industrial production, as you've said, we've had digital controls and software deployed for many years on the shop floor. However, I think what's exciting at the moment is the opportunity to enable with -- we talk about applications or analytics or if I want to throw in some buzzwords like machine learning or AI that is really embedded in all of our software offers that we have in Schneider and in the AVEVA stack. We're able to do advanced data aggregation now with the leader in the market coming in with OSIsoft PI System. So we have a vast amount of data plus we have the stack of the application software paired with our automation systems. And that's really the source of driving efficiency, of driving productivity and CO2 reduction, if you will. So we've been focusing really strategically on those 2 schemes, if you will, and the customers see those coming together.



We have a totally renewed automation offering that we are bringing to the market. And if you talk to our R&D engineers, they would talk about schemes like EcoDesign and ECOFIT. What does that mean? EcoDesign, it means when we create our offers and -- we use plastics, we use materials that haven't had the best CO2 footprint in the history, we are going in the direction of incorporating circularity. So using used plastics, for example, in our equipment. So if I take, for example, our latest system of control components, in the past, we would basically use energy and we would use plastics. Today, we're using much less energy, we're using used plastics, and we can help our customers to detect where they are using too much energy and drive the energy utilization down by using automation equipment. And now we're putting on top, the software that we have to drive that forward. So that's really a fabulous in the discussion.

Now if I put an example to it where that comes together, so the automation side plus the software side plus the energy side because Schneider is at home traditionally in end markets that are very energy-intense. Our customers know that energy is also on top of their bill of material in respect to cost. So they want to drive it down in respect to cost and creating more profitability and they want to drive sustainability forward. Now we can simulate their facilities, we can downsize the usage of electricity. And because we simulate the process and with that, we drive a CO2 abatement at our customers. So if you go into a processing plant medium to large size, we can take thousands, literally of thousands of cars basically off the street in comparable CO2 generation when we do this combination of software, energy management and automation with our customers.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Yes. That's very interesting, Peter. And the last thing that you said, I think that's important as well because it's not just the software -- industrial software and the industrial offerings, but it's really the ability to combine the energy management offers as well, right? So specifically, to the industrial and infrastructure end markets, so to speak.

Then maybe if I move across back to Philippe, I will come back to you. One of the questions we get sometimes and it's true that if you look at our equipment, our equipment has a long shelf life: big installed base, our equipment, it's everywhere. Now if we want to include within that, the carbon reduction or the new innovations to be able to retrofit or to change things within the big installed base, how are we thinking about that? How can we really make an impact on the ground, given sort of the shelf life of our products?

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**Philippe Delorme** - *Schneider Electric S.E. - EVP of Energy Management*

So I guess probably the best example is the innovation we are actually launching today in our Medium Voltage line of businesses around SF6-free switchgear. So for the one who -- I'm not going to go into all the detail of our -- of electrical distribution, but we've been using for more than -- not 100 years, but many, many years, gas named SF6, which is not very carbon friendly, let's call it like this. And actually, we invented in Medium Voltage a way to get rid of that gas and do the whole switching in our switch gear with air, and that's a revolution. So that means that we're able to come back to our installed base and remove those circuit breakers and those switch gear and replace them by switch gear that are totally green, that are using air and that are totally carbon friendly. When we do that, and I was talking about electric and digital, we always make sure that those retrofit kit are also digital so that we can bring a dimension of remote monitoring that drive efficiency, that drive sustainability, Peter was mentioning about it. And that makes all difference because suddenly you totally retrofit your electrical installation from, let's say, technology that were rugged and solid, but maybe not totally future ready to future ready in a sense of sustainability, but also digital, driving efficiency and driving cost reduction and better resiliency.

So to me, that's probably the best example of a set of technology that helps our customers with the same size to totally retrofit the installation and be future ready and sustainable.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Annette, let me come back to you. And by the way, we just got the information that you are now the new chair of NEMA. So congratulations, first of all, for that. And maybe linked to that, tell us as to a little bit on the policy framework or what is it that we, at Schneider, but really as a part of the overall NEMA are trying to do or able to do going forward?

**Annette K. Clayton** - *Schneider Electric S.E. - EVP of North America Operations*

Great. Yes. It's great to be the Chair of NEMA and it's so important to our industry because NEMA really focuses on only safety of electricians and residents and buildings and factories, but also on the future of this industry and creating a holistic energy system that is connected and cybersecure and renewable and intelligent. And we take these things and then embed them in the National Electrical Code. And then that National Electrical Code becomes the standard for the NEMA environments, which covers nearly all of North America in some way.

And I think there's really good examples of where this has worked really well. We could take the circuit arc fault interrupter breaker, for example, where we embedded that capability, that safety system at the panel versus the point of use in homes that make home safer. It became part of the National Electrical Code, and therefore, we were able to meet the needs of the customers that are then implementing the code. So it's great to work with NEMA on policy. I also chair the Codes and Standards Committee, which actually creates a lot of these codes and standards that we've then embed in our electrical systems across the country.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Well, fascinating discussion, we do need to stick to the schedule. So I will probably come back to each of you for one final thought or question. And maybe if I can frame it this way, I think each of you have been in the company now for several years, at least. And if you go back maybe 3 to 5 years, are there specific angles what customers are saying today, which they weren't saying 3 or 5 years ago, which was not really on the top of their mind, right? So maybe Christel, I come back to you because I haven't come back to you for a little while, but let me come back to you and if you can take that question first.

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**Christel Heydemann** - *Schneider Electric S.E. - EVP of France Operations*

Sure. So I mean, definitely something that, I mean, I was talking about CO2 neutrality road maps. But clearly, today, I mean, customers are asking us what's the CO2 footprint of some of our equipments, and they are really looking at building, I mean, and owning low CO2 infrastructure and building this end-to-end CO2 quantification, something that really we were not talking about 3, 4 years ago. And that's happening across industries, across segments.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Annette?

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**Annette K. Clayton** - *Schneider Electric S.E. - EVP of North America Operations*

Yes, it's a great question. And honestly, it's an easy answer for me because we're so active now in the data center market. We have a lot of our data center customers asking us, how do we make our data centers net 0 and how do we meet our UN SDG commitments. And so just a lot more customers and actually Christel talked about it earlier, a lot more customers asking us how to help them meet their sustainability objectives and really relying on us as the experts as they create their sustainability road maps.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Peter, maybe to you?

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**Peter W. Herweck** - *Schneider Electric S.E. - EVP of Industrial Automation*

Yes. Amit, you see I have to disappoint you, I only joined 4 years ago. But what I can say, it's exciting to join a company where sustainability is not a lip service. And when I talk to the colleagues in R&D and engineering, they are really excited by driving down the material usages, as I said earlier, and help our customers in that regard. So it's fabulous.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Right. And Philippe, you've been amongst the panel, I think you've been here the longest. So maybe you can give us the entire journey, not just 3 to 5 years ago, but as you see it happen.

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**Philippe Delorme** - *Schneider Electric S.E. - EVP of Energy Management*

My colleagues are spot on, so it's difficult to add to them. I would say, if we come back to the bidding space, And that's actually most recent with COVID, but we've seen a massive digital acceleration. And which, of course, goes in the direction of efficiency, resiliency and sustainability. But somewhat in every crisis -- I think the Chinese said, "in every crisis there's an opportunity." And in my view, in the context of COVID, for our business beyond sustainability is the massive adoption of digital is opening territories, which are immense. At the time where actually Schneider is absolutely ready to fulfill and deliver the promise for our customers. So super exciting in that regard.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Well, with that, I think we'll probably have to -- we have to close the panel. I want to thank each one of you joining from different parts of the world, different times of the day for each of you. But I think in totality, I think it's quite clear that we have transformation in front of us, we have opportunities in front of us. And I think we, at least, all know what needs to be done to be able to capture them. So thank you very much. Bye-bye.

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**Philippe Delorme** - *Schneider Electric S.E. - EVP of Energy Management*

Thank you.

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**Peter W. Herweck** - *Schneider Electric S.E. - EVP of Industrial Automation*

Thank you.

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**Annette K. Clayton** - *Schneider Electric S.E. - EVP of North America Operations*

Thank you, Amit.

(presentation)

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**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

I'm happy to welcome Fred Kindle. As you know, Fred is from 2020, our Vice Chairman of the Board of Directors and the Independent Lead Director. I would like to spend a few minutes to have a Fred's view on the Board's perspective on energy.

Fred, as we know, you know very well this industry. Both of us have been in this industry for a long time, and we are obviously delighted to benefit from your contribution on the other side as we design our path towards our future. Fred, why is sustainability important for the Board? And how do you see it very specific and what you see specific in Schneider Electric approach to sustainability.

**Manfred Kindle** - *Schneider Electric S.E. - Vice-Chairman & Independent Lead Director*

Well, thank you, Jean-Pascal. Happy to answer a few of your questions. Sustainability is really of the essence. It's about what we want to achieve and how we want to achieve it. And in my own words, if you think back 30 years ago, when you talked about the goals of a company, it was mostly about shareholder value creation and maybe having good working relationships with the employees and the unions. And today, it's very different. What we want to achieve sustainability is a multifactor exercise. So it's not just about value creation for the shareholders. It's really doing good, doing good things, achieving good value for everybody who is involved. And that, of course, includes the environment as such and societal progress, taking care of our people, but also the people of our partners and so forth. So what we want to achieve, sustainability has multi-dimensions, there's many different dimensions that we need to achieve. And how we want to achieve it is also different. Today, we have to make sure that we do it in a sustainable way, which means that it has a long-term perspective. We need to manage the business in such a way that it's not just about short-term value maximization, shareholder value, but do it in a way, which takes care of our people, takes care of the environment, and that's making sure that it's a lasting success and not just the short-term success.

More specifically to Schneider, I can honestly say that I was truly impressed when I joined the Board because ESG sustainability has been at the core of Schneider's business for many years already. It's an entrenched dimension within the Schneider business, the Schneider value-added chain. It is visible everywhere. It's visible in how we do the business. It's visible in our targets. It's visible in our incentive programs where ESG is actually in the short-term and long-term incentive plans. We have a Board committee that deals with the corporate social responsibility and HR. We have a newly established top-level function called Sustainability. So it is really not just a bolt-on new dimension, but it has been a part, an integral part of the Schneider ecosystem for many years. And this, I think knowing competitors, this is far advanced. And I think the people at Schneider can really feel proud about that.

**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Thank you, Fred, in ESG, there is governance. What about your role? You -- what has been your experience since you joined the Board in 2016? How do you see your role and your contribution as a new Vice Chairman, as a lead Independent Director of the company? Do you have some insights also to share on the way we work at the Board?

**Manfred Kindle** - *Schneider Electric S.E. - Vice-Chairman & Independent Lead Director*

Yes. As you rightly say, ESG, the G stands for governance, and I think it's tightly related to sustainability. Governance, basically, in simple words, is about helping the company to make the right decisions. And usually making the right decisions means involving people who are competent and have something to say in the right fashion. And obviously, that starts in the Board. So when you talk about governance in the Board, it's making sure that everybody in the Board, every director can raise their voice, can bring in their opinions. And at the end of the day, the right decision is made and the right decision is not necessarily with that function, the Chairman, CEO, where is the most weight, but is making sure that all the voices are heard. And at the end, the best possible option is chosen.

And so I think I'm very glad that the situation, the Schneider Board is an excellent one. Actually, we've had the chance to review that with an external advisor. This just took place in the last 3 months. And this advisor has given us very high ratings because they feel this is a leading-edge Board. It's a Board that is very competent, has 14 different directors, 6 of which are female, 8 different nationalities. Many of these Board directors have had significant exposure in leadership positions, always have deep functional expertise. So these people have a lot of competence, a lot of know-how. And our job in the Board when we talk about governance is making sure that these voices are heard, and that's perfectly the case.

Now speaking about my function as Vice Chairman and Lead Independent Director, is basically making sure that these processes work well and that we really work according to the principle of good corporate governance and sustainability, which means that I have executive sessions, for instance, in the Board, where the Chairman CEO is not present because she has very much wait anyway. So sometimes, it's necessary that we have discussions amongst ourselves. I have a very intense dialogue with you, with the Chairman and CEO on at least a weekly basis, if not more. I have my private calls and discussions with the Board members. And in a way, you could say is almost like not creating a democracy, corporations don't work like democracies. But it's going in that direction, making sure that everybody has heard and everybody has their own ways to bring in.

And so that's how we work at the Schneider Board and hopefully, we can help to make a real sustainable success in the long term.

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**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Fred, I can really witness our testimony that we have many, many occasions to interact during this very specific period, I mean, to manage the COVID on a certain number of strategic moves that happened during this year 2020. We are living indeed in a very special time, multiple transitions in our industry and managing in completely different conditions with COVID. In your mind, what are the key opportunities for Schneider? And what are the specific areas where we must closely focus as we look to the future?

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**Manfred Kindle** - *Schneider Electric S.E. - Vice-Chairman & Independent Lead Director*

Well, I mean, since we talk about sustainability, that is definitely one key opportunity because it's not just a buzzword. It's not, in fact, that just fashionable to talk about sustainability. It's really of the essence. I truly think the world is changing dramatically because we see that human kind has had a lasting, unfortunately, negative impact on the environment. So sustainability will become not just a buzzword, but it will be everywhere, visible, tangible companies have to live up to that. It's a requirement to have on business in a sustainable way, but it's also an opportunity. We can make it a business ourselves, and actually, we have started doing that already in the past. So I think it's a great opportunity. We, who are experts in energy management, actually enlarge this topic of energy management into, let's call it, sustainability management or something like that. And I think that's a great opportunity for us where we can actually build up a new business or a digital business and expansion of our existing business that we do quite well. And this, of course, includes also the area of energy transition and moving from oil and gas to renewable energy and all of that, that's an integral part of that.

Then we have another very dominating theme, which is digital. As you all know, we talk about the fourth, maybe the fifth industrial revolution where the Internet becomes pervasive, it is everywhere. It will be in all technical products, they will all be able to communicate with each other, and we are in the midst of that. And that, again, is a tremendous business opportunity. It's a challenge as well. But I think if we do well, we can make it a huge business success for ourselves.

And last but not least, the world is growing, the number of people is increasing by the day and in huge numbers. New economies are appearing. I mean we have seen the rise of China again in the last 30 years. It has been spectacular to say the least. And many more economies are on the verge of becoming very modern societies who require product system software that we are able to furnish. So that's another great opportunity. I would say these, the sustainability, digital, new economies are probably the biggest opportunities.

When we talk about challenges, digital, as I mentioned, is both an opportunity and a challenge. It's a new type of technology that we need to be able to integrate to master. There is sustainability, also has 2 sides, and I should mention that as a challenge as well. But in the actual situation, what comes to mind first, of course, is COVID-19. We have a very, very special situation that unfortunately started in the beginning of this year. It has led to very severe changes in our macro environments, where economies that have suffered GDP actually going down. All sorts of dramatic measures like lockdowns and travel restrictions, it has forced us to go online in our management style in a very expansive way. And I know while we can do that very well, it's at the same time, a huge challenge because it's a new situation. We all have to cope with that. It's not easy. It's bothersome at times, but there's no escape. So we have to take care of that. And utmost -- the most important goal in all of this is to protect our people, to make sure that we are not affected in any way, the damaging way with regard to our health and safety of our own people and of course, the people from other partners as well.

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**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Yes. Health of our people is the absolute priority. If we zoom back on ESG and if I come back to your role as a new Lead Director of the Board, what do you see as your key focus areas and responsibility from this ESG angle?

**Manfred Kindle** - *Schneider Electric S.E. - Vice-Chairman & Independent Lead Director*

The key responsibility as a Board Director is making sure that we pursue the right goals, which I mentioned before that these goals are not just about shareholder value creation. Let's make sure we need shareholder value creation. We need to make a profit in order to do good, let's put it this way. But as I said, the goal system is multi-factors. It's not just about shareholder value creation. That's one thing.

The second thing then is making sure that we really pursue this in the right way. And this starts in the Board as well that we have the topic of ESG integrated everywhere. I mentioned we have a committee. But on top of the committee, basically, the ESG topic comes up everywhere. It's about risk management. It's about making sure that we have the right incentive systems. And it's about having the right Board culture where we can discuss everything and nothing is to boot. So I think those are maybe the most important points that come to mind when you talk about ESG and the Board.

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**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Fred, thank you very much for sharing your thoughts, and I really look forward to collaborating together and working closely together to make sure we keep helping the people of Schneider to get the most of their energy and resources.

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**Manfred Kindle** - *Schneider Electric S.E. - Vice-Chairman & Independent Lead Director*

I'm happy to help, and I will try to do my best together with my colleagues in the Board. Thank you very much.

(presentation)

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## PRESENTATION

**Hilary Maxson** - *Schneider Electric S.E. - CFO*

Hi, all. I'm happy to be here with you today and to speak about the financial aspects of ESG, in particular, why we believe ESG at Schneider is simply good business. First, I'll start with mentioning that when I decided to join Schneider almost 4 years ago, one of the key reasons was its vision and its business position, both aligned with what I believe are key aspects of most scenarios of the future, namely a business tied to delivering efficiency, resilience and sustainability to its customers and on the key trends of electrification, Industry 4.0 and digitization. And with this coronavirus crisis, these themes are only reinforced.

At Schneider, we are, of course, very focused on delivering value to our shareholders over the short, medium and long term. Total shareholder return is a part of our incentive plan. As CFO, I believe that maximizing value for the longer term through good business practices, so acting with ESG values, is the right route to build lasting shareholder value. For example, as a company focused on innovation, whether in our R&D, our business models or in how we interact with customers, it's imperative we attract and retain motivated employees. We believe our employees are motivated by our sense of purpose and drive innovation, productivity and shareholder returns for our company. Another example is our adoption of EcoStruxure technologies into our own factories to drive our own sustainability journey. This adoption is compatible with and a part of the picture toward driving the \$1 billion productivity commitment we've made between now and 2022.

These are just some examples of why we believe that profitable growth and long-term shareholder value doesn't come at the cost of other stakeholders. On the contrary, we believe that having a meaningful purpose and focus on all stakeholders is imperative to drive long-term value. Of course, we remain very committed to our shorter-term targets and our path to around 17% adjusted EBITDA margin by 2022.

At the same time, we want to make sure we're also preparing the group for the long term. It's for this reason, we continue to invest in R&D, largely centered on green technologies and digital capabilities to drive efficiency and sustainability for customers. We believe that our focus on more connected and green products, more digital offerings and our sustainability services will enable superior growth in future years. These are important

drivers of our ambition of plus 3% to 6% organic revenue growth across the cycle. At an operational level, we assure that we allocate specific time in each of our internal business reviews towards elements of ESG, specifically focusing on quality and safety, customer satisfaction, employee engagement, diversification and ethics within the company as well as with our suppliers and larger ecosystem.

ESG factors are also one of the criteria we closely look at in terms of our capital allocation and acquisitions, again, for good business and long-term value creation. Obviously, ESG factors are top of mind for management at Schneider today, and that's reflected by the new SSI commitments that we've announced. I'm glad that these topics are high on the minds of our investor community. We already have a large number of ESG investors, and we look forward to sharing our progress on a transparent basis with you going forward.

I'll finish by reminding that the coronavirus crisis has only accelerated for our customers, the key themes on which Schneider does business, particularly sustainability and digitalization. Resilience is also a key theme being accelerated by the crisis and Schneider's consistent and relevant strategy, along with our empowered and multi-local setup has led to resilience being a key theme to our strong 2020 performance. Our views on ESG and how we do business as a company has played and will continue to play a large part in our performance going forward.

(presentation)

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## QUESTIONS AND ANSWERS

**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Well, welcome now to the Q&A session, and thank you for sending us a lot of questions. I've been collecting them over the last 2.5 hours, as the program has been going on. So you will notice that on the screen, we have several people you recognize from the last 2.5 hours, but we've also invited some of our other leaders who are actually instrumental in actually working these programs in the new SSI as well. So what I'm going to try to do is I'm just clubbing together a whole bunch of the questions that have come through and are continuing to come through as we speak. We'll attempt to answer all of them or as many as we can over the next 30 to 40 minutes. And then we will be sure to get back to the ones that we might not be able to get to after.

So with that, I'm just going to get started, and I'll just go in the order that we've sort of received them. So maybe the first question, Olivier, to you. It's centered around green revenue. So the question is that we're already at 70% green revenues with an ambition to go to 80%, as you just announced a couple of hours ago. And the question is that how do you calculate green revenues today? Is there a link with the EU taxonomy and really what's -- what are the drivers to get us to the ambition to 80%? So we start with that.

All right. I don't think we -- at least I don't hear Olivier, Olivier.

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**Olivier Pascal Marius Blum** - *Schneider Electric S.E. - Chief of Strategy & Sustainability Officer*

(inaudible).

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Yes, that's better. Go ahead.

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**Olivier Pascal Marius Blum** - *Schneider Electric S.E. - Chief of Strategy & Sustainability Officer*

So as I was saying, in 2019, we have declared in our annual report that we have 70% of our revenues which are green. We follow what is the so-called EU taxonomy, but which is still, as you know, a draft. So a draft that cover all the activity, which are being environmentally sustainable. We are taking conservative approach. To give a very complete answer what are the activities which are covered at Schneider. I'd say we take all the activity,



which are energy and resource efficiency. We take electrification and decarbonization activity. We had on top on that what we call our Green Premium products and also everything, which is related to services and retrofit. Once we have created this base, we deduct as per the guidance of the data EU taxonomy, the revenues, which are in oil and gas and coal to power which represents high single digits. And the total of that makes 70% of our revenue in 2019. And as you all heard today, our objective is to get to 80% by the end of 2025.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

All right. I'm going to move ahead. Maybe I'll come to you next, Hilary. There are a few questions on finance, which I'll try to read them all together. The first question is how much of your growth in the last 3 years can be attributed to EcoStruxure? And let me just get the supplementary question in as well, which is, what is the level of either R&D expense or CapEx that we plan to spend in order to reach our ESG targets, our new sustainability targets?

So maybe you can take those 2 questions, Hilary.

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**Hilary Maxson** - *Schneider Electric S.E. - CFO*

Sure. Thanks, Amit. And just double checking, you can hear me?

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Yes. Yes.

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**Hilary Maxson** - *Schneider Electric S.E. - CFO*

Okay. Okay. But addressing the first question, maybe just to make a few points. First, Schneider has been investing in digital. There is EcoStruxure platform starting early in 2018 and then continuing with the acquisition of Invensys and more recently with AVEVA and OSISoft. And I think as we've spoken throughout the day-to-day digital for us and for me, certainly is one of the keys to sustainability. Those investments play a big part in our digital flywheel. We've talked about it a few times from connected products and control software and into services, where we have around 50% of our revenues today. If we think back to 2008, that ratio of revenues derived from digital was significantly

(technical difficulty)

And now with the current crisis, both digital and sustainability are more than ever at the top of our customers and vendors. So we're really quite well placed to address those needs with our current portfolio. So while I don't give a specific number yet, EcoStruxure and our past investments have definitely been an enabler of our growth in recent years.

On the second question R&D and CapEx, Digital remains a key area for our investment in coming years, either for our customers or -- and I think we gave a few examples of what we're doing with ourselves with EcoStruxure, so an investment for ourselves. As I said earlier today, the deployment of EcoStruxure in our plants, for example, is compatible within part of our journey towards more than \$1 billion in productivity between 2020 and 2022. So a good example of where it's not really a cost for us, but really a driver of an outcome that we're looking to have.

R&D, I think we already covered it a bit already also, continuously focused on green and digital sustainability now as a key metric in our R&D themes. Things like EcoDesign. So really no different than any other aspect of the business (inaudible) that we're having them focused on.

So overall, I would tell you, we shouldn't expect a noticeable increase in our cost of to meet targets. In fact, we think sustainability is more of a catalyst for growth.

**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Right. Thank you, Hilary. Jean-Pascal, there are a few questions coming for you. Let me probably take 2 or 3 of them, different topics. But the first one is interesting. It's probably not directly linked to ESG, but it's around the completeness of the portfolio. And the question reads that there's been some activity this year on acquisitions and specifically also this morning with a couple of bolt-on acquisition. So the question reads, do you -- what do you think in terms of the completeness of your portfolio?

Do you -- what do you think in terms of the completeness of your portfolio?

**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

I had the occasion to explain several times. From 2013 on, we have a portfolio which is complete, but then we want to keep building our capabilities, especially in digital, so this year has been really special because while we have finished, of course, the acquisition of L&T, which took us to [agree] some time. Then [IB] was an acquisition that we launched at the beginning of the year, completed on the middle of the year. OSI came because the owner launched a sales process.

Regarding the 2 business acquisition or partnership that we announced this morning, while we don't want to [indiscernible] can you hear me, Amit?

**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Yes, go ahead.

**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Yes. They correspond to a strategy that we have in energy management. Electrical [CAD with ITAP] is reinforces the global position we have in the sale on plan on the partnership that we are reinforcing by taking a share of [planning] is allowing us to build a full life cycle for building operations. So those are logical. They were -- we had announced that we would be finalizing some bolt-ons. But consider that our portfolio is complete now when we selectively and surgically complete our portfolio with the modules that makes sense and that create a lot of synergies with accretive businesses.

**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

All right. Maybe I'll come back to a couple of more questions, which are more ESG focused. So the first one, and I think that this was asked by 2 or 3 people with regards to the SF6-free and the question is that how is it being accepted by customers? And will we need policy initiatives to be able to actually scale the deployment of the SF6-free medium voltage offer?

**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Well, we're just launching AirSet, which is a true revolution on the market. Of course for every customer wants to reduce their carbon footprint, it's a major innovation. So companies are testing it around the world. And we forecast that some regulation in countries will rapidly change and accelerate the movement.

But this, as often, a large number of those products are going either to utilities or to very critical processes. So we -- our customers or users are taking the necessary time to test those new technologies before launching an adoption at scale. So this is a major change in this industry. We're extremely proud of this innovation and we think it's real in the future of medium voltage.

**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Right. And on the same vein, I think there's one more question which says, are there any other products in the pipeline, which we should be looking forward to similar to SF6-free, which could have a significant step change impact in the future?

**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Look, Amit, we're going to speak about the new innovation when they become available on the market, but the role of the company is directed to more efficiency and more sustainability, as we said.

Now when you look at innovation in the field of digitization, when you look at what we are doing with EcoStruxure Automation Expert, which is the first universal automation range, disconnecting hardware and software and creating a streamlined interface with the world of IT, I believe it's a major disruption in digitization. So those are parts of step change innovation that we are putting on the market this year.

**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

All right. Thank you. I'll probably come back to you in a bit, Jean-Pascal because there are multiple other questions.

There's a question which is linked to Olivia, what you had said around Walmart and the link then to our own commitment that we've taken. So probably a good opportunity to introduce Steve Wilhite. Steve, if you can hear us. And Steve is the Senior Vice President for Energy and Sustainable Services, so he was on the front line on the Walmart project.

So the question is really that -- well, the question is simple, can you share exactly what you are doing or what Schneider is doing on this specific project?

**Unidentified Company Representative**

Sure. I'd be happy to. Thanks, Amit. The -- as many of you may or may not know, Project Gigaton is Walmart's initiative to engage its suppliers in climate action along with NGOs and other stakeholders, but the goal is to remove 1 billion metric tons or 1 gigaton from their global value chain by 2030.

And so one of the key things for us, and we are very happy to secure the contract and partnership with them is they've asked us to come in and really run the program of their Gigaton PPA. Now PPA is a power purchase agreement for renewable energy, where we match up and orchestrate and advise on the transaction between renewable energy developers and large creditworthy buyers. In this case, Walmart said, "Hey, look, instead of just taking this to the largest buyers out there and Schneider, you orchestrating those transactions, let's bring that capability to the many, many dozens, if not hundreds of suppliers that sit in their global value chain and be able to provide that type of service where they can participate in a very large PPA that may be a 10 to 20-year type of commitment that creates additionality or additional renewable resources on the grid.

So we have had a lot of fun engaging with clients really around the world on this. This particular project is in North America. But as we see the sustainability space evolve and take shape, there are all kinds of creative ways that we've been able to get in and consult with clients on how they set their targets, the strategies they can employ to get and achieve those targets; and then provide the technologies, the arms and legs, and if you will, to help implement those strategies. And then finally, the technology platform and EcoStruxure resource adviser to report, provide analytics on how they're progressing on that journey. So this is one piece of it for Walmart, and we were very excited to participate in that.

**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Thank you, Steve. That's good to hear. And I want to probably link that to another question, and I'm building that link myself, but the question was around the fact that the biggest impact that we can drive is really through our Scope 3 or through our supplier network.

So I want to bring in [Dan Bartel], who's SVP in the global supply chain organization responsible for global procurement. And Dan, maybe you can take that question and I guess, link it with what Olivier was talking about, about the same Walmart example, but potentially for our own suppliers. But the specific question I have from the investors is how do you engage with your suppliers? And how do you measure the progress that they're making?

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### **Unidentified Company Representative**

Yes, it's a great question. And definitely, there's a clear link there with Steve and his organization. I agree, suppliers definitely represent a very big opportunity for improving in many aspects of sustainability, but especially on the topic of carbon reduction. So we are absolutely leveraging the expertise of Steve's organization helps identify which suppliers are the biggest emitters of CO2 and how do we build a program that enables us to do a few things, right?

First of all, to get a commitment from those suppliers to support our target of net zero carbon in the upstream supply chain by 2050. Number two, how do we collaborate with those suppliers to engage them in real concrete actions that set us on a trajectory in the next 5 years towards reaching that target. And finally, leveraging the Schneider portfolio wherever it's practical to do so to enable that process, right? So for example, the potential for suppliers to use Resource Advisor to measure output and animate their CO2 reduction program is something absolutely on the table.

So we're addressing 1,000 suppliers in going after CO2 reduction. And keep in mind, this is separate from the duty of vigilance program, which is addressing environmental and social responsibility topics with 4,000 suppliers. And on that one, in the next phase of the SSI, we're doubling the number of on-site vigilance audits from 100 per year to 200 per year for each of the next 5 years for the high-risk suppliers. And then for the medium risk suppliers, about 3,000 of them, we're going to institute a desktop audit process so that we still are getting after uncovering the issue with a broader base of suppliers. Maybe the risks aren't quite as high, but they still pose some level of risk and therefore require action.

So to bring it back, yes, suppliers are definitely a big contributor towards carbon emissions. Therefore, we're upping our game, increasing the focus on sustainability with our suppliers, leveraging ESS and drinking our own champagne, if you will, to enable our suppliers to support Schneider's carbon reduction targets.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Right. Thanks, Dan. So it's -- we have a responsibility to do that through our ecosystem, and we also have the technologies to be able to help them get there. So thanks for that.

I have another question, which is on the Board, and it's on the topic of overboarding the -- on the Board. So Hervé, I might bring you in, as you guys know that from the panel, Hervé is our Chief Governance Officer and also the Secretary General. So any thoughts or comments around how do we ensure enough participation on the Board and the lack of overboarding?

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**Hervé Coureil** - *Schneider Electric S.E. - Chief Governance Officer & Secretary General*

Sure. So two things. In terms of participation, the attendance rate actually were 93% last year and we're on the way to improve it to 97% for 2020. And that's actually with 12 meetings, so almost 1 meeting a month. So it shows that there's a very high degree of attendance and engagement.

This was mentioned also briefly by Fred Kindle earlier. There was an assessment also that was the part of the Board by a third party, which actually showed that -- was assessed as being a very highly engaged and committed board. And of course, the Board also has its internal regulation, whereby

before (inaudible) new [Monday], is just by Directors with the government (inaudible) on the (inaudible). So I guess, overall, 97% attendance rate for 2020 with a very large number of meetings. That's where we stand.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Thank you, Hervé. I might come back to you, Jean-Pascal. This is an interesting question. I'll address it to you. So it's regarding our multi-local setup. I think this is an interesting question and the audience member is asking that is there actually any downside for having a multi-local setup in terms of your speed of decision-making or the inefficiency and potential collaboration because everyone is in different parts of the world.

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**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

There is a consequence to that is that it's late here in Hong Kong as we speak now. Apart from that, I would say that the fact that we have been operating multi-hub for now almost 10 years, made that from the first day of the pandemic, we knew how to be digital and to manage a company from remote points and as the web of leaders close to the market and close to the biggest groups of talents of our company.

When you think about it, by the way, working from home is like working from multi-hub. Now all the companies are multi-hub, certainly, except that we have 10 years of practice with us. When you think also about it is that while mobility is restricted within regions, in most regions, it's still possible to travel within the regions. And we have members of the executive committee in almost all of the regions. So we can really, by delegating to each other and make sure that there is a closer presence of our leaders very close to every region.

And finally, what strikes me is that the COVID has really created more borders, more separation between regions and the fact that we have people immersed in those different regions that [makes up] at every time when we make a decision, we have people who understand the local situation. I can tell you that the situation where I live is very, very different from what we face in Europe or what we face in North America. And when we make decisions, collective decision for the whole group, it's really important to have this direct feeling of the field. So I see, frankly, as an advantage. I mean, as we said before, the COVID has accelerated digitization, and we were already in our way of working.

And when you speak about business, it's also a catalyzer for usage of the tools that we have developed. [Having us] 3D, people who work from home can still design or co design on the 3D model manufacturing site and infrastructure or complex building. Same thing for the usage of [IB,] where groups of people who will sell can still keep working on the same project. So both from a business point of view as well as on the way we manage the company, I think it's been good to start before everybody else.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

All right. I've got two questions, which have come in pretty much on the same topic. I think they are more clarificatory or for classification. So I'm going to come to you, Xavier. So Xavier Houot is our Senior Vice President for Environmental sort of topics. And the question that I'm combining from 2 of the analysts is around the commitment that we've taken now for 800 million metric tons. And I think they're trying to understand that for the last 3 years, our commitment was 120 million metric tons and Jean-Pascal said that, that was calculated on the basis of 20% of our business.

So I think the question being asked is that how do you reconcile between saved and avoided? And in order to get to that 800 million, what is the proportion that we will be covering as we go forward. So Xavier, you might want to clarify on this topic.

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**Xavier Houot** - *Schneider Electric S.E. - SVP of Safety, Environment & Real Estate*

Sure, Amit. A great question. I hope you can hear me well.

**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Yes.

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**Xavier Houot** - *Schneider Electric S.E. - SVP of Safety, Environment & Real Estate*

Thanks. Yes. In a few words, we committed to let emerge a carbon positive ecosystem with customers and partners by 2025. So as much as we have been calculating how many tons of CO2 we were emitting ourselves, Scope 1, 2 or 3, we started to calculate what people call Scope 4, the savings of CO2, which are technologies help our customers enjoy. And in the last 3 years, indeed, we committed to save 120 million tons of CO2, and our saving exactly in the financial system is less than before.

So that means in retrofit projects when we help a building being retrofitted or modernized or a factory or a DC, we calculated how much the new assets with Schneider EcoStruxure were emitting less than before. So that's why the saving of CO2, which we completed so far. So now we're going to do 2 different things in the next 5 years. First thing is we're going to cover 100% of the turnover. While as Jean-Pascal Tricoire was mentioning earlier, we just covered 20%. So that's going to be the entire coverage. And we're going to also report externally the avoidance of CO2, which is for greenfield project, when a new building comes up when a new data center comes up, we'll calculate how many tons of CO2 our technologies are going to be less emissive than the prevailing practice that the average in that country, in that situation.

So that's how we're going to get from 120 million to 800 million tons of coverage and both Scope 4 saving and avoidance, greenfield and brownfield.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Thank you, Xavier. So it's a stretch target, but an ambitious one, and that's what we have embarked upon. So thanks for that.

If I bring in now, because I have 2 questions -- 3 questions, in fact, let me try to put them into two. Linked to the culture and talent and diversity. So I'm going to ask or introduce Tina Mylon, who is the Senior Vice President for talent and diversity based in the U.S.

Tina, if you can hear me, the question is about the overall diversity and congratulating us for what we have in the top management. The question is what percentage of females would you say are in middle management today? So that's the specific question. And maybe if I just ask a -- put a second question, and you can answer that together is, how do you measure the progress of diversity and inclusion in the company? So Tina, maybe you could take these 2 questions, please.

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**Tina Mylon** - *Schneider Electric S.E. - SVP of Talent & Diversity*

Sure, Amit. I hope you can hear me well. For sure. At Schneider, thank you for that question. We're definitely very proud and committed to diversity, equity and inclusion and believe our efforts pay off in terms of our ability to attract great talent, of course, especially local talent in our markets to innovate and, of course, also to contribute to society at large.

The question around gender diversity, if I may, I'll start with our Executive Committee. Just to remind the audience today, we are nearly at 38%. And amongst the women, when it comes to gender diversity and amongst that 38% women, we have 3 women leaders who are leading our 3 key businesses in North America, Europe and France. And the question around middle management is a very germane one, where we want to accelerate is indeed further down the pipeline, especially in that frontline middle management critical area. Today, we're at just over 20%, so at 21% in middle management. And our goal, as articulated by the Schneider sustainability ambition is to reach 40% by 2025. So quite a tall order, but we know from our data that, that's probably where we see most leakiness, if you will, in our funnel.

And then your second question about the progress. For sure, regarding tracking, it's very important and encompasses a holistic set of metrics, and we track it regularly at the global and local levels. I think it's worth pointing out that, first, we start envisioning what we really seek as a business. To create that workforce of the future for Schneider regarding skills, diversity, also experiences and values. And then what we do is definitely work

closely with our Board and the Executive Committee. We also have an internal D&I advisory board and all the country presidents in the markets to truly engage our teams at large to support the D&I ambition and day-to-day business decisions.

And the last thing I'd point out, Amit, and this call is certainly an example of that. More and more I and others, we're very committed to engaging our external stakeholders in that conversation ambition about DI diversity equity inclusion, especially in this context of CSR and ESG.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

All right. Thank you very much, Tina, for that. Maybe, Olivier, I come back to you. There's a question on carbon price mentioned as one of the essential program. What price do you use? And how significant is it in your decision making?

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**Olivier Pascal Marius Blum** - *Schneider Electric S.E. - Chief of Strategy & Sustainability Officer*

Yes. First of all, I'd like to mention that there are many things we've done without carbon price in the past that we found even more effective with the top-down approach. If you take, for instance, what we'll be doing in renewable electricity. We moved from 2% in 2017 to 80% in 2020. And you know that in our new SSI, we have taken even a bigger commitment. And we found that it was much more efficient to drive it as a global program and to go faster than implementing a carbon price.

Nevertheless, for a certain number of key decisions, which have a huge impact of Scope 1, 2 and 3, we believe it's important to use the carbon price. And especially we want to make sure that in every single decision that we take for our supply chain, of our R&D investment, we implement a carbon price in the future. We have a range, and we can give you more details later, but going from EUR 30 to EUR 130, depending on the time frame on the investment. And by doing so, we believe that will create probably even a bigger impact on addition.

But again, we believe that having those 2 complementary approach are important, carbon price for some decision, but also a global plan with the top-down approach, in some cases, is much faster and much more effective to get to a proper level of decarbonization.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

All right. Thank you very much for that. Olivier. There's 1 or 2 questions, and I might -- on the S part of the ESG, and it's linked to our commitments around the access to energy program and the significant amount of reach that we can make. Maybe I bring in Gilles Vermot Desroches, who is our SVP for Sustainable Development, very, very closely associated with these topics. So Gilles, if you can just probably tell us in a few words, the impact, the Tomorrow Rising Fund is having in terms of the benefit to society in general in the countries that we operate.

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**Unidentified Company Representative**

Thank you, Amit. We launched early in April, a big campaign, global campaign, but with a local response. In fact, Schneider Electric, we have the habit to ask our team side-by-side, country-by-country to be involved in the community to understand better what's happened locally and to be able to build a strong partnership. It's why we were able to launch in 67 countries, more than 10 [discreet] Projects, with a campaign with [Sweet Air]. The first is to (inaudible) especially for the most vulnerable people in this COVID crisis, a lot of low-income people close to our site. The second is linked to resilience through the community with our people to provide the ability to have school again for the teenager. It's very important to push the teenager, especially when there's (inaudible) to come back at school for themselves and for the community too. And the third, it's to build a new area about prosperity locally.

The first donors were the President, ExComm members. And after that, many people in Schneider Electric, the foundation much donation. And now we follow the program because we know that the crisis is not finished, and we would like to apport a strong support to help the youth, especially the teenager, to come back at school for technical skills, and you had a [film] about that.



**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Thank you so much, Gilles, and I can thank you because this has also internally united the teams and the people of Schneider as well. So thank you for that.

Hilary, maybe there's a follow-up question, which is, I think you probably already covered it in your section, but it's really around the ambition towards 17% and whether

(technical difficulty)

All right. If you can still hear me, yes. So Hilary, the question was around the road to 17% and the pricing power and the role that plays and the link it makes with connectable products, connected products and our digital offerings. So I think the idea was, is that one of the levers that we have to get to the 17%.

**Hilary Maxson** - *Schneider Electric S.E. - CFO*

Company has certainly led to the pricing power that we've demonstrated since 2017, '18, '19, we've showed a net positive pricing, which I think is very important for us as a company. I think that for us, as we look at the journey towards 17% or around 17% in 2022, we also have an environment of increasing commodity prices. So one thing we're really focused on today is making sure that we're using that pricing power in order to pass through the additional cost for commodities. Like we did this year for the additional costs associated with coronavirus.

And then what you're talking about is more our strategic pricing. So the ability to price even further, let's say, based on innovation. And that's something that we're always focused on in terms of a big lever in the journey towards the around 17%. I think what it does is give us the ability over time to ensure that all costs are passed through and some degree of strategic pricing, but the bigger levers for us in terms of gross margin are going to be things like our productivity.

**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

All right. Thank you, Hilary. Just mindful of time, I think we're coming towards the close. I'd like to very quickly probably take another 2 or 3 questions, and then we promised to reply back on the ones we can't get through on.

Maybe a quick one, Olivier, for you, which is around the demarcation between the global and the local programs. And if there's -- how are you going to monitor especially the local programs, if it's to be done across many, many countries.

**Olivier Pascal Marius Blum** - *Schneider Electric S.E. - Chief of Strategy & Sustainability Officer*

Yes. It's a very important question. I think at Schneider, we are quite innovative in the past 15 years to have both global commitment where we put an ambition, we measure and we disclose performance on the quarterly basis. When we took stock really on all the great things we've done in the past, we thought that for the next cycle, it will be also very important to bring a much stronger local dimension in our commitment. So here, we do not want to be too prescriptive and in the spirit of what Jean-Pascal has said before, where we really want to [support] our countries, we are think for the next chapter, all our country President, so which mean all the people who have a territory responsibility at Schneider Electric to [defend] 3 commitments that will apply and that will have an impact on their local ecosystem. And of course, with the 2025 target, that will be also [declining] the yearly target.

And if you take just one example, Tina talked a bit before, but the topic of Diversity & Inclusion, there are a certain number of things as a global company that you can take at the global level. For instance, the commitment we are taking on gender diversity, but there are many, many dimensions of diversity and inclusion that deserve to be treated at the local level. And that just to give an example, but it's true -- it's the same on resources

and many other topics. So that's why we wanted really in this next chapter to make sure that we really empower our country to take at least 3 local commitments in line with our top 5 key transformations.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

All right. Now, I think we are probably coming towards the end. Maybe I come back to you, Jean-Pascal, you're probably getting close to midnight now for you. So thank you for staying up for this one. But maybe I'll let you have some closing remarks, but I'll preface it with the one last question, which was also addressed to you, which is just overall in terms of a world which is going to get, where there is the transition from fossil fuels towards renewables and that is a journey which is there. At the same time, as a company, we are also having exposure to oil and gas.

So the question is that how do you reconcile the two? And is there any angle that a lot of our focus has also been in areas, for instance, Aviva has a lot of oil and gas exposure. So how do we reconcile the two?

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**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Well, first point is not to forget that in the energy mix of the planet, and including in a trajectory that drives us to keep the temperature within 1.5-degree, I think 60% of fossil fuel only are needed because the first thing is to make sure that we provide energy to everybody on the earth because it's really the base to have access to a decent life. So that's number one. Second thing is that our commitment to this industry is really sustainability to make it cleaner, to reduce the leaks, to reduce the issues, to make it safer and cleaner. And this is what we work on with our customers in this field. Also to understand that the weight of this industry and our turnaround is around 7, 8% of our total turnaround. So it's quite limited with respect to everything else we are doing.

So on the large part of what we do here is really directed to digitization, again, to reach new levels of performance inside our industry. So we see it as part of the equation, gas for instance, is an important part of this transition. Averaging for very, very specific application will be a part of it, and we need to be the partner of companies on the whole mix of their energy. But again, the core of Schneider is about saving, it's about efficiency and reducing the need on the demand, remind you that it reduces the impact of the supply by a factor of 3 because going to fossil fuel ends in combustion, and therefore, combustion means losses. And every time you save one, you generate 3 of savings at the level of extraction. So that's how we see our role in the whole transition.

And Amit, I understand that I have to conclude now?

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Yes, we can conclude.

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**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Yes. So just a few things. I think we explained now in all the sessions that we went through, sustainability is -- has been at the core of our strategy, and we see it as a indisputable factor of accelerated growth because the world is redirected to finding new ways to be more sustainable on everything that goes in that direction is a bit more tailwind than any other things. But also, it's really important because our commitment to doing things in a very sustainable way is the best way to derisk the company also. Doing everything in a more compliant, more sustainable way, not only brings more growth in our strategic mission, but take away the risk.

But more important question, I really believe that great people make a great company. And having directed the whole company to the topic of sustainability [of energy] makes that a certain type of people want to join Schneider. And that's also important because with those people, we feel much more confident that we can grow the company according to the higher standards. All I can share with you that I've been preaching this -- preaching? Or have been putting that at the core of our strategy for the past 17 years, and it's really great today to see the investors and the

investment circles been really focused on it because at the end of the day, you are the people directing our industries. On the place where you put your investment, your money is really, really changing the trajectory of our industry. So saying that this great alignment of investment community together with companies like ours is really super encouraging and gives me confidence that we can not only grow technology, but also find a solution to the decarbonation of the world. And I hope this session has been explanatory enough of everything we do in that direction.

So I look forward to seeing you again. And Amit, I let you really close it.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Well, thank you. I think on behalf of everyone on the panel, on behalf, in fact, of everyone in the company. Thank you very much, as I said at the start, for spending your time with us. You know, it really (inaudible) ESG, we have about a couple more conferences before the end of the year, and the IR team, as always, is available to engage with you. So thank you very, very much, everyone stay safe, and hope to see you all very soon. Bye.

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