Universal Registration Document **2019**

FINANCIAL AND SUSTAINABLE DEVELOPMENT REPORT

Digital innovations for a SUSTAINABLE world

Putting ideas into action to combat climate change

Life Is On | Schneider Electric

se.com

Strategic Report

0. Introduction

1. Group's strategy: opportunities and risks

2. Sustainable development

3. Business review RFA

Corporate Governance Report

4. Corporate governance report RFA

Financial Statements

5. Consolidated financial statements at December 31, 2019 RFA

6. Parent company financial statements RFA

Shareholder Information

7. Information on the Company and its capital

8. Annual Shareholders' Meeting RFA

9. Persons responsible for the universal registration document and audit of the financial statements

Highlights

Revenues +4.2% organic ↗

€27.2bn

Adjusted EBITA +8.7% organic ↗

€4.2bn

Net Income (Group part) +3.4% ↗

€2.4bn

Free cash flow +65% ↗

€3.5bn

Proposed dividend per share +8.5% ↗

€2.55

Share price (at 31 December, 2019)

€91.5

Read more about our business on page 8

Welcome from our Chairman and CEO

"Climate change is the greatest challenge of our generation and the next ten years will be crucial. Together we must reduce CO_2 emissions and halt the rise in temperature. At Schneider Electric, our commitment to be carbon positive is fully aligned with our strategy and purpose. This engagement emulates innovation for an all-electric and all-digital world. We openly advocate for bold measures, at every level, to accelerate the emergence of a low carbon world and to live up to the demands of the younger generations."

Jean-Pascal Tricoire,
Chairman and CEO

Read more about our strategy on page 14

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Universal Registration Document was filed on March 17, 2020 with the *Autorité des Marchés Financiers* (AMF), acting in its capacity as competent authority under Commission regulation 1129/2017/EU, without prior approval in compliance with Article 9 of this regulation.

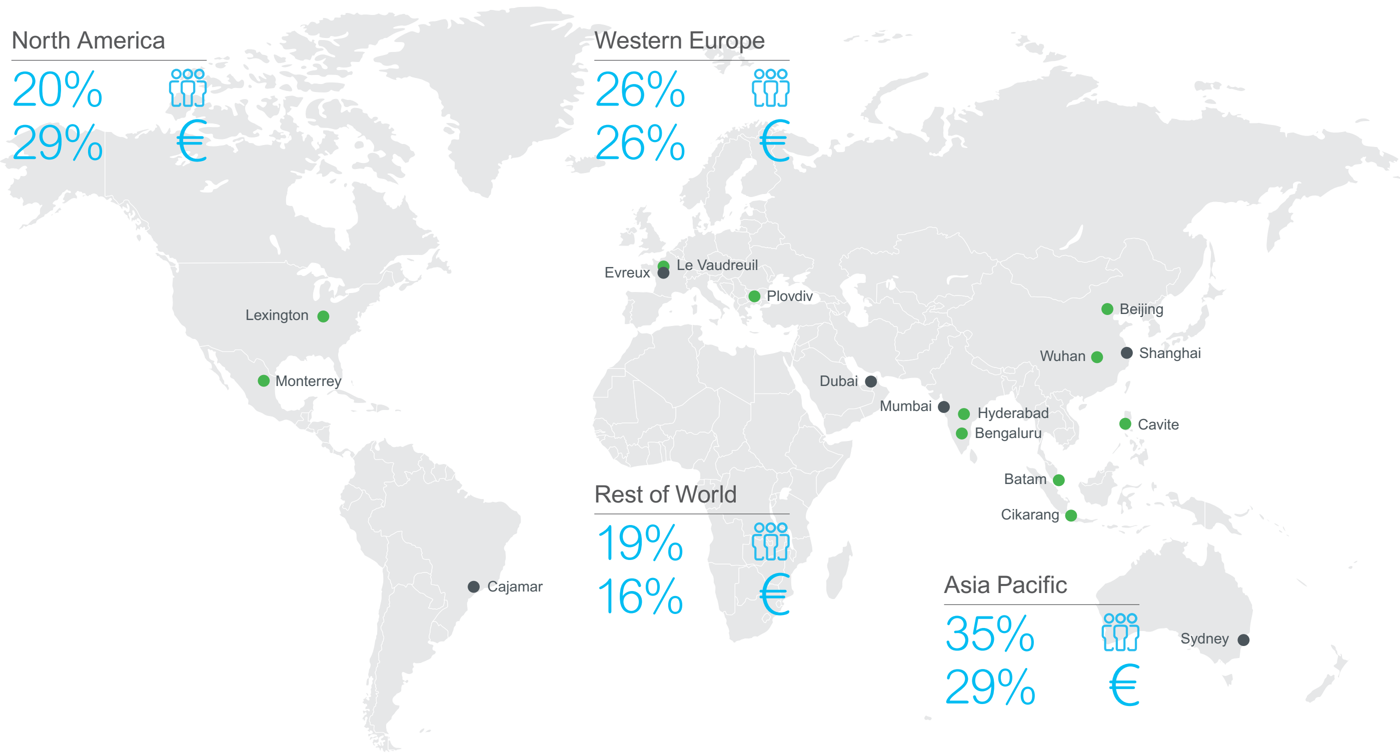
The Universal Registration Document may be used for purposes of a public offer of securities or admission of securities to trading on a regulated market if it is accompanied by an offering circular relating to securities and if applicable, a summary and any amendments made to the Universal Registration Document. These documents are approved by the AMF in compliance with Commission regulation 1129/2017/EU.

Schneider Electric at a glance

+135,000
employees in over 100 countries

191
manufacturing plants

97
distribution centers

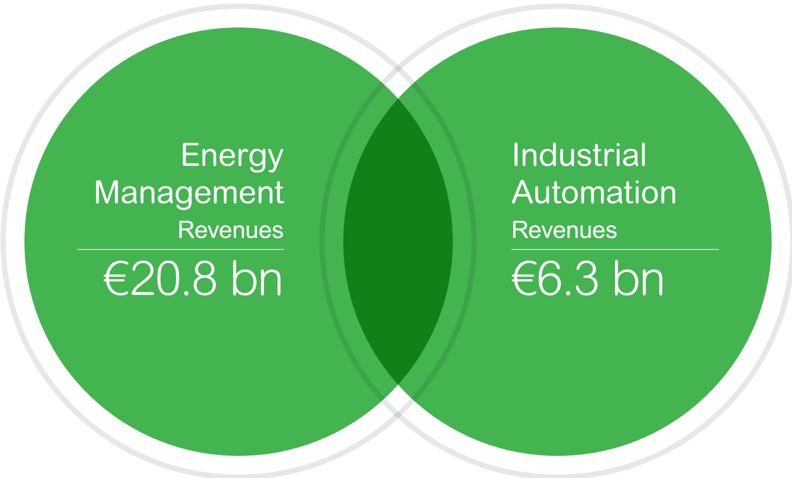


€ Percentage of revenue by geography in 2019
Percentage of total employees by geography in 2019

● Showcase Smart Distribution Centers
● Showcase Smart Factories

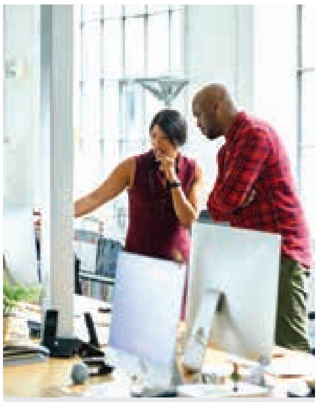
In an all-electric and all-digital world, we are uniquely positioned to deliver digital energy and automation solutions for efficiency and sustainability.

Energy Transition



Industry 4.0

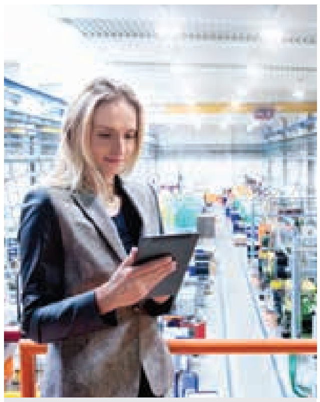
Serving four end markets:



Homes and buildings
All residential, commercial and industrial buildings and facilities can be built or renovated to be safer, smarter and more sustainable to better fulfill the aspirations of occupants and increase their value.

Data Centers
Fueled by digital innovation, data centers and IT systems need to integrate energy efficiency, resilience and both cloud and edge connectivity to protect critical information and operations and support the booming digital economy.

Infrastructure
Energy transition challenges are driving growth as governments, towns and private enterprise rethink and transform transportation, energy and utility projects to better serve customers and citizens and meet sustainability goals through the efficient use of resources.



Industry
Manufacturing processes and energy-intensive industries require detailed insights and digitized efficiency to address energy and asset waste, streamline maintenance, mitigate their environmental footprint and comply with safety and cybersecurity regulations.

A statement from Chairman and CEO, Jean-Pascal Tricoire

Planet friendly growth

2010 – 2019: a decade of disruption

When I look back at the last decade, I realize just how complex it has been. A decade of profound economic, social, geopolitical and environmental change, but also a decade of technological advances and upheaval within our industry.

Twelve years after the 2008 financial crisis, the revolution of both value and supply chains is ongoing. While poverty is globally receding, one unresolved, fundamental inequality is access to energy. Two billion people do not have access to reliable energy, barring them access to a safe and decent life. This has been aggravated by digital, which beyond energy, is the door to education and economic inclusion, creating another divide between the haves and the have-nots.

Facing total transparency and direct opinions through social networks, companies publicly explain their contribution to society, their purpose and justify their choices to stakeholders with very different opinions.

After 20 years of globalization, the world is becoming more fragmented and uncertain. Trade tensions escalate and – more importantly for our industry – a digital divide is now on the rise between regions, most visibly between the USA and China's diverging worlds of technologies and apps. This is not completely new for a company like ours with one foot in electricals, an industry where standards between continents have always been split, but it reinforces the multi-local nature of our business.

Meanwhile, we have finally reached a tipping point in sustainability. After years of low awareness and slow progress, there is now broad recognition that our planet is on a critical climate trajectory. Climate change is all about carbon emissions, and carbon emissions are all about energy, both production and consumption. Fighting climate change requires defining a new energy model. Today's model designed 150 years ago, is highly inefficient: a staggering 60% of primary energy is lost before it is used. We ought to rethink the way we live with energy.

Thankfully this tipping point is happening at a time when two disruptions, digital and renewables, allow us to rethink our energy value chain and address our carbon footprint in a completely different way. At Schneider Electric, we believe an all-digital, all-electric world can drive an entirely new level of efficiency and sustainability, for buildings, industries, infrastructures, IT and cities.

Last decade's disruption has also shaken the established order of our industry. We've witnessed a deep reformatting of industry players, as a consequence of choices made 15 years ago, while our whole competitive landscape is being reshaped.

We have reinforced our position and tripled our size

15 years ago, we made three transformational choices to strategically position our company.

First, in the large industry of energy, **we specialized in digital solutions for sustainability**, combining energy management and automation for greater efficiency, and electing to be the partner of our customers in their journey towards sustainability. It's taken the world time to prioritize sustainability and efficiency, but commitment levels have definitely changed in recent years, at all levels from society to investors. In September 2019, 87 large companies signed up to the "Business Ambition for 1.5°C: Our Only Future" campaign, committing to halve their carbon emissions within 10 years or become carbon neutral by 2050. By the end of January 2020, close to 200 companies had joined. Many other similar initiatives have emerged in recent years, among them the EP 100 for energy productivity, RE 100 for renewables, or EV 100 to push electric mobility adoption. Thousands of companies are putting together sustainability plans as they try to make the most of their energy and resources. Green business now makes up for more than 70% of our business.

Secondly, **we bet on digital to step change and disrupt the efficiency equation**, changing the way buildings, cities and industries are designed. We created EcoStruxure™ as a plug and play digital architecture for efficiency converging the Internet of Things (IoT), big data, software and artificial intelligence to manage energy, processes and resources more efficiently and securely. Connecting everything, aggregating data, expanding digital twins generates value far beyond efficiency, increasing operator safety and skills through augmented reality, process reliability through predictive maintenance, and project collaboration through model sharing. This development in digital and services today makes up for more than 50% of our business, while software and services represent 25%.

Thirdly, **we increased our efforts to deploying on a global scale towards emerging countries and Asia** to offer our customers service on a global scale. We are today arguably one of the most global companies with very balanced geographical exposure guaranteeing a better dynamic and increased resilience. We do an equivalent amount of business in North America, Asia Pacific and Europe. New economies represent more than 40% of our revenues, and Asia Pacific grew seven-fold in the past 15 years.

A unique differentiated model to grow

Building on more than 15 years of engagement and innovation for a sustainable world, in 2019 we reaffirmed **our meaningful purpose. At Schneider Electric, we empower all to make the most of their energy and resources to ensure Life is On™ everywhere, for everyone, at every moment.**

We differentiate by our focus on sustainability. In 2018 and 2019, we supported our customers on their sustainability journey, saving almost 90 million metric tons $C0_2$, equivalent to the total annual emissions of Toronto or Melbourne. We ourselves took decisive long-term commitments to become carbon neutral and rid of SF6 in our medium voltage systems by 2025, be net zero emission by 2030 and operate a carbon-net-zero supply chain by 2050. After 20 years membership of the UN Global Compact and continuous execution and progress in social responsibility and sustainability, we also pledged to align more strictly with the United Nations Sustainable Development Goals. We apply our technologies to our own facilities. 80 of our factories now qualify as *Industry 4.0* flagships, and 193 are committed to No Waste to Landfill thanks to a strong focus on circularity. In 2019, our commitments were again acknowledged by our inclusion in the **Climate A list** by CDP (since 2011), in the **Dow Jones Sustainability World** Index for the 7th consecutive year, and in the Most Sustainable Companies in the World by **Corporate Knights**, for a 8th year. At the World Economic Forum, we won **The Circulars 2019** award in the Multinational category.

We also differentiate with our integrated model: one organization per country, one supply chain, one IT and one management and performance system to simplify our customers' lives by providing them full solutions, hassle free.

Our unique multi-hub model empowers our geographical organizations to make decisions, and be the most local and agile organization, in order to adapt to the growing autonomy of each region of the world in trade and from a fast-changing technology point of view. As such, our people footprint reflects our business footprint, allowing local teams to react swiftly to market reality and avoid unnecessary centralization.

We extend Schneider's capabilities through the **largest network of partners in our industry**. We structure our supply chain with partner suppliers, we reach into the market with distributors, we deliver most of our solutions with integrators and we innovate through partnerships with other technology companies, start-ups, universities, and financial institutions. One distinctive example is AlphaStruxure, a partnership venture founded with Carlyle in 2019, joining forces to retrofit US infrastructure in a robust and sustainable fashion. In 2019, we also launched our digital market place Exchange, where partners and Schneider users can meet and exchange tips, solutions and code to benefit each other.

Our **people are at the heart of this**. We believe that **great people make a great company**. At Schneider, we attract people who are passionate about our meaningful purpose and meaningful way to do business, people who want to work in a very inclusive and diverse environment and be empowered at every level to make an impact. Progress is led by people.

We also focus on **trust**, which is the foundation of any business, and the signature of our brand. Be it safety, quality, cybersecurity, ethics or governance, we put those pillars of trust at the very core of everything we do.

Our **governance is strengthened by** a very diverse board, in origin and gender, and a system of checks and balances supported by an independent lead director and five committees that prepare all board decisions. A strong asset of the Group has been the time spent on a very consistent strategy over the years, which has been scrutinized, challenged and supported by the board.

2019: a year of growth and a proof point

In 2019, we reached record levels in revenues, adjusted EBITA, net income and realized a step change in our free cashflow to EUR 3.5 billion, growing in all businesses and across all regions.

1. A strong execution of our strategy, delivering on all priorities
In 2019, we reached EUR 27.2 billion **in revenue for the first time**, growing by 5.6% overall and beating the market.

We **delivered more products (+3%)** through our growing network of partners, leveraging digital innovation to enhance customer value. We brought innovation to life for over 75,000 customers and partners at Innovation Summits and Innovation Days. We achieved this while digitizing 80 smart factories in our product supply chain. For these efforts, we progressed to 11th position in the 2019 Gartner Global Supply Chain.

We also grew our **services business (+8%)**, tracking our installed base across regions and providing field, digital and sustainability services, confirming services as an accelerating growth catalyst.

We grew software double-digit organically, supported by a strong performance from AVEVA. We connect more and more products to our cloud **(+50% YoY assets under management in 2019)**.

This confirms the success of EcoStruxure™ and **demonstrates the company's pivot to digital and services which now represent 50% of revenues**.

We also improved our professionalism in systems, which both grew and did better in profitability.

2. Focus on high-quality business
We keep pruning our portfolio to focus on our highest quality business. In 2019, we divested EUR 600 million of turnover, a first step on our commitment to divest a total of EUR 1.5 to 2 billion less performing business in three years. We keep making very selective and accretive acquisitions like ASCO, IGE+XAO and Larsen Toubro's Electrical & Automation business to reinforce our presence in faster growing and more profitable core business.

A statement from Chairman and CEO, Jean-Pascal Tricoire

3. Responsible and consistent delivery
We deliver on our margin commitment with a simplified portfolio, tight operational management and by cross-selling technologies in channels and in solutions.

Over the past three years, following the targets set in 2016:

- We've grown our business by 4.7% on a yearly average and organically, above the 3% committed.
- We've grown our adjusted EBITA margin by a yearly average of +70 bps (+9.4% in average).
- We've also concluded 10 years in a row of progressive dividend growth, multiplied by 2.5 over the period.

Therefore, we confirm our ambition to increase the operating profit margin by 200 bps in the three years from 2019 to 2021, as validated by the 70 bps increased achieved in the first year of the plan. In 2019, we also generated for the first time EUR 3.5 billion of free cash flow, validating our strong operational performance and our strategy to focus on high growth and high-quality business.

Our 2020 vision

As we look ahead to 2020, business and markets look positive, albeit disturbed by temporary issues. Digital and sustainability sit on the top of the agenda for all our customers.

We stay focused on our 2021 ambition, towards our objectives across the cycle and committed to 1 to 3% organic growth in revenues in 2020, with an adjusted EBITA margin between 16 and 16.3% (excluding FX and impact of acquisitions). We will keep pivoting our portfolio, exit underperforming business, and integrate selectively acquired business. We shall continue to allocate more resources to R&D, digital, marketing and services.

We shall push digital to a new level, so that it brings a much higher level of efficiency and sustainability for customers through the four integrations:

- **Bringing together energy and automation** as the only way to achieve full efficiency, energy and process at the same time, to curb carbon emissions and resource consumption.
- **A secure end point-to-cloud ecosystem** made possible by the convergence of IoT, big data, and artificial intelligence from the shop floor to the control room, making all data transparent and available to all, from the operator to the expert and general manager.
- **Digitally integrating the whole lifecycle of operations**, from design and build to operations, eliminating all misunderstanding and inefficiencies in the transition from CapEx to OpEx phase, and enabling seamless collaboration.
- **The ability to shift from site-by-site management to an integrated company approach** for a big-picture view of energy and resource consumption, a complete benchmark of facilities, to bring unprecedented competitiveness and efficiency.

Over time, we have positioned Schneider to empower all to make the most of their energy and resources. Our technologies reconcile growth, access to energy for all and a carbon free future for our planet. We play a unique role in contributing to solve global issues. More than just economic actors, we bring ideas, skills and technologies and can act at any scale. We have both a very rooted global footprint and are integrated locally through our multifaceted network of partners, and through interaction with local communities.

At Schneider Electric, we are passionate about what we do, and we are convinced that *how* we do it is just as important. We embody these values across the company, and we will continue to do so. As a responsible company, we engage with our environment. We are responding to the climate emergency by developing tangible business actions, creating technological tools, and sharing expertise to galvanize a global impact. We want to turn the tide on carbon and resources while safely and securely powering the economy. Our consistent and concrete actions are anchored in territories and our interactions and transactions strengthen trust with the communities, companies, and countries we serve. I believe that companies can make a positive impact and contribute to societal progress.

We have the duty to be profitable. We also have the responsibility to build a desirable and sustainable future, where energy and digital – those fundamental human rights giving access to a decent and safe life and to education and economy – are available to all. Do good to do well and do well to do good: that is our program for the coming decade.

Jean-Pascal Tricoire,
Chairman and CEO

Read more about our strategy on page 12

Some of the recognition Schneider Electric achieved in terms of sustainability commitments and people development in 2019

Successful execution of our strategy drives record 2019 performance

What were the highlights of Schneider Electric's 2019 performance?
Relentless focus on our strategic priorities and strong execution were key to delivering our 2019 operational and financial performance. Our priority on more products, more services, more software and better systems resulted in +4.2% organic growth to reach EUR 27.2 billion in revenues. Our gross margin which has improved consistently over the past five years, reached 39.5% reflecting our focus on high value-added products, solutions and pricing power. We improved our adjusted EBITA margin by +70 bps (above expected target) reaching +15.6%. Recent acquisitions (Asco Power, IGE+XAO and AVEVA) also contributed positively with double-digit growth in revenue. This strong operational performance coupled with improved cost of financing, our adjusted net income increased by +14%.

Our free cash flow reached an all-time record of EUR 3.5 billion (including IFRS16 impact), increasing by 65% versus 2018, showing our capacity to convert our result in cash with good control on working capital in a growth environment and despite our digital and innovation investments. We continue to return cash, enabling us to increase our proposed dividend by +8.5% at EUR 2.55 per share.

As the Group focuses on core priorities, it progressed on delivering its three year portfolio optimization program of EUR 1.5-2 billion, with EUR 600 million addressed in 2019.

The Group targets an organic growth in operating profit in 2020, what are the key levers?
Our priority for 2020 is to continue to deliver profitable growth. To deliver this strong and sustainable performance, the Group will use two levers: firstly, topline growth where the Group targets organic growth between +1 and +3% and, secondly, adjusted EBITA margin within the range of +16.0 and +16.3% (excluding impact of FX and acquisitions).

Could you share your medium-term ambition to increase operating profitability?
The Group re-affirms its through-cycle objective of +3 to +6% organic growth in revenues, on average. During our 2018 results, we shared our ambition to increase our operational margin by 2021 and therefore move the Group towards a path of 17% adjusted EBITA margin range (at constant FX). This underlying improvement would be achieved through a combination of organic growth, organizational simplification and efficiency and continued productivity. The Group targets c. EUR 1.1 billion of industrial productivity over this timeframe and continued focus on efficiency and productivity gains, both in our supply chain and in our operations. Portfolio optimization is expected to contribute a few tens of basis points towards the margin ambition. Considering developing macro-economic trends, the Group will continue to deploy its strategic priorities in key markets and its focus on the c. +200 basis points (at constant FX) margin ambition for 2019-2021. At the end of 2019 the Group has already achieved close to half.

How do you intend to drive shareholder value in the next years?
We have positioned the company on two megatrends of Energy Transition and Industry 4.0 that are set to drive strong growth opportunities in the future. The Group focuses on execution of its strategic priorities enabling further scaling of its core activities. Also working on the development of its digital offers and continuing to improve efficiency. On top of our digital EcoStruxure™ platform, we believe that our focus on services adds another dimension to build stickier and ongoing customer relationships. Digitally-enabled revenues and services should also drive more growth for our connected products. All these elements will allow us to offer attractive returns to shareholders.

We are also very pleased with our systems, with a +40 bps margin in 2019 and we want to continue in that direction.

With close to +9.4% organic growth per year in our operating profit over the past three years, our objective is to continue generating strong earnings growth through a combination of top line growth and margin expansion. Combined with the strong free cash flow generation and our solid balance sheet, this allows us to offer attractive returns to shareholders through a progressive dividend policy and to achieve the current EUR 1.5 to 2 billion share buyback program by 2021.

Could you tell us more about the framework of actions that contribute to the future success of Schneider Electric?
Our Principles of Responsibility are instrumental, as this framework sets out the highest ethical and Corporate Environmental Responsibility standards and methods, organized around five pillars:

1. Human rights and people development
2. Ethical business conduct
3. Digitally trusted and secure partner for our customers
4. Act for the environment
5. Responsible corporate citizenship

Our customers and partners, our teams and our shareholders expect us to be very strict in their implementation and we are absolutely convinced that they are key for our future success.

Emmanuel Babeau,
Deputy CEO in charge of Finance and Legal Affairs

Read more about our strategy on page 12

Key Performance Indicators

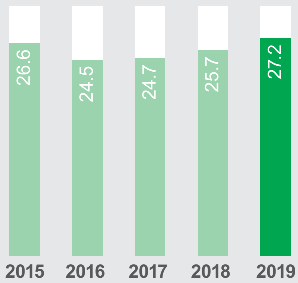
Record performance, growing in both synergetic businesses and across all regions

In 2019, the Group reached record performance in revenues, gross profit, adjusted EBITA and in free cashflow. The Group continued its portfolio optimization, organic margin improvement and focused on productivity and resource reallocation in R&D, digital, services and sales. The Group remained committed to strengthen its core and to pivot towards more connected products, automation, software and services. Customer adoption of the EcoStruxure™ architecture accelerated and growth in services, enabled by both field services and digitally-enabled services, built a solid base for growth in 2020.

Revenue

In billions of euros

€27.2



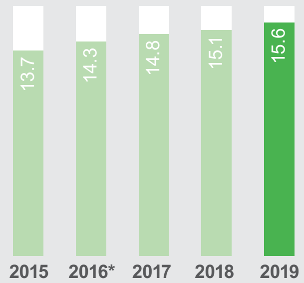
Revenues were up +5.6% (+4.2% organic), a net scope effect of -0.6% mostly due to consolidation of Aveva and disposal of Pelco and the US panels business, and a positive exchange rate effect of +2% mainly driven by the appreciation of the USD against the euro. Both businesses saw strong organic growth, with Energy Management up +5.2% org., delivering solutions integrating Medium Voltage, Low Voltage, and Secure Power technologies, and with Industrial Automation at +0.8%. Across those 2 businesses, Digital and Services now account for around 25% of turnover, grow above the average, and bring both recurrent revenue and a deep customer relationship.

All geographies grew organically over the year with the largest region North America, growing at +6%. Asia Pacific delivered +4.4%, Western Europe +1.9% and Rest of the World +4.4%.

Adjusted EBITA

In % of consolidated revenues

15.6%



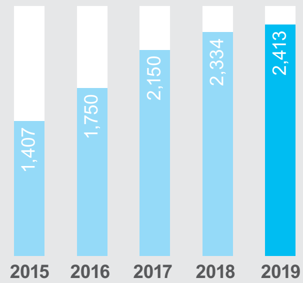
2019 Adjusted EBITA reached a record €4,238 million, increasing organically by +8.7%, exceeding the high end of the revised FY 2018 target, and the Adjusted EBITA margin improved +70 bps organically to 15.6%, thanks to strong volumes, good productivity and a balanced approach between investments and cost control. This represents the fourth consecutive year of Adjusted EBITA margin expansion, increasing by +280 bps organic over the period covering both lower growth and higher growth years.

* 2016 figures restated due to the deconsolidation of the Group's solar activity.

Net income

In millions of euros

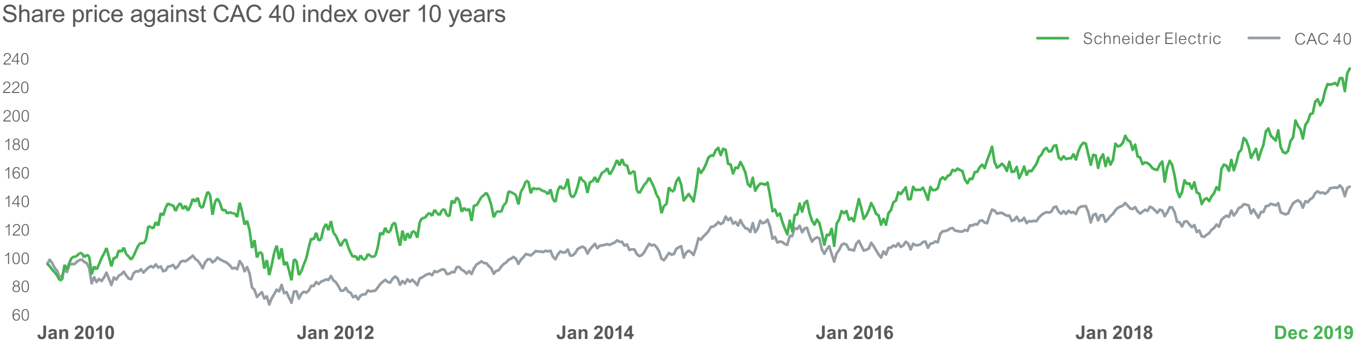
€2,413



The Net Income (Group Share) reached a record €2,413 million, up +3.4% from FY 2018. Restructuring charges were -€255 million in 2019, up €57 million on last year, in line with the €200-€250 million range averaged over the next four years, as communicated in June 2019. Other operating income had a -€411 million negative impact, due to the H1 disposal of Pelco, some asset impairments, M&A and integration costs. Amortization and depreciation linked to acquisitions was -€173 million. Increased amortization due to intangible assets related to Aveva acquisition was offset by the Pelco disposal. Net expenses were down to -€261 million driven by continued decrease in the cost of debt. Income tax amounted to -€690 million. The effective tax rate was 22%, down from 22.5% last year, in line with expectations. The result of discontinued operations was -€3 million, related to the net result after tax of Solar activities. Share of profit on associates increased to +€78 million, from +€61 million last year. The Group share of Delixi net income was +€65 million, up c.+€15 million YOY.

Read more about our performance on page 306

Share price against CAC 40 index over 10 years

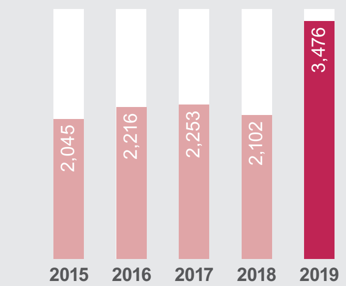


Full-year revenues up	Full-year adjusted EBITA	Record cash generation	Proposed dividend of
+5.6%	15.6%	€3.5bn	€2.55
+4.2% organically	+50bps, +70bps organically	free cash-flow	up +8.5%

Free cash flow

In millions of euros

€3,476



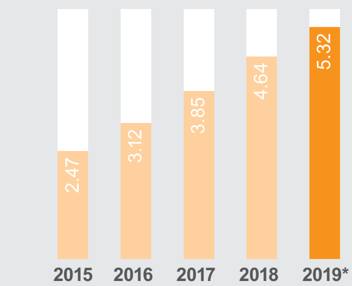
Free Cash Flow was very strong at €3,476 million, mainly due to the strong operating performance, and supported by favorable working capital evolution driven by end-to-end digital planning. Net capital expenditure reached €806 million, representing c.3% of revenues, due in part to supply chain capacity investment and capitalized R&D linked to new products. Changes in working capital were a tailwind in 2019, down €270 million. The impact of IFRS16 increased Free Cash Flow by €274 million.

Taken on a normalized basis, Free Cash Flow, excluding IFRS16 impact, of €3,202 million and Net Income of €2,641 million (mainly excluding Pelco) show a cash conversion of 121% in 2019 (four-year average 109%).

Adjusted earnings per share*

In euros

€5.32



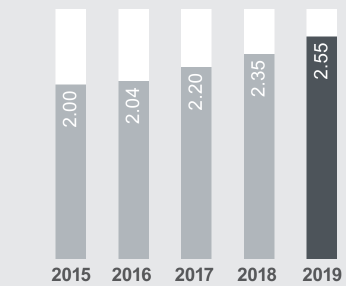
Earnings per share were up strongly at +15%, mostly driven by operating margin expansion and share buyback, as the Group has repurchased 3.5 million shares for a total amount of c. €266 million in 2019. The Group remains committed to the share buyback program of about €1.5 to €2.0 billion to be completed over 2019-2021.

* In 2019, the Group has changed its definition of Adjusted Net Income, which includes the adjusted EBITA, PPA amortization (excluding impairment), net financial income & loss, income tax expense on the above at the effective tax rate, discontinued operations net income, share of profit & loss of associates and impact of non controlling interests. This new definition of Adjusted Net Income has been created to be more transparently derived from the financial statements. To reflect the revised definition for the 2018 Adjusted Net Income, this results in an increase of +€13 million compared to the published figure. The Adjusted EPS for 2018 improves by €0.02 to €4.64.

Dividend per share

In euros

€2.55



Combined with the strong free cash flow generation and a solid balance sheet, the margin increase allows the Group to offer an attractive return to shareholders through a progressive dividend policy meaning no year-on-year decline. The proposed dividend is €2.55 per share up +8.5% subject to Shareholders' approval at Annual Meeting of April 23, 2020 for payment on May 7, 2020.

Our business model

We believe access to energy and digital is a basic human right

Our generation is facing a tectonic shift in energy transition and industrial revolution catalyzed by accelerated digitization in a more electric world. For the first time in history, we can all participate in a step-change in efficiency and the rare opportunity to reconcile the paradox between progress for all, and a sustainable future for our planet.

Our key resources and relationships

People
We are the most local of global companies with **+135,000** colleagues, in **+100** countries representing our diverse talents. **32%** of our 2019 workforce were women.

Industrial
Our **+80** smart factories and distribution centers deliver efficiency and productivity across our unique end-to-end supply chain to better serve customers. In 2019 EcoStruxure™ solutions reduced production downtime and quality issues by up to **15%**.

Innovation
Our community of **+1,100** certified R&D engineers are nurtured to fuel our innovation strategy. Schneider Electric holds more than **18,000** active patents and patent applications worldwide. **+850** new patent applications on both our core and digital technologies filed in 2019.

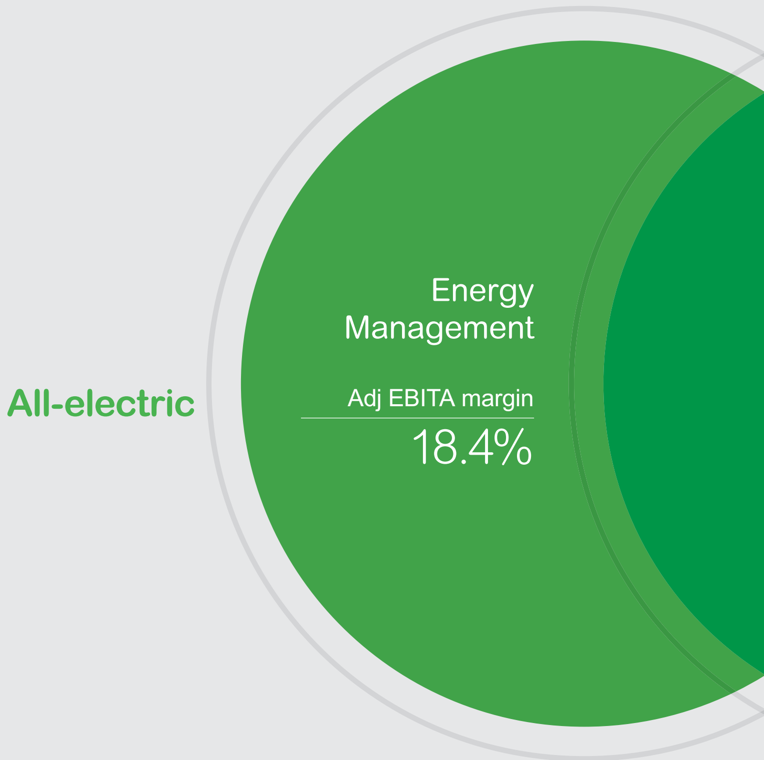
Environment
We optimize our energy and resources across **230** ISO14001-compliant facilities and **193** sites committed to zero landfill waste. **50%** of electricity from renewables in 2019. **+97,000** tons of primary resource consumption saved with circular models.

Partners and Suppliers
We empower our **+650,000**-strong partner ecosystem to expand our coverage and we arm our **+3,800** ecoXpert program partners to drive new digital business opportunities. We extend our sustainability excellence requirements to our suppliers representing **EUR 12 bllion** in procurement volume.

Financial strength
Our organic growth, consistent margin improvement and disciplined capital allocation drives sustainable, positive free cash flows of **EUR 3.5 billion**.

Our unique way

Delivering strong growth (4.2%) from our portfolio of energy and automation solutions for efficiency and sustainability.



We lead in delivering sustainability and efficiency in:

Homes and buildings

Data centers

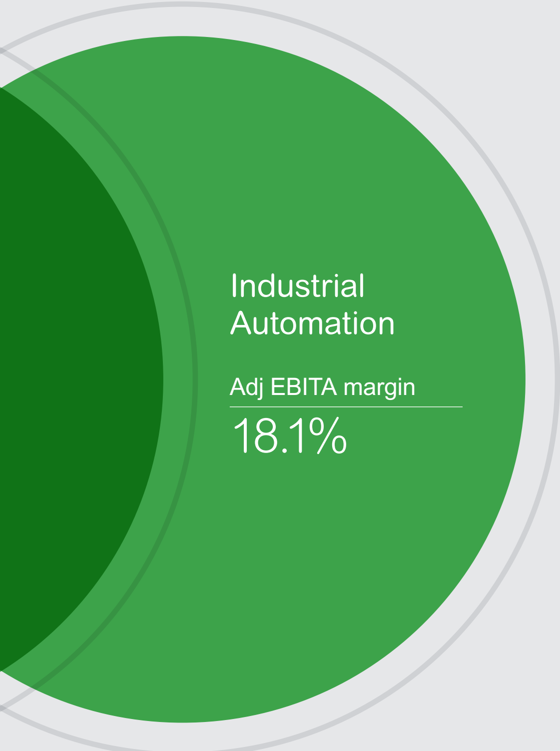
2020 — 2030 — 2050

2018 – 2020 SCHNEIDER SUSTAINABILITY IMPACT

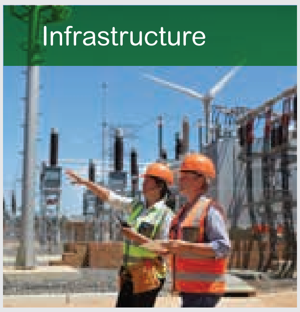
SUSTAINABLE DEVELOPMENT GOALS

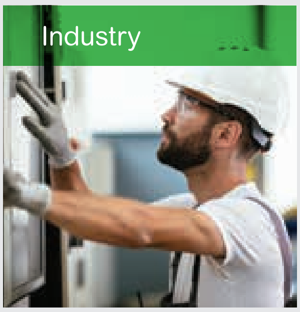
Engage with our suppliers towards a net-zero supply chain.

- We champion open, connected and interoperable solutions.
- We supply best-in-class products to partners to integrate in their solutions.
- We are obsessed with safety, and are renowned for reliability and cybersecurity solutions.



All-digital





Our sustainable value for all stakeholders

Focusing on the welfare of people
- We are committed to gender equality through equal opportunities for everyone, everywhere.

99% of our global workforce covered by our Gender Pay Equity Framework.
- We strive to guarantee the highest safety standards and eliminate workplace accidents.

Medical incidents per million hours worked reduced to **0.79.**

Achieving sustainability goals with customers
- We help customers reduce their CO_2 footprint with EcoStruxure™ solutions and Energy & Sustainability Services.

On average, businesses achieve **20%** reduction in carbon emissions.
- We enable sustainable performance providing comprehensive environmental information for all eco-designed Green Premium™ offers.

55% of sales from Green Premium™ products in 2019.

Empowering underserved communities
- Our Access to Energy program supports training, entrepreneurship, startups and technologies for the world's most energy-deprived populations.

246,268 underprivileged people received vocational training.

Prioritizing ethical partnership with suppliers
- As responsible corporate citizens, we uphold the highest standards of ethical business conduct to strengthen collective trust, cultivate long-term viability and comply with local regulation.

279 suppliers under Human Rights & Environment vigilance received specific on-site audits.

Delivering return and profits to shareholders
- Our business model delivers consistent, sustainable and strong financial performance and attractive returns.

+54% share price growth
EUR 53.2 billion market capitalization (December 31, 2019)
Proposed dividend per share **EUR 2.55**, **+8.5%** vs 2018

Our strategy

We empower all to make the most of their energy and resources, ensuring Life Is On everywhere, for everyone, at every moment.

Portfolio optimization

Ensure business growth with synergetic optimization of Energy Management and Industrial Automation portfolio driving more products, more services, more software and better systems.

Open ecosystem

Empower our unrivalled network of partners with digital innovation to seize new market values and champion open, connected and interoperable solutions.

2019 progress

- Double digit growth in Software
- Strong growth in Field, Sustainability and Digital Services
- 50% growth in connected assets under management
- Approval to combine Schneider Electric India's Low Voltage and Industrial Automation with Larsen & Toubro Ltd. Electrical and Automation business
- ALPI, European leader in calculation and electrical design software joins Schneider Electric
- Pelco divestment closed in Q2
- Disposal of US panels business signed in Q2
- Sale of Converse Energy Projects GmbH completed in December

- Continued enhancement of Schneider Electric's industry-leading channel partner ecosystem focusing on specialized applications and local expertise and coverage to improve customer service and delivery
- 70% of Energy Management revenues derived through a 650 000-strong service provider and partner network
- Launch of Schneider Electric Exchange, the world's first cross-industry open ecosystem that unleashes the power of collaboration in an open environment
  – +53 000 registered users.
  – +300 offers.

2020 priorities

- Further scale digital offers
- Strong ambition to grow Services by twice Group average growth
- +3 to +6% organic revenue growth through the cycle
- Adj. EBITA margin: +200 bps by 2021
- Continued portfolio optimization (EUR 1.5-2 billion by 2021)

- Drive co-innovation with partners and improve digital customer experience
- Enhance EcoStruxure™ capabilities as a digital model across end-user applications to enable full lifecycle asset management from design and build to operate and maintain

Innovation

Build open and multi-local innovation programs based on bold ideas from both Energy Management and Industrial Automation businesses and by developing partnerships to disrupt markets, create new business models for future growth.

Culture

Strive to be the most diverse, inclusive and equitable company, globally. We value difference and welcome people from all walks of life, across our multi-hub organization built on truly global leadership and offering equal opportunities to all.

2019 progress

- Continued deployment of our EcoStruxure™ platform, for new connected products, such as Tesys Island and Modicon 262 and for digital services, EcoStruxure™ Advisor software for Power, IT and Workplace applications
- Launch of SF6-free MV switchgear, reinforcing sustainability commitment
- Innovation World Tour 2019 hosted five Innovation Summits in Barcelona, Xiamen, Moscow, Hyderabad and Santiago, over 80 Innovation Days and 130 Innovation Talks reaching +75,000 customers
- Strategic partnership with Planon to manage building data and analytics for operators, occupants and service providers
- Strategic partnership with The Carlyle Group, creating the AlphaStruxure joint-venture for smarter infrastructure

- Schneider Electric extended the Pay Equity Framework to 95% of countries
- For the first time, more than 50% of eligible employees across 38 participating countries subscribed to the Schneider Electric Worldwide Employee Share Ownership Plan (WESOP) representing more than 56 000 employees and the third consecutive year of record participation
- Recognition received from Fortune, Financial Times, Forbes, Bloomberg, Great Place to Work, Glassdoor and other prestigious organizations for an authentic culture of meaningful purpose, inclusion and empowerment

2020 priorities

- Increase investment in:
  – R&D and innovation.
  – Digital.
  – Sales force skills.
  – Marketing and communication.

- Boost a high performance and innovation culture
- Attract, build and empower the workforce of the future
- Create more development and career opportunities for all
- Build the next generation of leaders to achieve the Group's growth ambitions

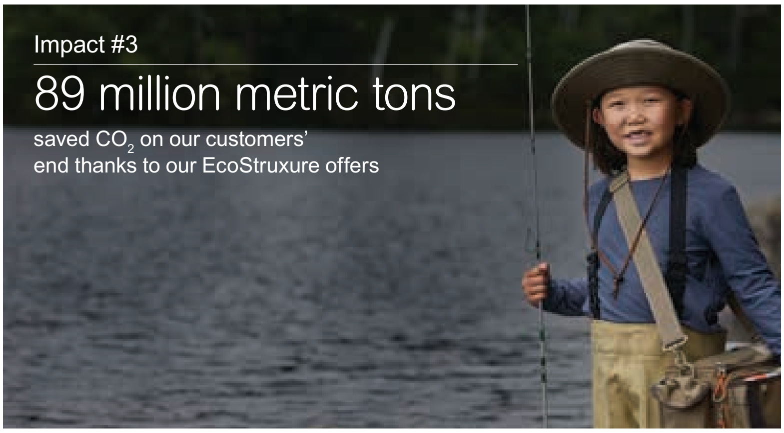
Our impact

2018 – 2020
SCHNEIDER SUSTAINABILITY IMPACT

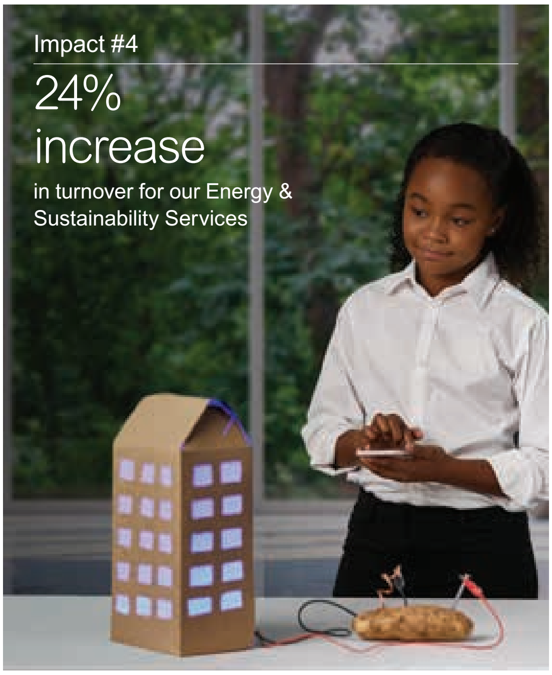
Climate

Impact #1
50%
renewable electricity

Impact #2
4%
CO_2 efficiency
in transportation

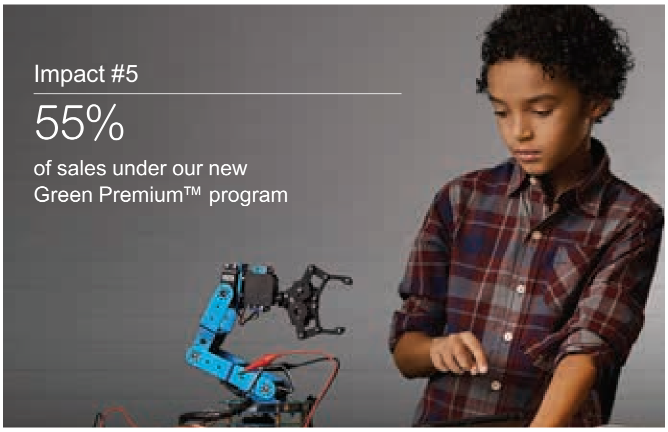


Impact #3
89 million metric tons
saved CO_2 on our customers' end thanks to our EcoStruxure offers



Impact #4
24% increase
in turnover for our Energy & Sustainability Services

Circular economy



Impact #5
55%
of sales under our new Green Premium™ program

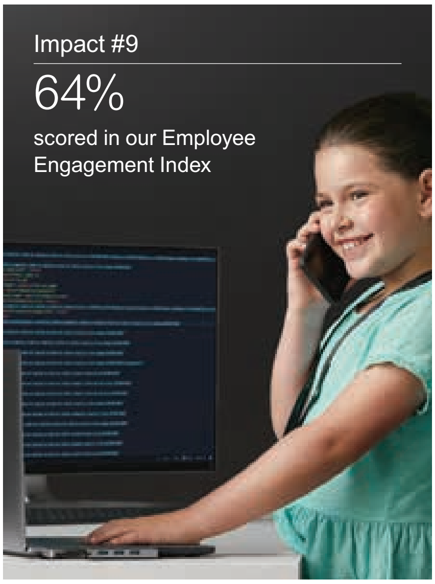
Impact #6
193
sites labeled Towards Zero Waste to Landfill

Impact #8
97,400 metric tons
of avoided primary resource consumption through ECOFIT™, recycling and take-back programs

Impact #7
96%
cardboard and pallets for transport packing from recycled or certified sources

* Results as at end 2019.

Health & Equality



Impact #9

64%

scored in our Employee Engagement Index

Impact #10

0.79

medical incident per million hours worked

Impact #11

47%

of employees have access to a comprehensive well-being at work program

Impact #12

99% of employees

are working in countries that have fully deployed our Family Leave Policy

Impact #13

62%

of workers received at least 15 hours of learning, and 30% of workers' learning hours are done digitally

Impact #14

79%

of white collar workers have individual development plans

Impact #15

99%

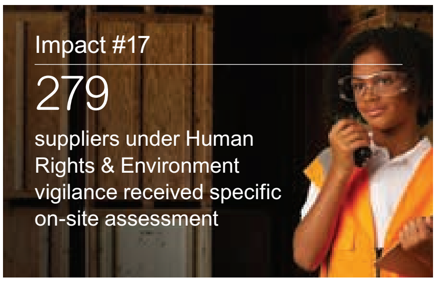
of employees are working in a country with commitment and process in place to achieve gender pay

Ethics

Impact #16

3.7 pts/100

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



Impact #17

279

suppliers under Human Rights & Environment vigilance received specific on-site assessment

Impact #18

94%

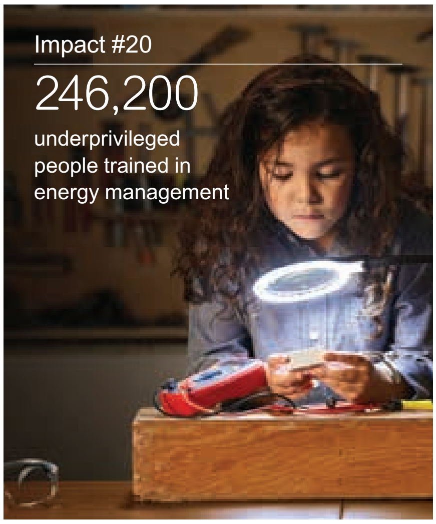
of sales, procurement, and finance employees trained every year on anti-corruption

Development

Impact #19

x1.5

turnover of our Access to Energy program



Impact #20

246,200

underprivileged people trained in energy management

Impact #21

11,400

volunteering days thanks to our VolunteerIn global platform

Read more about Sustainable Development on page 84.

Our leadership team

Inspiring the Group's bold ideas for the future

Schneider Electric Executive Committee on January 15 2020 in the Technopole Innovation center in Grenoble, France.

1. Peter Herweck
Executive Vice-President, Industrial Automation

2. Christel Heydemann
Executive Vice-President, France Operations

3. Luc Remont
Executive Vice-President, International Operations

4. Emmanuel Lagarrigue
Executive Vice-President, Innovation

5. Chris Leong
Executive Vice-President, Global Marketing

6. Philippe Delorme
Executive Vice-President, Energy Management

7. Barbara Frei
Executive Vice-President, Europe Operations

8. Jean-Pascal Tricoire
Chairman and Chief Executive Officer

9. Yin Zheng
Executive Vice-President, China Operations

10. Mourad Tamoud
Executive Vice-President, Global Supply Chain

11. Fréderic Abbal
Executive Vice-President, Services

12. Emmanuel Babeau
Deputy Chief Executive Officer
in charge of Finance and Legal Affairs

13. Olivier Blum
Executive Vice-President,
Global Human Resources

14. Annette Clayton
Executive Vice-President,
North America Operations

15. Leonid Mukhamedov
Executive Vice-President, Strategy

16. Hervé Coureil
Executive Vice-President, Digital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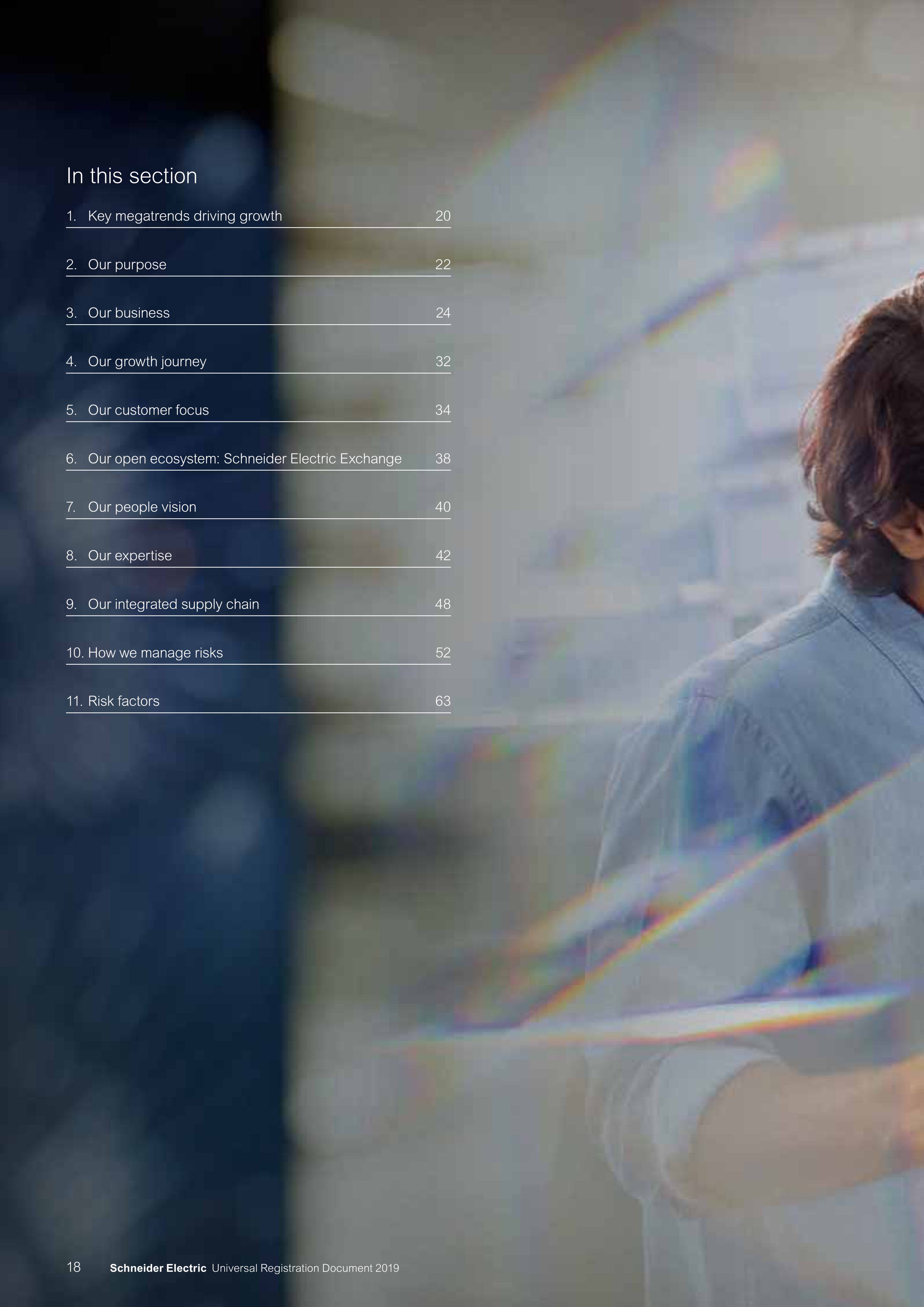
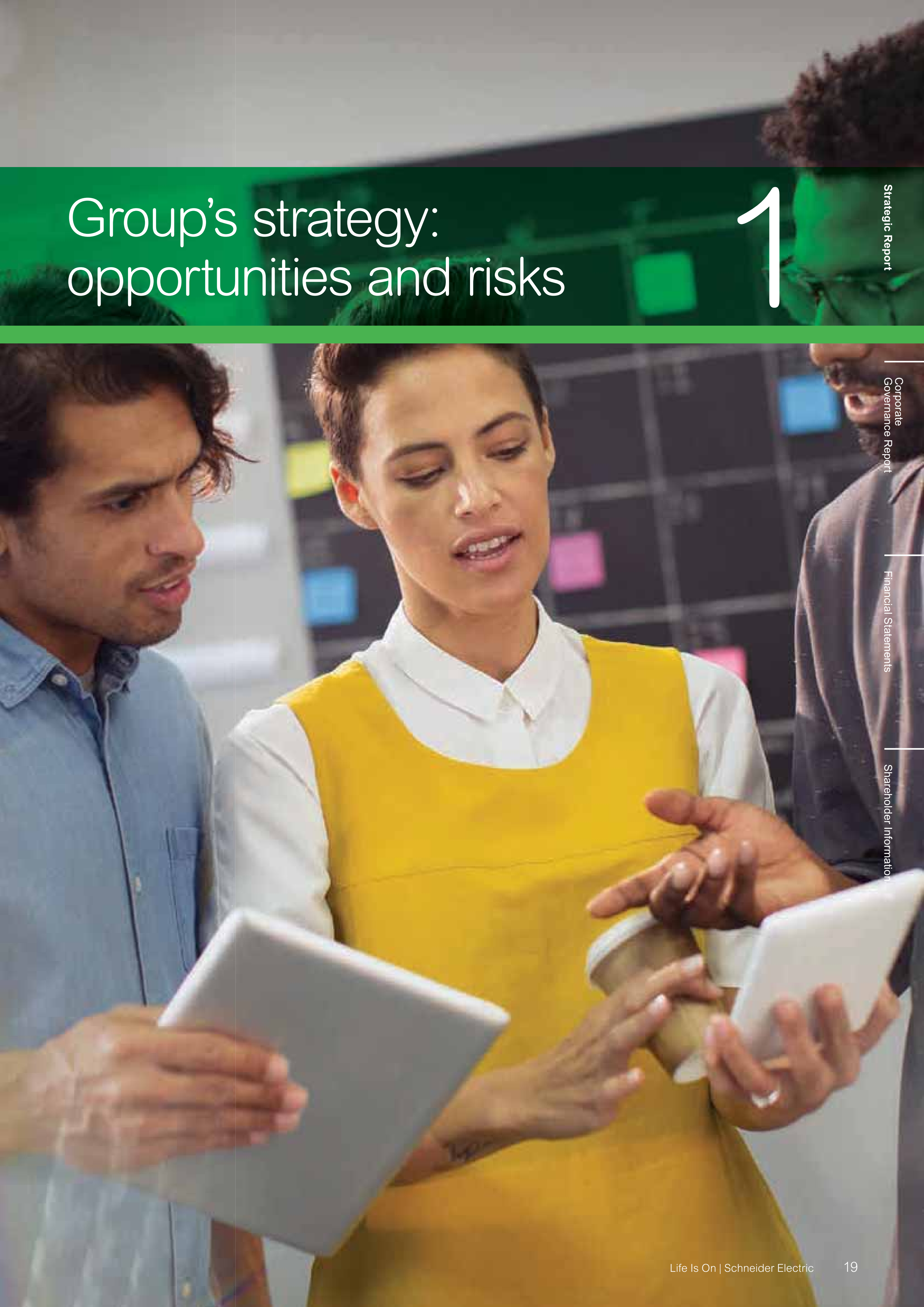


In this section

Group’s strategy: opportunities and risks

1



1. Key megatrends driving growth

Progress for all and a sustainable future for our planet

Today's climate crisis is a global emergency we cannot ignore. Thankfully, we've reached a turning point: the energy transition holds the key to reducing CO_2 emissions, and Industry 4.0 trends offer additional efficiency gains.

Catalyzed by accelerated digitization in a more electric world, these trends create opportunities that define Schneider Electric's strategic priorities while also underlining our long-term sustainability commitments. We share the responsibility to act on the climate emergency collectively.

Megatrends, outlook & perspectives

1. All electric world

At Schneider Electric we estimate that despite continuous energy efficiency improvements, the global demand for electricity is set to continue to increase. Several factors are driving this acceleration:

- The continuous deployment of IT-related loads, such as data centers.
- Increased electrification in residential and commercial buildings driven by urbanization, particularly in new economies, and the increasing electrification of heating, cooking, lighting and cooling.
- The electrification of industrial processes currently powered by gas.
- The rapid electrification of transportation: 25% of today's transportation related to oil consumption will shift to electrical power[1].

2. All digital world

Today's digital economy is driving transformational disruption across every sector. By 2022, more than 60% of global GDP will be digitized[4]. And everyone is reimagining ways to design, build, and deliver products and services to customers while leveraging new business models to achieve sustainable progress. The increase in connectivity is complemented by access to real-time information through enhanced and computing capabilities, on the cloud or at the edge. This will further drive innovation closer to users and operations as companies are able to bring intelligence to augment traditional automation and improve customer and employee experiences.

3. A multi-local world

In a world driven by local electrical standards and installation practices, regulatory frameworks for connectivity, cybersecurity, and data privacy will also be defined at local or regional level.

4. Decentralized world

The shift towards electricity and more competitive decentralized generation is driving prosumer growth, as consumers look to solar panels, batteries, and microgrids as alternatives. Already, in Australia and India distributed renewable power is 30-50% cheaper than the grid[5].

5. Net-zero world

In 2019, the UN Environmental Program confirmed carbon emissions continue to rise by 1.5% per year which will require countries to increase their emission-cutting ambitions fivefold to limit the global temperature rise to 1.5°C[6]. Schneider Electric is a committed role model in the fight against climate change, by delivering services and solutions that allow customers to reduce CO_2 emissions and by decarbonizing its own operations. We share the responsibility and take action to facilitate progress for all and build a sustainable future for our planet.

1. Source: BNEF EVO 2019.
2. Source: IEA & Schneider Electric analysis.
3. Source: Schneider Electric Digital Transformation Benefits Report.
4. Source: World Economic Forum: Shaping the Future of Digital Economy and New Value Creation, 2019.

Why is this relevant?

As electrification intensifies in line with energy transition, Schneider recognizes the resulting growth opportunities in our key end markets: buildings, infrastructures, industries, and data centers. These four make up the majority of the global future electricity demand, with buildings representing the highest share at approximately 60%[2].

More important, buildings also represent the biggest share of untapped potential for energy efficiency, as stringent regulations are enforced. Schneider Electric facilitates effective energy efficiency, alongside occupant comfort in buildings, to reduce energy costs by up to 30%[3]. The same energy efficiency technologies can be applied to all industrial processes for visibility and control of energy consumption, delivering productivity and energy efficiency synergies though automation, power solutions and services.

Digital transformation is a key driving force in our markets, enabling more data analytics and insights into operations for improved Energy Management and Process Efficiency. Digital transformation will enable more agility within these fast-changing environments.

As we innovate to improve our customers' digital experience, our software capabilities also offer energy, resource, manufacturing, and construction efficiencies, while delivering significant reliability, safety, and sustainability benefits.

Schneider Electric prides itself as the most local of global companies. We have a balanced cost base across our global operational organization. Our diverse teams ensure the highest level of local expertise and support for our customers' specific needs. We have set up three regional headquarter hubs in Europe, North America and Asia Pacific providing opportunities for our people to grow across a global organization. Our global R&D footprint strengthens our innovation strategy.

With the rise of distributed generation adding to the complex mix of evolving electrical loads, we must dare to disrupt. Future innovation in software technology and Artificial Intelligence are key for effective real-time energy operation and optimization of loads wherever they are generated. We drive value creation from open and connected innovation; from technology projects with leading universities and research labs; from venture investments and incubating companies; and from partnerships with startups.

By decarbonizing energy sources and increasing energy efficiency, we strive to reduce carbon emissions. We are driving sustainable innovation and prioritizing circular economy-based product development. The increasing complexity in energy and resource management requires taking a holistic approach to buying and using energy, using carbon and clean energy procurement strategies and for organizations to maximize their investments and build operations that can withstand global challenges. Beyond the positive environmental, social and governance impact, forward-thinking companies are rewarded with long-term economic gain and competitive advantage. Renewable energy also enables simpler solutions to provide access to electricity to all.

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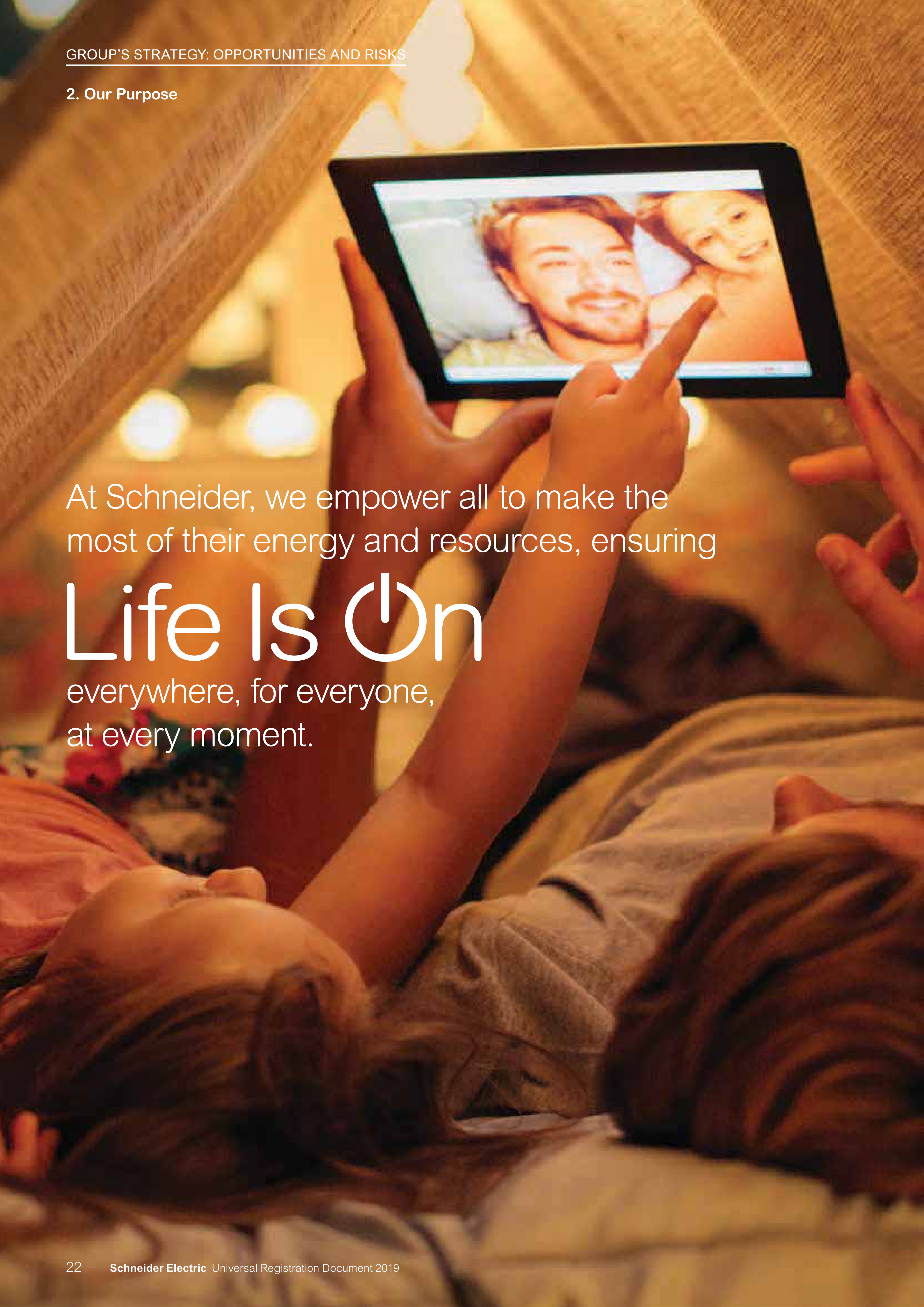
5. Source: BNEF Levied Cost of Energy Projections (1H 2019 edition).
6. Source: United Nations Environmental Program: Emissions Gap Report 2019.

2. Our Purpose



At Schneider, we empower all to make the most of their energy and resources, ensuring

Life Is On

everywhere, for everyone, at every moment.

We provide energy and automation digital solutions for efficiency and sustainability

1 Combining energy and automation

Our solutions bring together the worlds of energy and automation to achieve greater efficiency by designing and operating both systems together. We can achieve this thanks to energy and resource efficiencies built on real-time operational insights delivering both visibility and control of energy consumption for continuous improvement and energy savings as well as equipment and production efficiencies. This is relevant for all types of building and business and manufacturing processes from discrete to hybrid industries, and even electro-intensive operations.

2 A secure end-point to cloud ecosystem

A secure end-point to cloud ecosystem is made possible through the convergence of the Internet of Things, big data, and Artificial Intelligence from sensor to the cloud. This offers total digital transparency with the same information available to operators on the shop floor and for the C-suite. Data that is generated at the sensor level flows through installed assets, to machines, across production lines and enables manufacturers to improve operational productivity.

3 Full lifecycle management

Full lifecycle management from design and build to operate and maintain via the power of end-to-end software, the same data model is put to work for long-term operational performance and reduced costs and to improve manufacturing and construction efficiency.

4 Shift from site by site management to integrated company management

The ability to shift from site by site to integrated company management to consolidate energy and resource usage across organization or enterprise and bring a new level of competitiveness and efficiency. By sharing and comparing real-time consumption, data resources can be benchmarked and reduced.

3. Our business

Combining energy and automation for efficiency and sustainability

ABUS Crane Systems, one of Europe's leading crane system manufacturers and exporters, is leveraging the power of digital and the Industrial Internet of Things to design ABUControl, their intelligent modular crane control system based on EcoStruxure™ Plant & Machine.

Energy savings up to

40%

EcoStruxure™
Innovation At Every Level

The Challenge

- Build highly complex and customized crane systems with different designs, size and functionality.
- Standardize crane modules to achieve shortest production time possible.
- Operate quickly and independently of time zones and location.

The Solution

- ABUControl, an intelligent modular crane control system based on EcoStruxure™ Machine, covering all functions from simple to complex crane architectures for different cranes and hoists.
- EcoStruxure™ Machine, the foundation to further develop IoT potential for ABUS' cranes.
- Hoisting application expertise from concept development with new functionalities and features, to programming, testing and validation.

Benefits

- Increased productivity by implementing all crane functionalities in two standard modules.
- Simple to use and improved operational safety.
- Reduced downtime.
- Up to 40% energy savings.
- Digital data processing for preventive maintenance and repairs.

From end point to cloud for efficiency and sustainability

When BASF built a new electrical substation, they implemented EcoStruxure™ Asset Advisor for increased visibility into operations. The largest chemical company in the world now has a digital dashboard and the expert support needed to monitor critical-asset status.

The Challenge

- Build a state-of-the-art power distribution substation.
- Maximize plant uptime and productivity.
- Increase visibility on the health of the critical electrical distribution assets solution.

The Solution

- EcoStruxure™ Asset Advisor.
- Power Monitoring Expert.
- TeSys™ motor control systems.
- Gutor™ UPS.
- Low and Medium Voltage switchgear.
- Variable frequency drives.
- DC batteries.

Benefits

- Avoid expensive production stoppages and downtime due to unplanned maintenance or outage.
- Remote and continuous monitoring of 63 prime electrical distribution assets.
- +100 variables measured and computed to provide reliable condition-monitoring.
- 24/7 access to asset-health dashboard.
- Personalized assistance and recommendations from technical experts without local intervention to promptly prevent failures and optimize maintenance activities.

EcoStruxure™
Innovation At Every Level

> "EcoStruxure™ Asset Advisor is helping to prevent catastrophic failures, by using the right data at the right time. And in the end, data is value."

Lee Perry,
Electrical Design Engineer, BASF

Full lifecycle management for efficiency and sustainability

Wilmar, Australia's largest sugar and biomass energy producer, upgraded its control system with a robust and reliable software system providing real-time control and visibility, and improved safety procedures in order to keep the Invicta Mill operating 24/7.

The Challenge

- Modernize aging boiler control system and equipment at the Invicta Mill in Queensland to cope with continuous operating conditions during intensive production runs.
- Improve productivity.
- Reduce safety risks and inefficiencies.

The Solution

- Wilmar chose Schneider's EcoStruxure™ Plant architecture built on Modicon M580 Safety PLCs and AVEVA's Citect SCADA software to simplify disparate systems and provide a complete view in one easy-to-use interface.
- Embedded safety procedures in the software.

Benefits

- Improved safety, efficiency and productivity.
- Increased factory automation, driving improved operational performance.
- Optimized maintenance thanks to simple alerts, preventative maintenance and reduced spare part inventories.
- Remote access allowing operators to log on in the event of a fault and reduce downtime.
- Less direct human contact with machines protecting maintenance staff.

"EcoStruxure™ Plant provides us with a more thorough picture of our infrastructure. We have been able to combine our automation, connectivity and software into one system which allows us real-time control and visibility."

Russell Brown,
General Manager for Asset Management,
Wilmar Sugar Australia


EcoStruxure™
Innovation At Every Level
wilmar

From site-by-site management to integrated company management for efficiency and sustainability

Saint Gobain has saved millions by focusing on buying energy smarter and using it more efficiently across its US operational facilities.

The Challenge

- Reduce energy consumption and costs across Saint Gobain's energy intensive production facilities.
- Cut carbon emissions by 20% by 2025 by tackling plant-level efficiency to reduce environmental footprint.

The Solution

- Optimize operations and costs through centralized and streamlined energy procurement expertise, including strategic sourcing, risk management, tariff analysis, and invoice auditing.
- Consumption and spend tracking using EcoStruxure™ Resource Advisor to provide one view of energy and sustainability data, and savings opportunities across 140+ sites.
- Across all US factories, Saint Gobain relies on EcoStruxure™ Edge Control and connected devices to drive energy efficiency.

Benefits

- Facilities can reduce utility costs by 14%.
- Plant operators are able to follow and modulate energy use based on the time of day, and adjust consumption when utility prices peak.
- Saint Gobain is on track to meet its 2025 sustainability goals.

EcoStruxure™
Innovation At Every Level

“By outsourcing our energy procurement, we have made savings worth millions of dollars and fueled innovation at Saint Gobain.”

Richard Brunel,
VP Purchasing, Saint Gobain North America

4. Our growth journey

The foundation of our performance

From its beginning in steel during the Industrial Revolution in the 1830s, strengthened by long-term electrical distribution expertise and built upon a series of strategic acquisitions since 2003, Schneider Electric is today a global leader providing energy and automation digital solutions for efficiency and sustainability. The Group is ideally positioned for the energy transition and Industry 4.0.

Core expertise in electrical distribution

Built on the market-leading Merlin Gerin and Square D brands, the acquisitions of Clipsal in 2003, OVA, Merten and GET in 2006 and Marisio and Wessen in 2008 have strengthened our low voltage portfolio globally. We grew our presence in new economies with the acquisition of a stake in Delixi in China in 2006, Conzerv (2009), Luminous Power Technologies (2011-2017) in India, and Steck Group in Brazil (2011). In 2019, the combination of Schneider Electric India's Low Voltage and Industrial Automation Product business and Larsen and Toubro's electrical and automation business was approved by the Competition Commission of India. Upon closing of the transaction, the Group will affirm India as Schneider Electric's third largest country in terms of revenues, with a key global innovation and manufacturing hub located in Bangalore.

Critical power technologies became core to the Group since gaining majority control of MGE UPS in 2004, followed by the acquisition of American Power Conversion (APC) in 2007 and becoming world leader. We expanded operations to new economies with the acquisition of UPS manufacturer Microsol Tecnologia in Brazil in 2009 and APW in India in 2011. In 2011, we broadened our portfolio with cooling offers from Uniflair, data center services from Lee Technologies and backup power storage from Luminous. We enhanced our position in critical power with Asco Power Technologies and its leading Automatic Transfer Switch technology in 2017.

With the acquisition of AREVA T&D's medium voltage distribution division in June 2010, we became world leader in medium voltage and grid automation. In 2010, the Group acquired 50% of Electroshield-T Samara in Russia and then acquired full ownership in 2013, transforming Russia into a key market for the Group. With the acquisition of Telvent in 2011, a Spanish software company with a strong presence in North America, we became global leader in Advanced Distribution Management System software to manage large electrical networks and grids.

Global leader in industrial automation and control

As a prominent leader in discrete automation, based on the strong reputation of the Telemecanique brand, the Group further reinforced its industrial automation technologies through the acquisitions of Citect in 2006, RAM Industries in 2008, Cimac and SCADA group in 2010, and Leader & Harvest in 2011. In January 2014, the acquisition of Invensys plc. reinforced the Group's position in process automation and electro-intensive industries. In September 2017, Schneider Electric's industrial software business combined with AVEVA to create a global leader in engineering and industrial software.

Digital building technologies and processes for efficiency and sustainability

As the result of the acquisitions of TAC in 2003, Andover Controls in 2004, and Invensys Building Systems in 2005, the Group also became a major player in building automation. This was reinforced through the acquisition of Vizelia and D5X in 2010. The acquisitions of Summit Energy (2011) and M&C Energy group (2012) increased our expertise in energy procurement services.

Schneider Electric strengthened its electrical design and engineering software capabilities following the 2018 acquisition of IGE+XAO, a market leader in Computer Aided Design, Product Life-cycle Management and simulation software. In 2019, the European leader in calculation software for electrical installations, ALPI, joined Schneider Electric, strengthening prospects for international development.

2003 – 2013

Build

Synergetic portfolio of energy management, automation and software.

2008 – 2018

Integrate

Strong digital capabilities with EcoStruxure™ IoT-enabled platform boosted by cloud and digital services.

2020 onwards

Focus and Scale

Organic revenue growth

+3% – 6%

Continued portfolio optimization

€1.5 – 2bn

by 2021

Adjusted EBITA margin

+200 bps

by 2021

5. Our customer focus

Strengthening our unrivalled global coverage with our network of partners

A significant share of Group revenues is through intermediary partners who bring their own added-value and expertise to extend our market coverage. As such, we access different markets and segments efficiently, with a keen understanding of local market needs. We continue to focus on empowering our partners with digital innovation to seize new market values. Partners are categorized and rewarded according to their specialized expertise and according to business coverage. Schneider's partners receive training and certification to develop technical, logistical, digital, and marketing skills and ensure expert service delivery to their own customers.

Distributors and retailers

We are preparing our distributor partners for the future and offering new tools to enable them to succeed in their own digital transformation. Innovating with chatbots for customer support and implementing AI-based product selectors and e-design tools on partner websites drive more e-commerce sales, currently growing at +30% year-on-year.

E-commerce is changing the world of electrical distributors and retailers fast. For example, in Switzerland, the Netherlands, and Denmark, in just five years, more than 50% of business is online.

Our omnichannel distribution strategy is based on three models – diffused coverage, project-based, and through specialists – and it meets different residential, commercial, industrial, and IT buyers' expectations. Our products are easily accessible through a seamless online-to-offline experience. The different distributor models now represent ~45% of total Group turnover, with sustained growth.

The Group's main distributor partners are:

- Electrical distributors (both global and regional players) such as Rexel, Sonepar, CED Edmunson, Graybar, Imelco, Idee, and Fegime buying groups with both online and offline presence.
- Specialists in IT, telecom, and data center applications for critical infrastructures, such as Tech Data and Ingram Micro.
- DIY retailers, such as Home Depot and Lowe's in the US, Saint Gobain Distribution in France and Brazil, and Adeo Group and Kingfisher in Europe and Russia, to ensure strong presence in home improvement and renovation markets.
- Online marketplaces and e-tailers, such as RS Components, T-Mall, and Grainger for specific applications and according to regional presence.
- Specialist technical distributors for automation and industrial software solutions, access control and security products.

Panel builders

As industry trends highlight a more digital and more electric energy landscape, a collaborative partner strategy fosters co-innovation with panel builders, who build and sell electrical distribution or control/monitoring switchboards.

Panel builders buy low and medium voltage devices and, through the digital transformation of our extensive network of 35,000-40,000 companies, these partners are incentivized as specialists, connected power system experts who can manage and maintain electrical assets after installation and throughout its entire operational lifetime.

Contractors

To design solutions tailored to end-users' specific needs, Schneider Electric works closely with contractors, small specialists or generalist electricians, and large companies that specialize in installation equipment and systems. In order to strengthen a relationship based on mutual trust and added value, Schneider Electric partners actively with contractors, providing technical training and support. To maximize impact, we have a multichannel partner model increasingly focusing on digital interaction thanks to our Partner Relationship Management (PRM) platform.

System integrators

System integrators design, integrate, and support automation to meet their customers' needs for the performance, reliability, precision, and efficiency of their operations. Schneider Electric gives system integrators access to all areas of automation from field control to Manufacturing Execution Systems and Building Automation Systems.

Specifiers/consulting engineers

To meet their customers' specific demands for safety, comfort, or operational and energy efficiency, specialist engineers, architects, and design firms are prescribing more efficient and integrated energy management solutions, as well as for critical power, security, and building automation. They are essential partners for Schneider Electric and through collaboration receive application-focused design information and tools, such as installation guides, design software, and training methods.

Electricians

Electricians design and implement electrical installations, primarily in residential and small non-residential buildings. They are key customers, and we have one of the most comprehensive networks of electricians worldwide. Schneider Electric enables electricians to operate more efficiently through a suite of training, technical support, and digital tools, such as "My Schneider Electric" app and more than 400,000 electricians are registered on such digital platforms. Schneider Electric strengthens its relationship with electricians by increasing their visibility to end-users through different tools including online "installer locators."

Original equipment manufacturers

Schneider Electric works closely with more than 15,000 Original Equipment Manufacturers (OEMs) to improve machine price/performance and reduce time-to-market for packaging, conveyor, material handling, hoisting, and HVAC applications. We nurture strong OEM partnerships through a program for multi-site and/or global OEMs to enhance their capacity to deliver internationally.

EcoXpert: the implementation arms of EcoStruxure and Wiser

Unique in our industry, Schneider Electric's EcoXpert™ Partner Program is the only cross-expertise ecosystem serving our customers. Trained and certified by Schneider Electric, the EcoXpert network spans the globe offering local expertise in building automation, power solutions, and energy efficiency across several commercial verticals such as healthcare, hotels, commercial real estate, data centers, and retail – as well as in the residential market. Its mission is to connect expertise, ignite growth, and enable success for EcoXpert partner companies so they can better serve our valued customers.

Our Innovation World Tour brought together over 3500 customers in Barcelona in October 2019

5. Our customer focus

Strategic customers and end-market segments

Schneider Electric works with large end-users in a number of strategic segments including:

Discrete manufacturing

Mobility, where the Group serves large automotive equipment manufacturers, electric car battery manufacturers, and electric car infrastructure providers, to enable digitization and address the transformation and electrification of individual and collective transportation (cars, railways, airports, last-mile delivery, etc.).

Hybrid manufacturing

Consumer Packaged Goods, in which the Group is enabling digital transformation at every step of the value chain for improved sustainability, efficiency, and traceability for Food & Beverages, FMCG (Fast Moving Consumer Goods), and Life Sciences companies.

Mining, Minerals & Metals, which includes customers in mining, cement, metals, and other bulk materials, where the Group is helping customers to achieve greater energy and production efficiency for manufacturing operations with IoT-enabled solutions.

Process manufacturing

Water & Wastewater, which includes customers across the entire water cycle, from water resources to water distribution, sewerage, and treatment. The Group is empowering customers to enhance key processes and applications across the smart water cycle by leveraging innovative solutions.

Oil & Gas & Petrochemicals, in which the Group provides integrated digital solutions and high-performance systems, software, and services to oil companies, petrochemical companies, and EPCs (Engineering Procurement & Construction), from production to processing and supply chain operations.

Critical buildings

Cloud & service providers, in which the Group provides secure digital solutions to increase efficiency, lower costs, reduce cycle time, and manage risks for customers including internet giants, as well as in co-location and network solutions.

Healthcare, where the Group serves hospitals, clinics, labs, and life sciences manufacturing to improve safety, patients' satisfaction, and operational efficiency with IoT solution architectures for digital hospitals.

Non-critical buildings

Real estate, where the Group offers intelligent building technologies that maximize operational efficiency, ensure maximum energy savings, and lower overall OPEX costs while ensuring physical security as well as cybersecurity.

Hotels, where the Group serves hospitality companies that manage hotels and related lodging facilities to improve financial performance, reduce carbon emissions and energy costs, and reinvest savings into the hotel guest experience.

Other energy-intensive companies

Electricity companies, where the Group serves companies producing, delivering, and/or selling electricity to reduce carbon footprint, digitize networks, connect customers to smart grids, overcome evolving challenges, and meet future needs.

Schneider Electric also addresses the following end-markets globally

Semiconductors: assisting companies engaged in the manufacture of semiconductor devices to sustain the highest level of performance and availability for mission-critical clean room environments in a safe manner.

Transportation: the Group ensures reliable power for safe, stable, and efficient operations for airport, rail, subway, port, and tunnel infrastructure – ensuring reliable power for safety, stability, and efficiency.

Schneider Electric operates an integrated sales model across all these segments, generating revenues either directly from end-user sales or indirectly through distributors, integrators, and machine builders (OEMs). For this, Schneider Electric has deployed one unique Customer Relationship Management system across the Group and is currently running a global program to further transform its key account management practices at all levels, toward higher effectiveness and efficiency.

Schneider Electric serves its global “strategic account” customers through a dedicated organization, aimed at developing privileged relationships and a value proposition that meets the key business and digital transformation challenges.

This organization is based on short lines of communication and decision-making, rapid mobilization of Group resources throughout the world, and dedicated teams in which management is directly involved.

Schneider Electric serves ~75 global customers including Apple, BHP Billiton, ExxonMobil, Nestlé, and Veolia as well as 99 customers for which we developed a multi-country centralized approach, (e.g. TechnipFMC, Danone, Coca-Cola).

6. Our open ecosystem: Schneider Electric Exchange

We are committed to unleashing the infinite possibilities of an open, connected, innovative community.

Registered users

+53,000

Hosted offers

+300

A digital ecosystem to create, collaborate and scale business growth

Business as usual simply won't work in the Industry 4.0 economy. The hyper-connected world is too fast. In April 2019, Schneider Electric announced a new approach to digital innovation – one that promises speed, agility, and the ability to see and address customer problems in a better way.

Schneider Electric Exchange is the world's first cross-industry open ecosystem dedicated to solving real-world sustainability and efficiency challenges. This business platform empowers a diverse community to create and scale business solutions and seize new market value. With Schneider Electric Exchange, individuals gain entry to a vast network of technical tools and resources to develop, share, and sell digital and IoT innovations to drive worldwide economies of scale.

At the nexus of old and new

The Group is committed to unleashing the infinite possibilities and bold ideas of this open, global, innovative community. The robust platform brings forward a new way to work by fundamentally shifting the mindset from single companies building technology to a diverse crowd focused on quickly solving real-world efficiency and sustainability challenges, by looking at them from multiple vantage points in a collaborative way.

Digitization continues to revolutionize the way we work and behave. The world can no longer work in independent silos; the need for better integration and collaboration has unearthed new opportunities and solutions. Schneider Electric Exchange brings together a diverse ecosystem of digital innovators and experts, enabling the co-creation of solutions and enriching learning and speed through collective intelligence.

> "While all applications, software, datasets, analytics, and tools are available to everyone, we focus on the specific needs and expectations of each community engaged in Schneider Electric Exchange."

Hervé Coureil,
Chief Digital Officer, Schneider Electric

Schneider Electric Exchange draws on the Group's ecosystem of digital partners to accelerate and scale innovation – and provide companies with the tools needed to operationalize Artificial Intelligence for real-world problems. For instance, Accenture, a global management consulting and professional services firm, brings the ability to create customized solutions and develop digital business models. Schneider Electric Exchange represents an evolution of Schneider Electric's long history of networking with partners.

In the ecosystem, for example, the industrial software startup Senseye publishes its predictive maintenance SaaS solutions in the Schneider Electric Exchange Digital Marketplace. Senseye gains customers and builds out new use cases that enable Senseye to further improve its predictive maintenance solutions, while their customers – typically traditional, legacy enterprises – can use Senseye's data-driven solutions to better maintain and utilize their manufacturing equipment.

Also part of the Schneider Electric Exchange community, Capgemini (a global leader in consulting, technology services and digital transformation) offers expertise in Smart Leakage Management, which integrates innovative algorithms and multiple datasets on a versatile, open, and reusable platform. This capability allows water companies to detect and pinpoint leaks faster and from a mobile device.

Looking at problems through new lenses

There is power in having multiple perspectives. What differentiates Schneider Electric Exchange is that it brings together people across industries and practice areas that share a passion for sustainability and efficiency, enabling collaboration and interaction across ecosystems. Schneider Electric Exchange amplifies the Group's ability and innovative stance for addressing existing energy and process efficiency problems through not just a new lens but actually a number of lenses (data, software, services). Doing so allows Schneider Electric to devise Industry 4.0 solutions in innovative, better, and more competitive ways.

7. Our People Vision

Great people make Schneider Electric a great company

As the changes to our world accelerate and transform our industry, we regard our company culture as a key business differentiator to achieve profitable growth through innovation and outpace the market.

The energy transition requires Schneider Electric to work closely in our different markets and to develop a shared vision with our customers, supported by faster innovation, technology and deep insights. As such, we need to empower our people and shape our organizational culture to meet this challenge. Digitization is also changing the way we work, and creating new opportunities for customers, suppliers, and our teams. We believe this change is a great catalyst for employee engagement and enables us to articulate a meaningful purpose that motivates us all. We are passionate about efficiency and sustainability and we believe that innovation has a positive impact on our planet; a rare opportunity to reconcile the paradox between progress for all, and a sustainable future.

Globalization allows Schneider Electric to welcome more diverse teams and to ensure our local presence best supports our customers' specific needs. We prioritize how we develop and retain our employees to create an inclusive workplace that offers long-term career and development prospects, and learning pathways. We are the most local of global companies, built across three headquarters (Paris, Hong Kong and Boston) providing opportunities to grow within our organization. And, we are continuously championing diversity and inclusion to make a bigger impact on society.

The very nature of the workforce and the job market is evolving. There are up to five generations working side by side, and each generation has a varied set of expectations of their employer. This in turn is leading to a shift towards a highly-personalized employee experience. We aim to empower our people and shape our organizational culture to create an engaging environment for employees.

All this change influences how we work together, and how we ultimately create value for our customers. We updated our people vision to accelerate our business performance and transform our culture and leadership. At Schneider Electric, we are building for the future, in sync with the changes happening in our markets and with our customers.

Our People Vision consists of the following

Our Employee Value Proposition (EVP) is our commitment to engage existing and future talent. It's the reason why people join, stay and remain engaged and shows how we differentiate ourselves as an employer.

Our Core Values determine who we are and what we do, and they define the way we work together and deliver on our EVP promise. Our values guide our choices and illustrate the behaviors we expect our employees to demonstrate.

Our Leadership Expectations show how we expect Leaders to drive the Group for the future. They emphasize how our leaders will transform Schneider Electric by stepping up both individually and collectively.

"I am deeply honored, as one of the first winners of the #SEGreatPeople Ambassador Program, to pioneer such a great initiative. Making your voice heard is above and beyond anything imagined; it gives you the courage and faith to achieve what you have in mind. Today, my small win for Papua Next Genz community got greater and I am extremely happy for that. Looking forward to seeing them be the future #SEGreatPeople!"

Florence Tuhumury
Winner of the #SEGreatPeople Ambassador Program

#SEGreatPeople

Since launching our People Vision in the fourth quarter of 2018, our efforts in 2019 have focused on executing our vision through our day-to-day interaction. We regularly survey our teams to measure employee awareness and to gather and address their feedback. Our behaviors have been incorporated progressively in all our people rituals such as recruitment (behavioral interviewing), performance evaluation, recognition and promotion of leaders (based on our defined behaviors). We also implemented policies to foster better work-life integration and developed frameworks to help our employees manage their own situation. The initiatives we have launched, and the ones we're continuing to build on, reflect our goal to be the best place to work, so the best people choose us and then stay with us.

In 2019 our employees and leaders expressed in their own words what the Schneider Electric core values and leadership expectations meant to them. As ambassadors for their chosen value, #SEGreatPeople videos were published through internal communication channels and on Schneider's social media accounts.

EMPOWERED

8. Our expertise

Innovation is key to fulfilling growth ambitions

For today's market incumbents, true innovation is about balancing the old with the new. It's about innovating at the core to grow market share today while simultaneously exploring the digital transitions that will grow tomorrow. In parallel, entire industries are undergoing rapid changes fueled by artificial intelligence, autonomous technologies, mixed reality systems, electrification, and distributed renewables.

The answer lies in dynamic collaboration that can truly push forward the digital transformation of energy management and industrial automation, new business models, and solutions for sustainable progress. Business as usual simply won't work in the Industry 4.0 economy. We need new approaches, that promise speed, agility, and the ability to see and address customer problems differently.

We believe innovation is how we will be market leaders in the new electric world. While we dare to disrupt, we also recognize we cannot do it alone. We partner with small and large companies that complement our core business to co-innovate the future.

We not only help our customers on their sustainability and digital transformation journey; we are transforming alongside them.

At the heart of the digital transformation of our industry, EcoStruxure™ is our open, interoperable, IoT-enabled system architecture and platform, delivering enhanced safety, reliability, efficiency, sustainability, and connectivity. EcoStruxure is deployed across six domains – Building, Power, IT, Machine, Plant, and Grid in more than 480,000 installations, with the support of over 20,000 system integrators, connecting more than 1 billion devices.

Culture of change

Our businesses continue to transform our R&D practices to faster and improved innovation. Key pillars to this strategy are to:

- Ensure customer intimacy and insights are a part of the R&D culture through frequent customer interaction during offer creation;
- Improve accountability through effective project management and governance;
- Define R&D footprint principles to make the best use of our global technical resources;
- Define specific technical career paths for better career planning with reward and recognition programs for experts;
- Extend the use of lean and Agile methodologies during the Offer Creation Process to develop new offers faster and launch them to the market effectively;
- Elevate our Winning Launches program to operationalize systematically the launch process, orchestrate EcoStruxure system launches, and innovate with more digital offers; and
- Ensure consistency with respect to data, in all EcoStruxure domain architectures.

In 2019, the Group launched innovative offers across its businesses, energy management and industrial automation:

TeSys island

Modicon M262

Easergy P5

EcoStruxure Process Safety Advisor

ComPact NSXm Micrologic Vigi

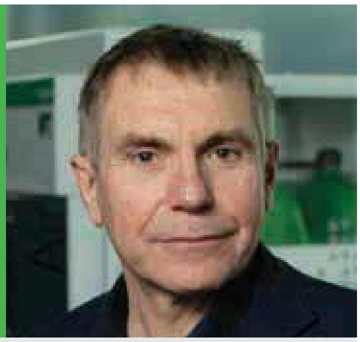
EcoStruxure Power Advisor

EcoStruxure IT Advisor

EcoStruxure Workplace Advisor

Innovation to meet sustainability goals

Introducing Christophe Prévé, a Technical Master Expert in our Energy Management business, on the Group's new disruptive SF6-free products.



Q: Can you explain the importance of launching this new technology in 2019?

A: Following Schneider's COP21 commitments to reduce carbon emissions by eliminating sulphur hexafluoride (SF6) gas, we have been working on viable alternative technologies for electrical switchgear. We've replaced the SF6 gas with pure air in our latest range of MV switchgear while still bringing the right level of insulation and breaking performance to quench arcs as well as meeting customers' floor space requirements. Our Shunt Vacuum Interruption (SVI) technology is protected by 50 patents and allows us to use pure air as insulation. By integrating this differentiating technology in our roadmap, we will totally eliminate SF6 from our 12 product ranges, as committed.

Q: Did you test new innovation methods when developing this technology?

A: As a recognized Technical Master Expert, I worked with my innovation community colleagues across our global specialized hubs from design, engineering, industrialization and marketing to secure a step-by-step development process thanks to monthly sprint reviews. We exchanged with customers from the very early stages, taking into account their open feedback and to ensure this innovation answers all their needs. Using agile management methods means that our roadmap is clearly defined and on track to replace all our SF6 product ranges by 2025. Thanks to our multi-hub model, we are able to leverage our global innovation power while adapting the deployment to evolving markets in both Europe and China.

Q: How did our customers and other industry stakeholders react to this disruptive innovation?

A: For some time now, I have been meeting, exchanging and convincing the broad community of international experts as well as customers that this alternative is reliable and can substitute SF6. I have presented papers on this in Europe and China and with different electrical equipment manufacturing associations to shape the future technology of MV switchgear. Through many discussions with customers, who welcome this environmentally-friendly alternative, we are, today, installing pre-series SF6-free switchgear in France, Sweden, Germany and China.

8. Our expertise

Step change in innovative behavior

Accelerating and improving our new offer development practices is key to the Group's innovation strategy, as our market-leading position and brand reputation is built on our core electrical and automation technology.

Safeguarding our expert knowledge is vital, but equally transforming how we advance the technology to support the digitization of our end markets is key to our future growth. To be successful in this change, we not only need to transform our innovation methodologies and process but also change the way our teams behave and the speed at which they work, through a more entrepreneurial and collaborative mindset. Since integrating automation and software technologies into our industrial automation portfolio, more technology teams across both our global businesses are adopting "Design Thinking and Lean Start Up" methodologies.

In 2019, the Group deployed new training courses and coaching sessions to skill up teams and ensure more Agile principals in their product development, to improve performance, or to add new features to an existing offer. Thanks to a heightened understanding of customers' activities, new ideas and concepts are generated to solve detected pain points and ranked in terms of competitive advantage. Through demos and sharing 3D prototypes and mock-ups with customers, only those early-stage designs and Minimum Viable Products that offer genuine differentiated value qualify for further development and field tests. Innovation Boot Camps in Europe, the US, and China, trained teams to apply those new methodologies on real projects and transform our product expertise for the digital world.

In parallel, new methodologies in process innovation promote the implementation of new or improved development and methods to deliver value to customers, as well as reduce time-to-market and costs through effective planning, collaboration, and risk management.

The Group's business units have been deploying Lean Models of product development since 2014, with all Industrial Automation product lines using Lean Agile practices for Industrial Internet of Things and Digital Plant solutions and as Incubators for new technologies. This is deployed through a network of Coaches and Lean Agile change agents across multiple awareness, training and coaching sessions. The Lean Agile Transformation has been successful in changing our mindset, behaviors and culture. This initiative will continue to scale to cover all product and process innovation in 2020.

To help customers reach their efficiency goals and enable optimal operational performance, the Group's technical communities are consolidating its end-to-end systems expertise through a defined approach and data models alongside specific methods and tools to deliver successful and replicable systems. These practices break down whole EcoStruxure systems into parts according to required system functionalities. To achieve this, the process takes into account customer needs and targeted user experience while ensuring interoperability and consistency throughout the system lifecycle. Comprehensive systems-thinking defines technical specifications and functional architectures per use case before integration, verification testing and validation so that the end-to-end system delivers in terms of safety, reliability and cybersecurity features.

Building an intrapreneurship mindset

In 2019, the Impact League program experimented with new innovation methods. Cross-functional teams pooled diverse skills from across the Group to foster new ideas, fast-track development and transform our innovation practices from the inside!

Key process innovation practices implemented include:

- Retrospection/learning cycles, iterative and incremental development, short interval management/daily standup meetings, visual workflow management, design reviews, design-to-Cost, test driven development, automation, continuous integration and testing, root cause analysis, and problem solving.
- Theory of constraint methodology, Scrum Framework/Kanban.
- Scaled Agile Framework for systems thinking.

The Group strategy aims at uniting and strengthening its R&D engineering resources and competencies to serve global and local markets from technology hubs in North America, Europe, India and China. As such, Schneider Electric systems are built on solid and scalable designs which can easily evolve to address future requirements.

As an example, in 2019 the Group developed new EcoStruxure systems architectures for Retail Chains incorporating innovative system designs for electrical distribution and building management including HVAC and lighting as well as specific refrigeration functionalities which retail groups can leverage across multiple sites.

"This initiative was a great opportunity to apply lean start-up and design thinking methods through digital ideation, to collaborate with a diverse set of colleagues, each bringing their own business strengths to cover all aspects of an innovation project. In less than three months our idea was documented, tested with Schneider experts and successfully shortlisted as the most promising project. The next phase will confirm if we pitch our Circular Economy idea well enough to become a real business opportunity."

Mireia Miralles,
from Impact League France's winning team

8. Our expertise

Innovation at the Edge

Building the solutions and business models for the new electric world.

Innovation in our core business is essential to drive revenue growth and market penetration, which is why the Group invests 5% of revenues in R&D to ensure we have market leading products, software and services. To build future growth engines, innovation based on collaboration with external partners is needed to take risks with new business models and technologies, without disrupting the core activities. The Group's Innovation at the Edge program facilitates investments, incubations, partnerships, and joint ventures with external companies.

SE Ventures

SE Ventures includes our team of investment professionals, based in Silicon Valley, who are actively investing in global businesses from early to late stage with a EUR 500 million fund. Key focus areas include future buildings and industry technologies, AI & IoT, software, cybersecurity, electromobility, and distributed energy resources. In 2019, notable investments included AutoGrid, Claroty, Volta Charging, and Sense.

Incubations

The incubations part of the program assesses and nurtures internally and externally sourced ideas for incubation, building new companies that operate independently to remain agile. Companies are incubated internally or through one of four global incubation partners such as Powerhouse or Greentown Labs. Entrepreneurs are mentored and supported on their journey to grow their businesses. In 2019, both eIQ, an electric fleet management company, and Clipsal Solar, which provides residential solar solutions, were launched.

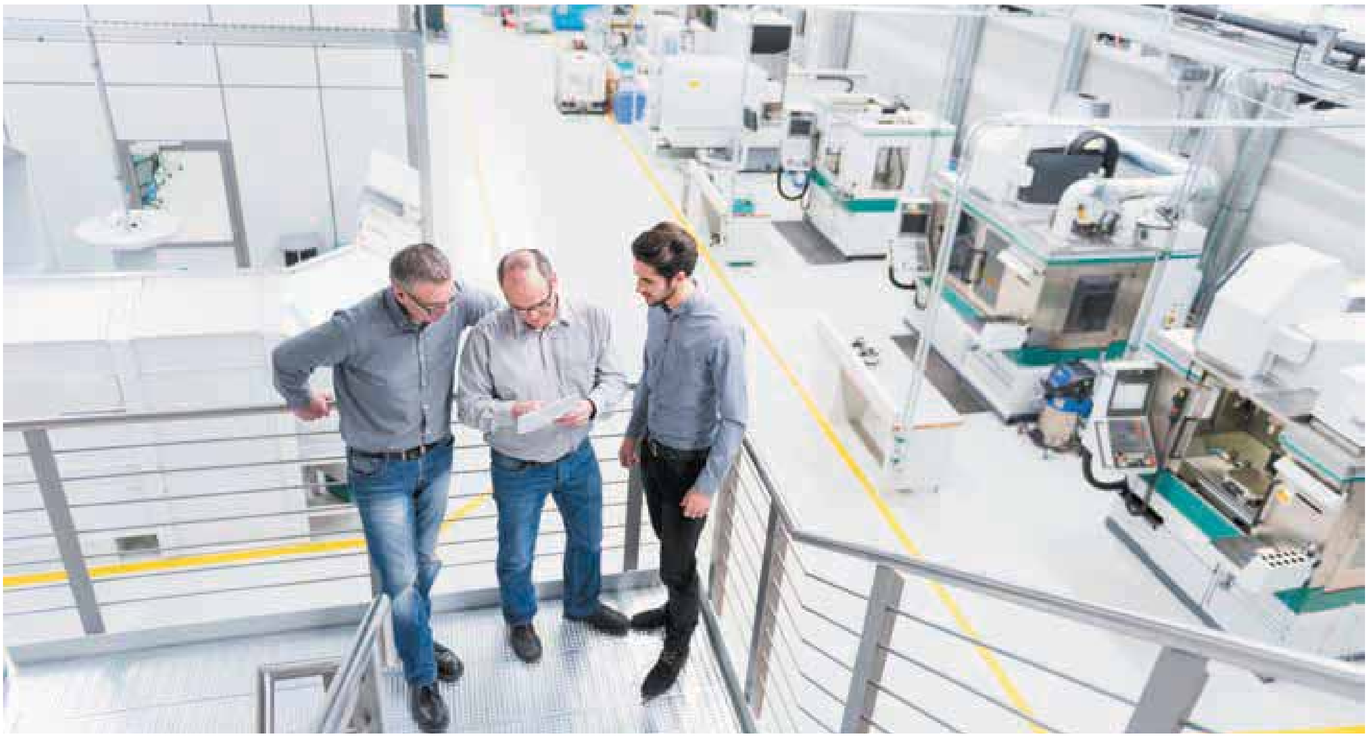
Partnerships

By matchmaking startups to our core businesses, we are able to test new technologies or business models, run pilots, and create market traction together. This program enables entrepreneurs to grow and bring fresh external innovation to our core business. For example, our partnership with Tuya in 2019 allowed us to develop an energy management app in record time.

Joint ventures

Some new business ideas are best built with other large companies to leverage the strengths of both. In 2019, together with the Carlyle Group, we launched AlphaStruxure to deliver energy-as-a-service for infrastructure. Such joint ventures enable access to the specific resources within the parent companies but continue to operate with agility.

Innovating at the edge of our business means transforming bold ideas into future business to disrupt markets and drive long-term growth. At Schneider we prioritize partners, and we are not afraid of long-term partnerships. Our global footprint facilitates access to new markets, and we provide more than just capital. Our technical expertise and market knowledge empower companies to grow.



"Schneider Electric's incubation program gave me the independence necessary to be agile and innovative while supporting me with the depth of resources the company has to offer."

Sila Kiliccote,
CEO and Founder eIQ Mobility

"A closer relationship with Schneider Electric as an investor, partner and board member creates a path toward our common goal of creating a more sustainable energy future."

Amit Narayan,
Founder and CEO AutoGrid

"As an investor and partner, Schneider Electric gives us access to its massive scale and its deep expertise in buildings."

Mike Phillips,
Founder and CEO Sense

Companies in incubation

18

Direct investments

11

Start ups in partnership pipeline

+200

9. Our integrated supply chain

Manufacturing and supply chain: meeting global, efficiency and sustainability objectives

Schneider Electric has 191 plants and 97 distribution centers around the world. Customer satisfaction is its top priority.

While working constantly to improve occupational health and safety and environmental protection, Schneider Electric's manufacturing policy aims to fulfill four key objectives, in order of priority:

- To achieve a level of quality and service that meets or exceeds customer expectations;
- To obtain cost-competitive products while continuing to deliver strong and consistent productivity;
- To develop system speed and efficiency and limit production sites' risk exposure (currency parity, geopolitical risks and changes in cost factors);
- To optimize cash and capital employed in manufacturing operations.

A significant number of the production facilities and distribution centers are dedicated to the global market. The other units are located as close as possible to their end-markets. Although design and/or aesthetic features may be adapted to meet local requirements, Schneider Electric standardizes key components as much as possible. This global/local approach helps Schneider Electric maximize economies of scale and optimize profitability and service quality.

Drawing on its global scope, Schneider Electric is constantly re-balancing and optimizing its manufacturing and supply chain resources.

Continuous improvement on a global scale

At the same time, an industrial excellence program called Schneider Performance System (SPS) has been rolled out in all plants to substantially and continuously improve service quality and productivity. The program also considers our environmental and staff health and safety criteria. Based on a lean manufacturing approach, SPS is supported by the extension of Six Sigma and Quality and Value Analysis programs across the Group. By deploying these optimization methods globally and sharing best practices, the Group intends to raise the operational performance of all its plants to the same high standard.

Schneider Electric's sites and products meet the applicable regulatory requirements relating to the environment. A continuous assessment system to ensure compliance with regulations is in place, relying mainly on internal and external auditors. On a regular basis, these norms and standards are exceeded by the specific requirements we set ourselves, for instance by replacing certain materials and substances used for our products before regulations require us to do so.

Our plants and logistics centers with more than 50 employees are ISO 14001 (environment) certified, and almost half of these sites have also achieved ISO 50001 (energy efficiency) certification. We implement an integrated management system that also covers Quality (ISO 9001) and Health and Safety (OHSAS 18001). In 2016, Schneider Electric continued implementing its Environmental and Health & Safety strategies for the 2015-2020 period, focusing efforts on EcoDesign, CO_2 emission reduction, circular economy goals for our products and the resources used to develop them as well as energy efficiency objectives. We strive to constantly boost our customers' ability to objectively assess the environmental added value provided by our solutions. We consider customer expectations concerning our products' environmental profile, information transparency and access, and even end-of-life product management.

In terms of Health and Safety, a range of programs are in progress to boost the "Safety Culture" of each of our sites and each of our employees, in particular through safety visits, training and recognition of good practice. We conduct Health and Safety audits on each of our sites in order to assess practices, performance, governance and culture. Monthly and quarterly steering committees are held with the Group's top management in order to track progress and make the necessary decisions for continuous improvement.

These safety programs cover our entire value chain, including R&D, purchasing, manufacturing, logistics, marketing, sales, and field services.

Schneider Electric has implemented a policy to systematically identify and reduce its industrial risk in order to secure maximum service to its customers and to minimize any impact of disaster, whether it is internal in nature (fire) or external (natural disasters). This policy relies on local actions to remove the identified risks following audits led by an external firm recognized by insurers, as well as an action plan for the continuity of production. If, after corrective actions, the risk remains too high, then the activity is repeated at another Schneider Electric site. Since 2014, this process has been extended to single source suppliers in order to reduce the risk level in five areas (financial, geopolitical, industrial, quality and dependence on Schneider Electric activity), in addition to identifying the action plan in the event of a supply disruption.

The digitization of the supply chain

Since 2013, Schneider Electric put emphasis on digitization to accelerate and intensify its transformation, and in 2017, Global Supply Chain launched Tailored Sustainable and Connected supply chain 4.0, adding six digital accelerators to the previous program, to speed up our transformation thanks to increasing digitization.

Source, Make, Deliver, Plan, Care and Innovate are the six digital transformations just launched to target a full end- to-end digital supply chain, to optimize our efficiency at the same time as bringing more value to our customers.

Supply chain optimization will benefit from the flow model, combined with the integration of the IT systems of our logistics partners with cloud technology. Similarly, a partnership with Kinaxis will enable the digitization of industrial planning and extend its scope. This technology facilitates interaction loops between the different functions and improves our responsiveness to customers while also significantly reducing the value of fixed assets in inventory. Finally, the development of new features tailored to each customer segment on our targeted supply chain computer systems is supported by a strengthened IT convergence plan.

This digitization of the supply chain uses our EcoStruxure™ solutions and Schneider Electric will have about 100 of industrial sites by 2020 to show case EcoStruxure™ as one of the best in class solutions to optimize Process and Energy Efficiency, but also Asset reliability. TSC 4.0 fully meets the priorities of the Group's industrial strategy by targeting customer satisfaction first and foremost, reducing costs for increasing responsiveness and reducing capital employed.

> “We continue to fully digitize our interactions with partners with our Tailored Sustainable and Connected 4.0 end-to-end supply chain to deliver best-in-class quality, customer service and competitiveness for sustainable growth”.
>
> **Mourad Tamoud,**
> Executive Vice-President, Global Supply Chain

This digitization is accompanied by a reinforcement of cybersecurity in the supply chain to ensure the digital security of our products and of our production process.

Recognized for supply chain innovation in manufacturing and sustainability

All these efforts to improve the supply chain have been recognized outside the Company. Gartner, the leading IT research and advisory firm, ranked Schneider Electric's supply chain third in Europe in 2019 and 11th worldwide, a continuous improvement since 2014 of 18 and 55 places respectively.

The Group also won the 2019 Industrial Manufacturing Supply Chainnovator Award in Gartner's 2019 Supply Chainnovator Awards which “recognizes unconventional, innovative and high-impact supply chain initiatives in the industrial manufacturing sector.”

The World Economic Forum has designated four of our Smart Factories as Fourth Industrial Revolution “Lighthouses”. Lighthouses are those that have comprehensively deployed a wide range of Fourth Industrial Revolution technologies and use cases at scale, while keeping people and sustainability at the heart of their innovation strategies. Our smart factories in Le Vaudreuil, France and in Batam, Indonesia are recognised as Advanced Lighthouses and those in Wuhan, China and in Monterrey, Mexico are recognised as Developing Lighthouses.

The Group's smart factories showcase how digitization drives end-to-end efficiency for customers in industrial environments, leveraging:

- Agile Management – shop floor agility: bringing control to the enterprise level;
- Process Efficiency – better closed-loop measurement and control for faster processing;
- Asset Performance Management – optimized asset use for improved profitability;
- Empowered Operators – for effective decision making on the factory floor;
- Reliability – securing plant, process, and asset uptime;
- Energy Efficiency – visibility, control, and optimization of power consumption and costs.

9. Our integrated supply chain

A personalized response to customer needs

Since 2012, Schneider Electric has operated the Tailored Supply Chain program with the aim to better align the supply chain set-up with the needs and behaviors of each customer profile (distributors, panel builders, etc.). This approach has required the implementation of a more dynamic industrial strategy to restructure customer service practices, and the configuration of products, equipment, delivery methods and services offered to Group customers. In parallel, the Group has had to simplify its working approaches and focus on creating value for its customers by streamlining its decision-making processes and its organizational structure.

Today our organization is well aligned with operations, covering four geographical zones (Europe, China, NAM and International) and one vertically-integrated division Equipment and Transformers. Each zone has one supply chain leader and each business division has one supply chain strategy leader. Lastly, our central functions support the transformational initiatives globally. Within each of these zones, all the Group's industrial activities are combined. This has led to the verticalization of procurement activities in a process of simplification and unification of contact with suppliers.

In the period 2015 to 2020, nine initiatives are being implemented to transform the supply chain at every stage from suppliers through to end customers:

- reduce the release time to customers;
- basic logistics offering, customized according to type of channel;
- industrial planning customized according to customer segment;
- development of the services offering, in line with our customers' installed base;
- improvement of the overall performance of the equipment supply chain;
- involvement of preferred suppliers in all aspects of this transformation approach;
- continued optimization of the entire industrial system to offer customized customer service;
- focus on excellence of the supply chain for growth activities;
- management of the release of new product offerings.

The aim is to make the Group's supply chain a positive differentiating factor for our customers and, in turn, to gain a competitive advantage over our competitors.

> "Committing to carbon neutrality across our supply chain is a challenging undertaking that requires increased collaboration with suppliers, partners and customers."

Procurement: driving ethical business and environmental commitments

Procurement corresponds to around 50% of revenue and plays a crucial role in the Group's technical and business performance.

To optimize procurement, the Group has accelerated its strategic transformation plan to concentrate its supplier base, source purchases from top-performing suppliers (strategic suppliers) and to increase sourcing from new economies. In addition, the Group is rolling out the "Purchasing Excellence System" with a view to involving suppliers, as a component in the 'End-to-end Supply Chain', in achieving our customer satisfaction performance objectives.

Schneider Electric primarily purchases prefabricated components, raw materials (silver, copper, aluminum, steel and plastics), electronic and electrical products and services. The diverse supplier list includes multinationals as well as small, medium and intermediate sized companies.

Suppliers are selected for the quality of their products and services, their adherence to delivery deadlines, their competitiveness, their innovative capacity and their commitment to corporate social responsibility. As a participant of the UN Global Compact, Schneider Electric encourages its main suppliers to contribute to its sustainable development initiative according to the guidelines of standard ISO 26000, through ongoing improvement to reach and pass a required level which is permanently upgraded. In 2019 this was reinforced by the Group's commitments, made during UN Climate Week to work with suppliers towards building a net-zero supply chain by 2050.

Moreover, Schneider Electric is committed to its latest Principles of Responsibility to systematically investigate, check and prevent the risk of unethical practices from suppliers, which includes performing targeted on-site audits.

Read more in Chapter 2 on page 84

Customer first

Ensuring customer satisfaction in terms of quality and experience is fundamental to the Group's growth strategy and putting customers first is an important value for all teams. Everywhere, we focus on improving customers' end-to-end Schneider Electric experience, as today this is the priority driver for satisfaction, often exceeding product features and price. Through digital Customer Voice surveys, we regularly monitor feedback to measure our current performance and also gather information to anticipate future needs. By surveying both end-user customers and partners, we capture feedback at the critical touch points with automatic transaction-based digital surveys, to better understand their specific business needs and personalize their future experience.

This process covers six touchpoints when customers instantaneously rate their satisfaction having completed an action and allowing us to collect feedback at the freshest point of interaction. The data from these digital surveys is processed as such to allow prompt incident management when customer issues arise. These insights allow us to define and propose the most effective and corrective actions for all types of customers wherever they are operating.

By establishing the optimal moment to ask for feedback based on customer journey analytics, we get more reliable data about our customers' buying experience.

10.1 Definition and objectives of internal control and risk management

Definition and objectives

The Group's internal control procedures are designed to ensure:

- compliance with laws and regulations;
- application of instructions and guidelines issued by Group Senior Management;
- the proper functioning of the Company's internal processes;
- the reliability of financial reporting; and
- more generally, internal control helps the Group manage its businesses, run efficient operations and use its resources efficiently.

Internal control aims to prevent and manage risks related to the Group's business. These include accounting and financial risks, as well as operating, fraud and compliance risks. However, no system of internal control is capable of providing absolute assurance that these risks will be managed completely.

Scope of this report

The system is designed to cover the Group, defined as the Schneider Electric SE parent company and the subsidiaries over which it exercises exclusive control.

Jointly controlled subsidiaries are subject to all of the controls described below, with the exception of self-assessments of the implementation of Key Internal Controls (see "Operating Units" below), page 60.

Internal control reference documents

The Group's internal control system complies with the legal obligations applicable to companies listed on the Paris stock exchange. It is consistent with the reference framework laid down by the *Autorité des Marchés Financiers* (French Financial Markets Authority – AMF) on internal control and risk management.

The Group's internal control process is evolving; procedures are adapted to reflect changes in the AMF recommendations and the business and regulatory environment, as well as in the Group's organization and operations.

Information used to prepare this report

This report was prepared using contributions from the Group's Internal Audit and Internal Control Departments, as well as the various participants in internal control. It was reviewed by the Audit Committee.

10.2 Organization and management: internal control key participants

The Group's corporate governance bodies supervise the development of internal control and risk management systems. The Audit Committee has particular responsibility for following up on the efficiency of internal control and risk management systems and reports to the Board of Directors thereon (see committees of the board, chapter 4 section 4, page 247).

Each manager is responsible for monitoring internal control in his or her area, at the different levels of the organization, as are all key internal control participants, in accordance with the tasks described hereafter.

The Board

The Board is informed about the efficiency of the internal control and risk management systems.

Senior Management

Responsible for designing and leading the overall internal control system including the oversight, identification and assessment and mitigation of risk at Group level as well as Business Unit level and across key Group functional areas.

Audit Committee

Follows-up on the efficiency of internal control and risk management systems and reports to the board thereon (see committees of the board, (chapter 4 section 4, page 247).

Internal Audit

Annual internal audits. Embedding risk and control concerns. Monitoring implementation of recommendations.

+

Internal Control

Organising and monitoring self-assessment campaigns, internal control missions and the implementation of set action plans.

Finance and Control – Legal Affairs Department

Organizing control and ensuring compliance with procedures.

Operating divisions and business units

Within each business unit, the management team organizes control of operations, ensures that appropriate strategies are deployed to achieve objectives, and tracks unit performance.

Group Functions

Decision-making and risk management at corporate level. Issue, adapt and distribute policies, target procedures and instructions to units and individuals assigned to handle specific duties.

10. How we manage risks

Senior Management

Senior Management is responsible for designing and leading the overall internal control system, with support from all key participants, in particular the Group Internal Audit and Internal Control Departments.

It also monitors the Group's performance, during business reviews with the Operating Divisions and Global Functions. These reviews cover business trends, action plans, current results and forecasts for the quarters ahead.

Similar reviews are carried out at different levels of the Group prior to Senior Management's review.

Internal Audit Department

The Internal Audit Department reports to Senior Management. It had an average headcount of 21 auditors and 25 regional internal controllers in 2019. The internal auditors are responsible for ensuring that, at the level of each unit:

- the identification and control of risks is performed;
- significant financial, management and operating information is accurate and reliable;
- compliance with laws and regulations and with the Group's policies, standards and procedures is ensured;
- compliance with the instructions of the Head of the Group is ensured;
- acquisition of resources is carried out at a competitive cost, and their protection is ensured;
- expenses are properly engaged and monitored;
- correct integration and control of acquisitions are ensured.

Annual internal audit and internal control plans are drawn up based on a combination of a risk based and audit universe coverage based approach. The risk based dimension is embedding risk and control concerns identified by Senior Management, taking into account the results of past audits, the results of Key Internal Control self-assessments returned by the units and other indicators such as Corruption Perception Index and COFACE Country Index. When necessary, the audit plan is adjusted during the year to include special requests from Senior Management. The internal audit process is described in the section "Control procedures" below.

After each internal audit, a report is issued setting out the auditors' findings and recommendations for the units or function audited. The management of audited entities or audited domains is requested to define for each recommendation an action plan aiming at implementing corrective actions. Measures are taken to monitor implementation of recommendations and specific follow up audits are conducted if necessary.

Audit reports and the implementation of their recommendations are distributed to Senior Management. An executive summary is sent to the President of the Audit Committee. A synthesis of the main takeaways and conclusions from audit missions is presented to the Audit Committee for each committee session (five times per year).

These reports are subject to regular exchange with the Group's auditors.

The Head of the Internal Audit and Internal Control has direct access to the President of the Audit Committee and meets her on a regular basis over the year.

Internal Control Department

The Internal Control Department, which reports to the Group Controlling Department, is responsible particularly for:

- defining and updating the list of Key Internal Controls in close cooperation with the Global Functions and other subject matter experts in line with the recommendations of the AMF reference framework;
- maintaining and leading a network of around 13 local internal controllers who are responsible for supporting local management on internal control topics and acting as process owners for certain key areas such as the chart of authority and segregation of duties; and
- organizing and monitoring the roll-out of self-assessment campaigns and the implementation of set action plans following self-assessments or internal control missions.

The team continues to improve the internal control process and adapt its procedures following the results of self-assessments and changes in the business environment or organization.

Finance, Control & Legal Affairs Department

The Finance, Control & Legal Affairs Department is actively involved in organizing control and ensuring compliance with procedures.

Within the department, the Reporting and Consolidation unit plays a key role in the internal control system by:

- drafting and updating instructions designed to ensure that statutory and management accounting practices are consistent throughout the Group and compliant with applicable regulations;
- organizing period-end closing procedures; and
- analyzing performance and tracking the achievement of targets assigned to the operating units.

The Reporting and Consolidation unit is responsible for:

- the proper application of Group accounting principles and policies;
- the integrity of the consolidation system database;
- the quality of accounting and financial processes and data;
- training for finance staff by developing and leading specific seminars on the function; and
- drafting, updating and distributing the necessary documents for producing quality information.

The unit drafts and updates:

- a glossary of terms used by the Reporting and Consolidation unit, including a definition of each term;
- the chart of accounts for reporting;
- a Group statutory and management accounting standards manual, which includes details of debit/credit pairings;
- a Group reporting procedures manual and a system user's guide;
- a manual describing the procedures to be followed to integrate newly acquired businesses in the Group reporting process;
- an intercompany reconciliation procedures manual; and
- account closing schedules and instructions.

The Reporting and Consolidation unit monitors the reliability of data from subsidiaries and conducts monthly reviews of the various units' primary operations and performance.

Within the Finance, Control & Legal Affairs Department, the Tax and Legal teams oversee tax and legal affairs, to provide comprehensive management of these risks.

Within the Finance, Control & Legal Affairs Department, the Finance and Treasury Department is responsible for:

- centralized management of cash and long-term Group financing;
- centralized management of currency risk and non-ferrous metals risk;
- monitoring of Group trade accounts receivable risk and the definition of the credit policy to be implemented;
- the distribution of rules for financial risk management and the security of payments:
  - define guidelines and contribute to the definition of Key Internal Control indicators relating to treasury and credit management,
  - review the related risks of complex projects as a subject matter expert,
  - select Group Tools for Credit, Trade and Cash Management; and
- the annual review of financial structures – balance-sheet changes and financial risks – facing the Group's companies during formal financial review meetings.

Procedures for managing financial risk are described in "Risk Factors" (chapter 1, section 11.1).

Operating Divisions and business units

The Operating Division management teams play a critical role in effective internal control.

All Group units report hierarchically to one of the Operating Divisions, which are led or supervised by an Executive Vice-President, supported by a SVP Finance.

The Executive Vice-Presidents leading or supervising the Operating Divisions sit on the Executive Committee, which is chaired by the Chairman and CEO of the Group.

Within each business unit, the management team organizes control of operations, ensures that appropriate strategies are deployed to achieve objectives, and tracks unit performance.

Global Functions and Division (Human Resources, Supply Chain, Information Systems, etc.)

In addition to specific processes or bodies such as the Group Acquisitions Committee (see "Risk Factors" chapter 1, section 11.1) for making and implementing strategic decisions and centralization of certain functions within the Finance, Control & Legal Affairs Department (see above), Schneider Electric centralizes certain matters through dedicated Global Functions thus combining decision-making and risk management at the corporate level.

A Technology Council, namely the Chief Technology Officers (CTO) community, grouping all Divisional and Business Chief Technology Officers as well as key Corporate Technology Functions involved in Offer Creation & Research, meets on a regular basis to ensure cross-divisional coordination in setting the strategic direction for innovation and driving end to end architectures, defining next generation platforms and systems. Additionally, this community partners closely with the senior business leaders. This has been done to ensure a simple structure so that technology can be close to business and to maintain consistency across all divisions of Schneider Electric.

The Human Resources Department is responsible for deploying and ensuring the application of procedures concerning employee development, promoting diversity and well-being. The department is also responsible for establishing guidelines on rewards and compensation, hiring, on and off boarding, learning, amongst other Human Resources related duties.

The Procurement Department within Supply Chain is responsible for establishing guidelines concerning the procurement organization and procedures; relationships between buyers and vendors; and procedures governing product quality, level of service, and compliance with environmental standards and Group Principles of Responsibility.

Global Functions and Division also issue, adapt and distribute policies, target procedures and instructions to units and individuals assigned to handle their specific duties. Global Functions have correspondents who work with the Internal Control Department to establish and update the Key Internal Controls deployed across the Group.

10.3 Distributing information: benchmarks and guidelines

The main internal control benchmarks are available to all employees, including in the Group's employee portal. Global Functions send updates of these reference documents to the appropriate units and individuals through their networks of correspondents

In some cases, dedicated e-mails are sent out or messages are posted on the employee portal or Schneider Electric collaboration tools to inform users about publications or updates.

Whenever possible, the distribution network leverages the managerial/functional organization to distribute standards and guidelines.

Principles of Responsibility

See "Ethics & compliance" (chapter 2, page 115).

Compliance code governing stock market ethics

The compliance code sets out the rules to be followed by management and employees to prevent insider trading. All employees who have access to sensitive information are bound by a strict duty of confidentiality. It also sets restrictions on purchases and sales of Schneider Electric SE securities by persons who have regular or occasional access to sensitive information in the course of their duties (see "Organizational and operating procedures of the board of directors", chapter 4 section 2 on page 239). Such persons are prohibited from trading in the Company's securities at any time if they are in possession of price-sensitive information which has not been made public and during specified periods prior to (and until the day of) release of the Group's financial statements and quarterly information on sales.

International Internal Auditing Standards

The Internal Audit Department is committed to complying with the international standards published by the Institute of Internal Auditors (IIA) and other bodies.

International Financial Reporting Standards (IFRS)

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with European Union regulation no.1606/2002.

The Group applies IFRS standards as adopted by the European Union as of December 31, 2019.

The Group's accounting principles reflect the underlying assumptions and qualitative characteristics identified in the IFRS accounting framework: accrual accounting, business continuity, true and fair view, rule of substance over form, neutrality, completeness, comparability, relevance and intelligibility.

The Group statutory and management accounting standards manual explains how IFRS principles are applied within the Group, taking into account the specific characteristics of the Group's activities.

The application of Group accounting principles and methods is mandatory for all Group units, for management reporting and statutory consolidation. The Group statutory and management accounting standards manual and the IFRS principles are available *via* the employee portal.

Approval limits

Under current management practice, the Group has set approval limits for Senior Management for certain decisions. Local management will define the local approval matrix for relevant decisions within the approval limits set by the Group. Within this framework, business segment executives, functional, operational and local management is therefore able to approve certain decisions depending on the nature and threshold.

In addition, all transactions which by their size or nature could affect the Group's fundamental interests, must be authorized in advance by the board of directors, i.e., decisions relating to the acquisition or disposal of holdings or assets for amounts greater than EUR250 million; decisions relating to strategic partnerships and major changes of course in the strategy, and decisions relating to the issuance of off-balance sheet commitments that exceed the limits prescribed by the board.

Statutory and management reporting principles

An integrated reporting and consolidation system applicable to all Group companies and their management units is in place. Statutory and management reporting principles and support tools are available on the Group employee portal.

The subsidiaries record their transactions in accordance with Group standards. Data are then adjusted, where necessary, to produce local statutory and tax accounts.

The reporting system includes consistency controls, a comparison of the opening and closing balance sheets and items required to analyze management results.

Key Internal Controls

A list of Key Internal Controls that was drawn up is reviewed annually. They cover:

- the Control Environment (including the Responsibility and Ethics program, chart of authority, segregation of duties, business continuity plan, retention of records and business agents);
- operating processes (Procurement, Sales, Logistics, etc.);
- accounting and financial related cycles;
- Human Resources and Information Systems cycles.

The Key Internal Controls are available to all units in the Group employee portal and shared depository, along with appendices with more detailed information, links to policy descriptions, an explanation of the risks covered by each Key Internal Control and a self-assessment guide. For each cycle, the Key Internal Controls cover compliance, reliability, risk prevention and management and process performance. Operating units fill out self-assessment questionnaires concerning the Key Internal Controls using a digitized tool.

For new acquisitions, the acquired entities may continue with their existing controls in transition before deploying the Key Internal Controls.

10.4 Risk identification and management

General risks at the Group level

The Internal Audit Department conducts interviews to update the list of general risks at Group level each year. In 2019, around 100 of the Group's top managers were interviewed, in addition to external views such as financial analysts, board members and a sample of strategic customers. Since 2016 individualized risk matrices by Operation or by Business have been created.

The risks identified through these interviews are ranked by a risk score (comprising impact and likelihood of occurrence) and level of mitigation.

Risk factors related to the Company's business, as well as procedures for managing and reducing those risks, are described in "Risk Factors", chapter 1, section 11.1. These procedures are an integral part of the internal control system.

The risk matrix and the analysis of changes from one year to the next contribute to the development of an internal audit plan for the following year. 72% of the risk categories identified in the Group's risk matrix are audited by the Internal Audit Department over a period of five to six years to assess action plans for managing and reducing these risks.

Local risks related to the Company's business at the unit level

Local risks related to the Company's business are managed first and foremost by the units in liaison with the Operating Divisions, based on Group guidelines (particularly *via* the Key Internal Controls). Each subsidiary is responsible for implementing procedures that provide an adequate level of internal control.

The divisions implement cross-functional action plans for risk factors related to the Company's business identified as being recurrent in the units or as having a material impact at the Group level, as appropriate. The internal control system is adjusted to account for these risks.

Risks related to Solutions

The Solutions Risk Management Department defines and implements principles and tools designed to manage the contractual (such as limitation of liabilities), technical (such as technical discrepancy versus customer specifications) and financial risks (such as margin slippage at solution execution phase).

The network of Solution Risk Managers assesses the risks of all major projects in conjunction with the Subject Matter Experts and Tender Managers during the preparation of offers. Solution Risk Manager then provides a comprehensive, 360 degree view on project risk and mitigations to support the opportunity approval process.

Risk management by the Risk and Insurance Department

The Risk and Insurance Department contributes to the internal control system by defining and deploying a Group-wide insurance strategy, as defined in "Insure strategy", chapter 1, section 11.2. The insurance strategy includes the identification and quantification of the main insurable risks, the determination of levels of retention and the cost benefit analysis of the transfer options. The Risk and Insurance Department also defines, proposes and implements action plans to prevent these risks and protect assets.

Risk management by the Security Department

The Group's Security Department defines corporate governance with regard to loss prevention in the area of wilful acts against property and people.

To be more powerful and more balanced, a Global Security Group Committee was created in 2017, gathering together the Zone Security Leaders (eight managers in total). Some of these leaders report directly to the Global Security Department (Central & South America, South East Europe, East Asia & Japan, Africa & Middle East) and some to local management with functional reporting to Global Security Department (North America, Greater India, CIS, France). In this respect and in close cooperation with the Risk and Insurance Department, it is directly involved in assessing the nature of such risk as well as defining adequate prevention and protection measures.

The Security Department publishes internally a table of "Country Risks" for use in security procedures that are mandatory for people traveling, expatriates and local employees. On request, it provides support to local teams for any security issues (site audit, expatriates or local employee security, security on assignments, etc.). It provides daily coordination with the Group's worldwide partner in the field of medical and security assistance (International SOS & Controls Risks – start of contract in January 2011) as well as in the field of psychological support that is necessary to organize in some crisis context (Eutelmed – start of contract in April 2015).

It brings its methodology to develop emergency plans (evacuation plans, crisis management plans, etc.) and coordinates the corporate crisis team (SEECC – Schneider Electric Emergency Coordination Center, created in 2009) each time that it is activated.

The Security Department co-chairs the Group Compliance Committee (previously named Fraud Committee) alongside the Internal Audit Department and the Legal Department and is directly involved in combating internal fraud (managing and carrying out internal investigations). The Security Department created a Schneider Electric-Bureau of Investigation (SEBI) in 2013 responsible for investigations (internal and external fraud) within the Security Department itself and in charge of supporting internal investigators as well as contributing to the Group's methodology and procedures to conduct investigations properly (in accordance with the law and to be efficient in gathering evidence effectively).

The Security Function also participates in crisis management, in managing the corporate crisis cell and in supporting local entities (to limit the consequences of the occurrence of certain risks such as civil war, weather events, pandemics, attacks on people, terrorism, etc.). In addition, it regularly organizes Security Audits (R&D centers, head offices, sensitive plants, etc.).

Management of Cybersecurity and Cyber risks across Schneider Electric

The Digital Security Function inside the Schneider Digital organization defines Schneider Electric's strategy and approach. This department is accountable for protecting the Digital assets and offers for Schneider Electric and subsidiaries; managing the Cyber Risk Register; driving Cybersecurity awareness across the Company; owning the creation, maintenance and enforcement mechanisms of Digital Security policies; ensuring the execution of Cybersecurity initiatives across Schneider Digital practices and managing the Cybersecurity Incident Prevention, Detection and Response process.

10.5 Control procedures

In addition to the general missions already described, this section describes specific measures taken in 2019 to improve the Group's control system.

Operating units

For internal control to be effective, everyone involved must understand and continuously implement the Group's general guidelines and the Key Internal Controls.

Training in Key Internal Controls continued in 2019 for those involved for the first time in the annual self-assessment process: newly promoted managers and units recently integrated. Operational units undertook self-assessment of compliance with the Key Internal Controls governing their scope of operations.

The self-assessments conducted during the 2019 campaign covered more than 90% of consolidated sales and made it possible to define improvement plans in operating units, when necessary. The ultimate goal is that these evaluations should cover at least 90% of consolidated sales each year.

The self-assessments are conducted in the units by each process owner. Practices corresponding to the Key Internal Controls are described and the entity is either compliant or not compliant with a particular control.

If a particular unit is non-compliant with any of the controls, an action plan is defined and implemented to achieve compliance. These action plans are listed in the self-assessment report.

The unit's financial manager conducts a critical review of the self-assessments by process and certifies the quality of the overall results. The self-evaluation is then also certified by the person in charge of the unit.

The regional internal controllers carry out controls on site to assess the reliability of self-assessments and conduct diagnostic missions as requested by management.

Global Functions

In 2019, the Global Functions continued to set guidelines, issue instructions and provide support.

For example:

- the Security Department fully updated the Global Security Directive on Crisis Management and provided support to the Cybersecurity department in organizing three crisis management exercises based on cyber-attack scenarios;
- Global Security created a "Travel Policy – Group Committee" composed of Human Resources representatives and travel managers from the ten first countries representing more than 80% of the total travel spent. This Committee is to ease the deployment of the new version of the Global Travel Policy in countries and to share best practices;
- a new dedicated Security position was created for the Europe zone. This new position is to provide more support to local management in assessing risks and in defining relevant security setups, means and procedures specifically in the area of "site security";
- the Solutions Risks Management team continued to develop supports to streamline the analysis, mitigation, and approval of liability related issues, resulting in gains in internal efficiency (reduced cycle time) as well as customer responsiveness;
- the Solutions Risks Management team participated in an update of the Customer Project Process as well as approval matrix for the Systems business (simplification and standardization across all Divisions); and
- the Treasury launched a new Treasury management system that will provide an extended coverage of Treasury flows throughout the Group. The new tool has been launched along with new processes allowing the automation of Treasury operations, automatic postings and will also strengthen the security of Treasury flows.

Internal Control Department

The Internal Control Department continued to deploy the Key Internal Controls – training and requests for self-assessments – throughout the units, with the scope extended to cover new units.

In 2019, certain Key Internal Controls that have been identified since 2015 as critical remained a focus and actions were taken to increase their level of awareness and compliance. Led by the IT Internal Audit and Digital team, the IT Internal Controls Framework is being developed.

The list of Key Internal Controls continues to evolve.

The software package for the management of self-assessment questionnaires and follow-up action plans of internal audit and internal control introduced in 2011 continues to be improved.

The local Internal Control team which consists of around 13 members located in various geographies dedicated their efforts to improving internal controls in the local entities.

Internal Audit Department

The Internal Audit Department contributes to the analysis and to strengthening the internal control system by:

- mapping general risks;
- verifying the effective application of Key Internal Controls during audit assignments;
- reviewing the audited unit's Internal Control self-assessment and related action plans.

Audit assignments go beyond Key Internal Controls and include an in-depth review of processes and their effectiveness.

Internal Audit also reviews newly acquired units to assess their level of integration into the Group, the level of internal control and the effectiveness of operational processes, as well as ensuring Group rules and guidelines are properly applied, and more generally compliance with the law.

A summary overview of the department's audits makes it possible to identify any emerging or recurring risks that require new risk management tools and methodologies or adjustments to existing resources.

In 2019, Internal Audit performed 38 audits, including:

- audits of units;
- audits of a number of risks or operating processes;
- analyses of internal control self-assessments by audited units;
- follow-up audits to ensure recommendations are applied;
- assistance assignments.

The most common findings and observations derived from these audits relate to the following topics: awareness of the Principles of Responsibilities and of the Responsibility & Ethics Dynamic program, segregation of duties and access rights to IT systems, management of price conditions, alignment with the Chart of Approval, solutions and projects bid management and margin control at the execution phase, security of payments, business continuity related aspects, etc.

The Regional Internal Controls team completed more than 106 on-site inspection missions in 2019 to assess the level of internal control and issued the necessary recommendations when needed.

Group Compliance Committee

The Group Compliance Committee defines the process to detect and manages non-compliance of ethical cases with appropriate investigation process. The governance on Ethics & Compliance is reflected in chapter 2 Ethics & Compliance, page 115.

10.6 Internal control procedures governing the production and processing of consolidated and individual Company accounting and financial information

In addition to:

- its regulatory tasks;
- its responsibility for overseeing the close of accounts across the Group;
- its audits of the Group's results with respect to set targets (see "Internal Control Organization and Management: Finance, Control & Legal Affairs Department");

The Reporting and Consolidation unit is tasked with overseeing:

- the quality of reporting packages submitted monthly by subsidiaries;
- the results of programmed procedures; and
- the integrity of the consolidation system database.

In addition, the Reporting and Consolidation unit ensures that:

- given that the Group consolidated financial statements are finalized a few weeks after the annual and half-year balance sheet date, subsidiaries perform a hard close at May 31, and November 30, of each year so that most closing adjustments for the period can be calculated in advance;
- the scope of consolidation as well as the Group's interest and the type of control (exclusive control, joint control, significant influence, etc.) in each subsidiary from which the consolidation method results are determined in cooperation with the Finance, Control & Legal Affairs Department;
- instructions to the units on the closing process, including reporting deadlines, required data and any necessary adjustments are issued;
- the Group's consolidated financial statements are analyzed in detail, to understand and check the main contributions by subsidiaries, as well as the type of transactions recorded;
- accounting classifications are verified;
- the preparation and approval of the statement of changes in equity and the cash flow statement are the key control points.

The internal controls used to confirm the existence, completeness and value of assets and liabilities are based on:

- each subsidiary's responsibility for implementing procedures providing an adequate level of internal control;
- defining levels of responsibility for authorizing and checking transactions;
- segregating tasks to help ensure that all transactions are justified;
- the integration of statutory and management reporting systems developed to guarantee the completeness of transaction data recorded in the accounts;
- all of the subsidiaries apply IFRS with regard to recognition principles, measurement and accounting methods, impairment and verification;
- checks and analyses as described above performed by the Reporting and Consolidation unit.

11.1 Principal risks

The Group risk inventory is organized in four categories and includes 18 key risk factors identified.

The key risks selected and presented below are the risks considered by the Group as specific to its business and identified as having the potential to affect its activity, its image, its financial situation, its results or the achievement of its objectives. Other risks, not identified or not significant according to the Group, could eventually affect its performance. In each category, risks are ranked on a descending order impacting the Group (the first one being the most likely to affect the Group). This ranking is the result of the process performed as part of the overall risk management described in section 6.4 "Risk identification and management". It is established on the potential net impact corresponding to the potential impact (financial/legal/reputation), considering the current mitigation and reduction measures, as well as the probability of occurrence of this risk.

	Categories and Risks	Potential net impact	Page
1	**Risks related to the environment in which the Group operates**		
1.1	World deglobalization and fragmentation	🔴	64
1.2	New players such as Digital giants, software players and energy majors entering the energy efficiency and renewable energy space	🔵	65
1.3	Export controls	🔵	66
1.4	Corruption linked to B2B and project business	🟢	67
1.5	Strengthening of chemical and resource-related regulations in Electrical and Electronic Equipment space	🟢	68
1.6	Human rights, environmental and safety issues through the value chain	🟢	69
2	**Risks related to Operations**		
2.1	Risk of cyber security on the Schneider Electric infrastructure and its digital ecosystem	🔴	70
2.2	Connected products at Schneider Electric or customer sites used as a gateway to attack Group's customers and partners	🔴	71
2.3	Product quality	🔵	72
2.4	Supply chain flexibility	🔵	73
2.5	Innovation and Research & Development (R&D)	🔵	74
2.6	Digital evolution and software offers	🔵	75
2.7	Pricing strategy	🟢	76
2.8	Competition laws	🟢	77
3	**Risks related to Internal Organization**		
3.1	Talent attractiveness, workforce engagement, sales force upskilling and recruitment of digital competencies	🔵	78
3.2	IT systems management	🔵	79
4	**Financial risks**		
4.1	Counterparty risk	🟢	80
4.2	Currency exchange risk	🟢	81

Key to symbols 🔴 High impact 🔵 Medium impact 🟢 Low impact

11. Risk factors

1. Risks related to the environment in which the Group operates

1.1 World deglobalization and fragmentation ●

Risk description

Stable trade is beneficial for economic growth. Trends of increased mercantilism is lending towards regionalization of trade around the United States, China, Russia and Europe poles. Nationalized, rather than globally balanced government regulations and policies on, but not limited to digitization, circularity, carbon, supply chain management and others could handicap offer development efficiency through redundant efforts. These offer development duplication efforts can potentially impact Schneider Electric's profitability.

Furthermore, this acceleration of national versus global trade policies is increasing the pressure on the supply chains of global companies in the forms of both tariff and non-tariff barriers. As such, trade wars could disrupt Schneider Electric's operations and global supply chain. The above-mentioned combination of both nationally orientated tariff and non-tariff burden could increase the cost to market and potentially adversely impact the Group profitability.

2019 Specific events

In 2019, trade tensions between United States and respectively China and Mexico led to some negative impacts on sales and profitability.

Risk mitigation

In order to mitigate the risk on supply chain efficiencies and tariffs impacts, Schneider Electric has a multi-hub organization. Indeed, the Group has R&D and supply chain activities, suppliers and commercial networks in the main international hubs, which are North America, EMEA and Asia. In this multi-local context, Schneider Electric can rebalance its activities across geography as per Tailored Supply Chain.

Schneider Electric has also created an internal team focusing on geopolitics that are reshaping the global business landscape with a change of trade paradigm. While the pace of external changes continues at a historically unprecedent scale regionally, these teams are working with internal stakeholders from BUs, R&D, Regional Ops and Global Transversal functions (i.e. Finance, GSC, Legal, Marketing).

Schneider Electric has committed to highly credible industry organizations globally to support stabilization of global trade. These materialize in collective industry positions and responses to public response requests. The Group publicly communicated in support of stable, rules-based trade.

Key to symbols ● High impact ● Medium impact ● Low impact

1. Risks related to the environment in which the Group operates

1.2 New players such as Digital giants, software players and energy majors entering the energy efficiency and renewable energy space

Risk description
Schneider Electric operates in the energy market which attracts new players and creates a new competitive landscape. Indeed, the Energy industry is undergoing major transformations and disruptions driven by the following main trends:

- A net-zero world: pressure on climate change and sustainability call for a change in Business practices;
- An all-electrical world: oil majors urged to reduce their impacts on carbon emissions;
- An all-digital world: shifting power to digital giants and software players.

In this context, Schneider Electric's competition landscape is evolving, and the Group can see now some Digital giants, software players or large companies such as Energy majors positioning themselves as providers of energy efficiency, which can directly compete with the digital services Value Proposition currently developed by the Group.

Risk mitigation
The Group is driving competition performance analysis and follow-up of organizational changes, M&A news, reviewing its scope of competitors and key players in its environment.

To anticipate these changes in the competitive landscape, the Group is communicating more widely about its values and positioning on Climate change and sustainability.

Schneider Electric provides a full portfolio of solutions for customers (hardware + software) – as EcoStruxure solutions – and Energy and Automation digital solutions for efficiency and sustainability.

It also implies developing the Group's network of Partners and reinforcing its Strategic Technology Alliances.

Key to symbols High impact Medium impact Low impact

1. Risks related to the environment in which the Group operates

1.3 Export Controls

Risk description
International, Foreign and National Export Control Laws and Regulations govern the transfer of goods, services and technologies within a country or between countries and/or their nationals. Elements that may trigger restrictions and licensing requirements may include but not limited to countries, parties, product and end-uses.

Schneider Electric being a Multi-National Corporation (MNC) with international operations spanning across more than 100 different countries worldwide must constantly ensure full compliance to such laws and regulations by implementing a robust corporate export control compliance program. As any implications may result in a significant impact on the Group's businesses, results, reputation and financial position.

Albeit Schneider Electric product portfolio has only a limited product range that may have dual-use goods features as well as non-dual use goods (e.g. breakers) that may be used in sensitive applications; prohibition, restriction or licensing requirements may apply to these products especially if associated with political sensitive countries and destinations.

Risk mitigation
Schneider Electric has strict mandatory corporate export control due diligence processes in place to address and mitigate the above described risks. To that end, Schneider Electric Group deploys a Corporate Export Control Program led by its Global Export Control Center of Excellence (CoE). The CoE composed of specialists that monitors and enforces the Corporate Export Control Program with the support of the Schneider Electric Export Control Network.

Schneider Electric Corporate Export Control Program includes but not limited to export control due diligence screening processes (e.g. embargo and restricted countries screening, denied party screening, dual-use goods screening and sensitive applications screening); incorporation of Export Control provision in main sales and procurement contractual template; conducting of regular online and classroom awareness and training sessions for all Schneider Electric employees.

Schneider Electric Group continues to enhance and update its Corporate Export Control Program to ensure compliance with all applicable export control laws and regulations, both local and extra-territorial.

In 2019, Schneider Electric incorporated Export Control as a standalone principle in the updated Corporate Principles of Responsibility. A new Export Control Awareness module was also launched on the Corporate Learning Platform to further enhance the efficiency and accessibility of Export Control awareness and training.

Key to symbols High impact Medium impact Low impact

1. Risks related to the environment in which the Group operates

1.4 Corruption linked to B2B and project business

Risk description
The exposure of the Group to corruption risk has been increasing for several years, due to the expansion of the Group's activities in new economies, especially in Asia and Africa, through organic growth and mergers and acquisitions.

The business model of the Group relies on a large ecosystem of partners, including more than 50,000 suppliers throughout the world representing a procurement volume in excess of EUR 12 billion, but also, resellers, and distributors. This ecosystem may represent a risk for the Group to be accountable for activities performed on its behalf, but also regarding potential conflict of interest or unethical solicitation.

In addition, the Group is participating in complex projects involving a large range of partners in sectors at risk, such as Oil and Gas, and with end-users from the public sector in countries at risk.

Over the past 3 years, the increase of law enforcement by public authorities, higher press coverage of fines imposed on companies and new regulations requiring a strong compliance program have significantly changed the impact of corruption risks.

Risk mitigation
To mitigate this risk, Schneider Electric has built a dedicated Group Compliance Team, composed of corporate compliance counsels and regional compliance officers.

The whistleblowing system of RED line for employees and GREEN line for external stakeholders is also managed to combat this risk. In 2019, 560 and 32 alerts of all natures respectively coming from RED Line and GREEN Line have been received and managed through follow up inquiries.

In addition, Group Principles of Responsibility were updated in April 2019 with reinforcing guidance regarding anti-corruption policy. Then, in August 2019, Business Agents Policy was updated and deployed and in November 2019, the same process was applied for Anticorruption Code of Conduct.

Furthermore, corruption risk mapping was performed in 2019 at regional level, and internal controls and Internal Audit missions were reinforced on compliance risks.

94% of Sales, Procurement and Finance employees have been trained thanks to the Anticorruption e-learning. The content of this e-learning is updated each year.

A system built-in segregation of duties control is in place in main Group's ERPs.

All compliance related aspects are part of due diligence done by the Group for Mergers and Acquisitions.

For detailed 2019 actions, please refer to sections 2.1.4 and 2.1.5 of the Report.

Key to symbols High impact Medium impact Low impact

1. Risks related to the environment in which the Group operates

1.5 Strengthening of chemical and resource-related regulations in Electrical and Electronic Equipment space

Risk description
Schneider Electric's plants and products are subject to strict environmental laws and regulations.

Many countries have increased legal requirements for the use of chemicals and resources, both in manufacturing processes and in the bill of materials of products.

Key Product Environmental regulations were strengthened in 2019, especially those specific to Electric and Electronic Equipment (EEE): RoHS (restriction of hazardous substances in electrical and electronic equipment) and WEEE (waste electrical and electronic equipment). RoHS bans ten chemical substances for many product categories, sold by Schneider Electric: this may require substitutions, and may represent a considerable risk of non-compliance; WEEE concerns the Group Extended Producer Responsibility, and obliges an active role in the framework of products end life, particularly in terms of financing the collection channels.

In addition, as described in Note 21 of Chapter 5 of this Document, provisions of EUR 293M are set aside to cover environmental risks. These provisions are primarily funded to cover clean-up costs (not covering potential penalties). The estimation of the expected future outflows is based on reports from independent experts.

French 'Duty of Care' and Country-specific initiatives (e.g. China) have reaffirmed the expectations towards engaging Suppliers in Environmental de-risking efforts.

The Group Mergers & Acquisitions (M&A) activity is opportunistic, and Schneider Electric needs to critically assess Environmental risks of all acquired companies' product portfolios, to ensure strict environmental compliance of all their products and in every market where they are traded.

Local regulations (Country, Europe, China, etc.) could force a percentage of recycled content in some product categories, where neither the relevant recycled resources may be available, nor the product can be certified or accepted – with recycled content – by IEC, NEMA or any other electrical standards.

Regulations phase out specific chemical substances or resources too quickly, whilst no relevant alternative may have been found in a scalable manner.

Risk mitigation
The Group's Integrated Management System (IMS), which covers Safety, Energy, Quality, and Environment, continues to be deployed across all Industrial sites and major commercial offices.

Offer Creation Process (OCP) is strict, and each step and deliverable embed ecoDesign ambitions and principles: selection of resources, identification of critical substances, lifecycle assessment, then production of REACh and RoHS report.

The Group's community of ecoDesign business partners train the R&D teams in all new and coming environmental regulations and assist them with precise guidance.

Environmental and Safety compliance audits, conducted by third-party consultants or internal specialists, take place periodically across countries.

Schneider Electric has been part of task forces on the Circular Economy playing leadership roles in multi-stakeholder dialogues in Europe, China, and the US, to discuss opportunities and hurdles: regulations, environmental impacts, protection of customers' interests and job creation. Schneider Electric is active in France's Circular Economy Roadmap and engaged in China with MIIT on circular economy. The Group leads GIMELEC, FIEEC, and engage with IGNES, ORGALIME discussions for its sector on circular economy, in various circles.

Key to symbols High impact Medium impact Low impact

1. Risks related to the environment in which the Group operates

1.6 Human rights, environmental and safety issues through the value chain

Risk description
Schneider Electric's procurement volume represents more than EUR 12 billion with more than 50,000 suppliers. As part of the Duty of Vigilance program in the supply chain, Schneider Electric has performed a risk analysis through its network of suppliers, and identified potential risks in the following areas:

- Human Rights
- Environment
- Ethical Business Conduct
- Cybersecurity

The occurrence of these risks with one of the Group's suppliers may result in the following impacts on Schneider Electric:

Reputation
Schneider Electric's image may be negatively impacted by suppliers who:

- Do not respect Human Rights, or safety rules for their workers;
- Are responsible for pollution and damage to the environment;
- Are conducting business in a non-compliant or illegal manner.

Disruption of supply chain due to:

- Short term termination of relations with a supplier.
- Events resulting from the lack of safety or insufficient protectives measures (fire prevention, etc…) that may affect the supply of components.
- Damage to data exchanged with suppliers, or digital systems (virus, malware).

2019 Specific events
In France, disputes between NGOs and French companies (excluding Schneider Electric) concerning non-compliance with the duty of vigilance have started in 2019. The final decisions will be handed down in 2020 and will allow a better evaluation of the legal risks associated with the Duty of Vigilance program.

Risk mitigation
A sustainable approach to the supply chain starts with the selection of suppliers according to the "Schneider Electric Supplier Quality Management" system, which includes sustainable development criteria weighing 30% of the total evaluation of a supplier.

In 2019, Schneider Electric organized the Global Suppliers Day. During this day, the Principles of Responsibility were introduced to suppliers.

As part of the Group's 3-year sustainability plan for 2018-2020, strategic suppliers are requested to submit (themselves) to an ISO26000 evaluation. Consistent with a continuous improvement effort, these suppliers are expected to achieve on average a +5.5 points increase in their score by 2020.

Schneider Electric has built a supplier vigilance plan in which risky suppliers are identified using criteria that take into account the geographical location of the supplier, the technologies and processes used. A 3-year audit plan is then built, to perform at least 350 supplier on-site audits. When non-conformances are identified, corrective actions are deployed. The suppliers are then re-audited to verify that the actions have remediated the non-conformances. In 2019, 99.5% of non-conformances from 2018 have been closed. The supplier vigilance plan also includes an internal training program for Schneider Electric Procurement teams and workshops with suppliers.

Key to symbols High impact Medium impact Low impact

2. Risks related to Operations

2.1 Risk of cyber security on the Schneider Electric infrastructure and its digital ecosystem ●

Risk description
Schneider Electric, like other organizations with a similar global footprint and presence, is exposed to the risk of cyberattacks and data privacy breaches.

As an industrial and technology company, the Group has "traditional" IT and Operational Technology activities spread over more than 25 sites with major R&D activities and more than 200 production and logistic units.

On those sites, Operational Technology systems are converging more and more with IT systems, especially through the use of Internet of Things expanding the attack surface.

Additionally, the move from product-centered business model to service-oriented business model with software (e.g. digital offers like "Advisor" software suites) and augmented data presents the risk of Intellectual Property theft.

Risk mitigation
NIST framework (Identify, Protect, Detect, Respond, and Recover) is used with a Cyber Risk register and High-Value Assets (more than 25) program.

Cyber threats are mitigated by implementing capabilities i.e., enforcing mechanisms including a Data protection program.

Events and incidents are monitored through a Security Operations Center driven jointly the Group's partners.

Schneider Electric's posture is continuously revisited and adapted through Reality Checks, including emergency and improvement plans across the Company.

~100% of connected users and ~37000 factory workers are trained for cybersecurity in 2019.

All cyber risk assessments were completed in 2019 by the Group's cybersecurity consulting partner.

Furthermore, this year, three major cyber crisis simulation exercises were performed.

Lastly, independent "reality checks" were performed: 3 cross-cutting internal audits and external assessments.

Key to symbols ● High impact ● Medium impact ● Low impact

2. Risks related to Operations

2.2 Connected products at Schneider Electric or customer sites used as a gateway to attack Group's customers and partners ●

Risk description
The Energy industry is becoming more digital and this includes IoT and its major accelerators for mobility, the cloud, pervasive sensing, big data and analytics.

The resulting increased digitalization of products, including native connectivity, is increasing the exposure to cyber security risk, where connected products and digital offers (e.g. 32 "Advisor" type of offers) at Schneider Electric or customers sites could be used as a gateway for malicious cyberattacks.

Schneider Electric is launching an ecosystem collaboration platform called Exchange with 50k+ registered Users, ~300 Apps, more than 150 service providers listed and ~100 communities onboarded.

Those kind of digital offers and platforms, if compromised, could negatively affect service quality, profitability and image reputation of Schneider Electric.

Risk mitigation
Product Security Office is reinforced with strong mandate and connection across the business units.

Schneider Electric is developing products and securing the ecosystem (ISA/IEC62443 and ISO2700x) in conformity to Cybersecurity standards. Schneider Electric follows a Secure Development Lifecycle process to build cybersecurity into its products even before the design stage.

IoT Cloud Platform (EcoStruxure Technology Platform) is certified against ISO27001 standard.

The Group enforces digital security and privacy conformance assessing Platforms, Applications and Digital Offers.

In case of cyber incident, a process of response, connecting and debriefing is organized with partners and customers.

In 2019, security and privacy were enhanced by Design with new Secure Development Lifecycle and certified against IEC62443-4-1. Also, all of 32 digital offers (mainly from "Advisor" software suites) were assessed in the framework of Digital security and privacy conformance.

Key to symbols ● High impact ● Medium impact ● Low impact

2. Risks related to Operations

2.3 Product quality

Risk description
Schneider Electric has more than 260 000 references produced in 191 factories spread in 46 countries around the world.

Product quality and safety is a critical topic for the Group operating in the Energy industry, as product malfunctions or failures could result in Schneider Electric incurring liabilities for tangible, intangible damages or personal injuries. The failure of a product, system or solution may involve costs related to the product recall, result in new development expenditure and consume technical and economic resources.

Schneider Electric's products are also subject to multiple quality and safety controls and regulations and are governed by both national and supranational standards. New or more stringent standards or regulations could result in capital investment or costs of specific measures for compliance.

The above-mentioned costs could have a significant impact on the profitability and cash equivalent of the Group. The business reputation of Schneider Electric could also be negatively impacted. Indeed, the Group has been impacted by several recalls more or less recently ranging from EUR 10 to 40 M depending on the case.

Risk mitigation
Thanks to analytics the Groups is starting to proactively listen for weak signals from internal captures or from customer experiences.

In 2019, the Group launched a specific program called Phoenix to continue to strengthen manufacturing tools and processes. This is to be extended to logistic processes and suppliers.

The Group feeds its new offer design by constant learning, insights from the current offer, and leverage methodologies such as "Agile" to embed quality in each and any design step.

Key to symbols High impact Medium impact Low impact

2. Risks related to Operations

2.4 Supply chain flexibility

Risk description
The Group is exposed to fluctuation in economic growth cycles and to the respective level of investment within the different countries in which it operates. Economic ups and downs could impact the footprint of Schneider Electric's supply chain.

Furthermore, the raise of renewable energy is increasing the tension on some markets such as batteries. This could result in additional costs or possible shortages potentially impacting the Group profitability. Some more or less recent shortages such as electronic components in 2017, or electromechanical ones in 2019, are respectively led to sales losses of EUR 40M and EUR 30M.

Schneider Electric can also be exposed to supply chain dependency and business continuity risk. For instance, one cluster of plants in South East Asia supplies 80% of EUR 1 billion line of business. Any incident or interruption of production (natural disasters, social unrest, and pandemics) on this plant could lead to shortages, compensation costs or top line losses.

Finally, the increase of circular economy regulation could increase the pressure on product traceability. Failure to comply with those regulations could result in fines potentially impacting the Group's profitability and reputation.

Risk mitigation
The Group requires its sites to have a robust business continuity plan for any large-scale events which can severely impact the business, such as natural disasters, social unrest, and pandemics. Each of Schneider Electric's sites has an assigned business continuity leader whose role is to manage this process if something occurs and initiate a crisis management command center at a local and, if necessary, global level in Head Quarters, led by the Global Security Officer. This process has a proven track record of success and continues to protect the Group's people and assets.

Finally, the Group's supply chain strategy team assesses the supply chain flexibility on an ongoing basis to ensure the right level of flexibility and capacity from one site to another, if there is a need due to interruption. This is well understood by the supply chain leadership. The Group has a network of 191 factories and 97 distribution centers globally and the strategy is building a more regional supply chain, set-up for redundancy purposes but more importantly to give Schneider Electric's customers peace of mind that the Group is a resilient company and they will receive world class service.

Key to symbols High impact Medium impact Low impact

11. Risk factors

2. Risks related to Operations

2.5 Innovation and Research & Development (R&D)

Risk description

The worldwide markets for the Group's products are competitive in terms of development and introduction time for new offers. In this regard, failure for the Group to renew its offer portfolio through dynamic Research and Development activities could impact the competitiveness of Schneider Electric.

In addition, with the digital transformation, the Group is increasing its share of Digital and Software offers that have a shorter life-cycle compared to the Product offers.

In 2019, 5% of the Group revenue has been invested in R&D of which a significant part is dedicated to digital. Therefore, the Group needs to do the right trade-off between funding the digital development and at the same time, keep in place for the renewal of the core offer. This year, R&D costs increased by 6 % in 2019 resulting in an R&D to Sales ratio that increased by +8 bps (organic growth), due to increased investment in digital and in products. The Group strategy includes material investment in R&D, innovation and digital.

Schneider Electric owns more than 18,000 patents and there were more than 850 patents application in 2019.

Risk mitigation

Since the software-based market has faster cycles, the Group is constantly adapting and evolving toward greater customer centricity, in its research and development processes, through the increased use of agile methodologies to shorten the development cycles and by getting closer to the local customer markets.

In 2019 the Group deployed a new multi-hubs strategy in the Group's main markets, to bring research and development closer to final customers.

Key to symbols High impact Medium impact Low impact

2. Risks related to Operations

2.6 Digital evolution and software offers

Risk description
Major transformation in several areas is impacting the markets in which Schneider Electric operates, including the digitization of the Energy industry.

In the age of the IoT, customers expect ever smarter products with open interfaces enabling them to be tightly integrated into more and more complex software-based solutions and benefit from new services leveraging artificial intelligence and advanced algorithms.

The Group is investing in its digital transformation journey and as such is increasing the share of its digital offers. In 2019, software and digital services had a doubled-digit growth, increasing the software offering (double digit growth) and registering a 25% growth in e-commerce sales while connected customers and Assets under Management (AuM) increased respectively by 20% and by 50% versus 2018. As such, Schneider Electric is focusing on offering more digital and services, generating more recurring revenues and creating customer stickiness. In 2019, it represents 25 % of Schneider Electric's revenue.

Also, on February the 13th 2020, the Group announced its intention to launch a voluntary public tender offer for RIB Software SE, a construction software provider, in order to expand capabilities in building life cycle digitalization. This acquisition will continue Schneider Electric's journey to build a software portfolio and a leadership position in digital and sustainable smart building solutions.

The transformation risk will be linked to the monetization of this new digital portfolio in order to generate a steady revenue stream from this mass customers and products connectivity.

Risk mitigation
The Group has launched several initiatives including but not limited to:

- creation of a new organization dedicated to the growth of digital services with a clear ambition to leverage a robust strategy and structured offer portfolio;
- monetizing critical connected assets with advanced Advisor offer through installed base, using Artificial Intelligence and algorithms;
- definition of a consistent connectivity path for partners and direct go-to-market.

Key to symbols High impact | Medium impact | Low impact

2. Risks related to Operations

2.7 Pricing strategy

Risk description

Raw material inflation and foreign exchange rate fluctuation can impact the product cost, with differences across the product lines. Such fluctuations, if not offset by tactical pricing decisions in compliance with national and international laws, can impact negatively the Group's profitability. As illustration, in 2018, the delayed adjustments to raw material inflation led to EUR 80M sales mis opportunity.

In addition, the current market evolution requires different ways of working as the E-commerce and internet are evolving quickly and the actors are becoming more regional and, in many cases, global.

Risk mitigation

To anticipate negative impact on profitability the Group has reinforced its comprehensive global pricing program with robust compliance, pricing and quotation tools.

Key to symbols High impact Medium impact Low impact

2. Risks related to Operations

2.8 Competition laws

Risk description
Schneider Electric's products are sold in markets worldwide and are subject to national and supra-national competition laws and antitrust regulations.

Some Group entities worldwide including, but not limited to, entities in Pakistan, France and Spain have been directly or indirectly cited in antitrust proceeding or investigated.

In Pakistan, the Group inherited, and subsequently discontinued local operations acquired from Areva. These operations were investigated and sanctioned by the World Bank.

In France, investigations were performed in September 2018 by the French police and antitrust authorities at Schneider Electric's head office and other premises concerning the electrical distribution activities in France. Schneider Electric is cooperating with the French authorities in their investigations.

For Spain, the local subsidiary was indicted for anti-competitive behavior related to a previously owned subsidiary. The investigation was concluded in February 2020 without any significant consequence for the Group.

Risk mitigation
The whistleblowing system of RED line for employees and GREEN line for external stakeholders such as suppliers is managed to identify any inappropriate practice or behavior with competitors or business partners that may be reported.

Furthermore, internal controls and internal audit missions have been reinforced on compliance risks, including in respect of competition and antitrust risks.

The revised compliance due diligence program for Merger and Acquisitions was issued to strengthen upfront identification of compliance issues with potential acquisition targets.

The Group updated and deployed the revised Group Principles of Responsibility in April 2019 with reinforced guidance regarding competition and antitrust rule as issued various other polices and directive related to competition and anti-corruption.

Key to symbols High impact Medium impact Low impact

3. Risks related to Internal Organization

3.1 Talent attractiveness, workforce engagement, sales force upskilling and recruitment of digital competencies

Risk description
The digital transformation comes with the need for specific skills especially in the areas of technologies, energy efficiency solutions and consultative selling. To consult on digitization and to support agile ways of working, the Group must prioritize digital-centric positions. For Schneider Electric, the top areas of focus include: software product owners, software developers, scrum masters, agile coaches, data scientists, data engineers, UX/UI designers, integration architects, cybersecurity specialists, and security engineers. Currently at Group level there are approximately 8,000 digital technologists with largest concentration of employees in India, US, France, and China.

Competition for highly qualified management and technical personnel, particularly business technologist, is intense in the Group's industry and becomes a bigger challenge as the Group continues its trajectory of growth. In 2019, approximately 17% of global professional hires were in digital-centric roles- doubling the digital hiring composition from year-prior.

Future continued success depends in part on the Group's ability to attract, hire, onboard, develop and retain the best qualified personnel. In addition to critical skills, workforce diversity especially gender, generation and nationality is a priority. For example, in 2019, ~50% of white collars hiring globally are early-career/fresh graduates (increase of 2% pts) to ensure continued supply of early-career talents. Also, at Group and country levels, more programmatic efforts are in progress to support 'senior talents' regarding future skills development, knowledge transfer, and career assignments to leverage their expertise and experience.

Risk mitigation
The Group's People Strategy is strongly anchored in its new people vision, which includes Employee Value Proposition and employer branding.

Schneider Electric's entire people strategy defines the transformation it wants to accomplish, including increasing diversity and inclusion, pay equity and family leave.

Other examples include the proactive career development and planning that are also underway, and the training plans provided to all new front-line and mid-level managers.

Schneider Electric' continuous listening strategy ensures the Group listens to the employees throughout their employment lifecycle (onboarding, OneVoice internal survey, exit, etc.), and acts on their feedback to drive engagement.

New training and upskilling program for all Sales representatives and Sales leaders was developed in 2019 for deployment in 2020, and a new certification training program for Key Account Managers.

The Group is also focusing on recruiting young digital talents to sustain the digital transformation.

In 2019, Schneider Electric has launched an Open Talent Market platform to facilitate internal job and project assignments and a new digital employee listening tool to analyze employee engagement.

Key to symbols High impact Medium impact Low impact

3. Risks related to Internal Organization

3.2 IT systems management

Risk description

The Group operates either directly or through service providers, a wide range of highly complex information systems, including servers, networks, data repositories, applications and databases, on premise and in the cloud, that are essential for the efficiency of its sales and manufacturing processes, as well as platforms to enable Digital Offers such as EcoStruxure™. The Group is deploying various applications aimed at enhancing commercial experience, employee effectiveness and supply chain efficiency as well as enabling digital commercial offers.

In addition to that, for example the Group is managing 80 finance ERP systems inherited from M&A. The Group needs to set up dedicated governance and cost control structures because of projects' complexity, extensive functionalities and worldwide deployment.

Failure of any of those hardware or software, fulfillment failure by a service provider, new application or software deployment issues could adversely affect the quality of service offered by Schneider Electric.

In addition, the provision of safe and secure foundational Information Systems is critical to the ongoing expansion of digital offers and customer interactions. When the Group is moving towards more Digital offers, service and software then the variety of legacy systems makes it harder and more complex to evolve.

Despite the Group's policy of establishing governance structures and contingency plans, there can be no assurance that information systems projects will not be subject to technical problems and/ or execution delays. While it is difficult to accurately quantify the impact of any such problems, data loss or delays, they could have an adverse effect on inventory levels, service quality and, consequently, on the Group's financial results.

Risk mitigation

The Group regularly examines alternative solutions to protect against those risks, performs regular compliance checks on service provider service level agreements and has developed contingency plans, and incident response capabilities to mitigate the effects of any information system failure.

The Group undergoes constant evolution and planning pertaining to its information systems, which encompasses but is not limited to:

- ERP transformation and the evolution of the Group's financial systems to prepare for Digital Offers;
- Elimination of legacy IT applications and associated hardware to simplify the landscape and mitigate risks linked to obsolescence;
- Ensure sustainability of IT landscape with ongoing focus on business continuity and disaster recovery planning for hardware and software.

All applications are subject to certification testing attempting to remove system vulnerabilities. These systems are housed either in on premise data centers managed by the Group's service providers or are cloud- based applications and, as required, conform to the EU General Data Protection Regulation.

In 2019, the Group has reduced legacy IT applications by 40% in a simplification objective and implemented a new Financial and Treasury systems enabling more agility for Digital Offers.

Key to symbols High impact Medium impact Low impact

11. Risk factors

4. Financial risks

4.1 Counterparty risk

Risk description
The Group has a particularly wide international presence (more than 115 countries): the revenue is almost equally spread across the four regions (Asia Pacific, Western Europe, North America, Rest of the World), and 41% of the revenue is generated in new economies.

The Group is therefore facing multiple counterparty risks, as any economic downturn could lead to local liquidity issues with consequences in terms of cash collection and delay of payments from the customers, affecting adversely the Group cash conversion rate.

In 2019, delay of payment was observed in India and in UAE in 2019. Furthermore, the liquidity market is becoming more tense in geographies such as China, India, Italy and UAE. This potential cash shortage could impact the whole value chain in those countries.

As of December 31st, 2019, 13.7% of trade receivables were overdue, of which 1% by more than 4 months, (refer to Note 16 of the financial statements).

2019 Specific events
In 2019, due to the industrial dependence on imported goods, the Turkish lira volatility weighted on the economic dynamics. Customer payment behaviors continued to deteriorate due to high-level of debt and lower cashflows. In Argentina, the skyrocketing interest rates and pressure on exchange rate lead to a default risk increase.

Risk mitigation
Financial transactions are entered into with carefully selected counterparties and adapted terms and conditions are included in contracts with customers.

Banking counterparties are chosen according to the customary criteria, including the credit rating issued by an independent rating agency.

Group policy consists of diversifying counterparty risks and periodic controls are performed to check compliance with the related rules.

In addition, the Group takes out substantial credit insurance and uses other types of guarantees (letters of credit and bank guarantees) to limit the risk of losses on trade accounts receivable.

As of December 31st, 2019, the amount of the provision for receivables impairment is EUR 459M as described in Chapter 5.

Key to symbols High impact Medium impact Low impact

4. Financial risks

4.2 Currency exchange risk

Risk description

The Group's international operations and the particularly wide international presence expose it to the risk of fluctuation of exchange rates.

Fluctuations in exchange rates between the reporting currencies of the Group entities and the currencies of transactions can have an impact on the Group's results and distort year-on-year performance comparisons. The same applies to the fluctuations between euro and the reporting currencies, in a more significant proportion.

The main exposure of the Group in terms of currency exchange risks is related to the US dollar, Chinese Yuan and currencies linked to the US dollar.

In 2019, revenue in foreign currencies amounted to EUR 21.6 billion, including around EUR 7.2 billion in US dollars and EUR 3.6 billion in Chinese yuan.

The Group estimates that in the current structure of its operations, a 5% appreciation of the euro compared to the US dollar would have a translation effect of around minus EUR 50 million on EBITA.

The result of exchange gains and losses of 2019 amounts to EUR 49M as described in Chapter 5.

Risk mitigation

The Group manages its exposure to transactional currency risk to reduce the sensitivity of earnings to changes in exchange rates. Receivables and payables of the Group's subsidiaries denominated in currency other than their functional currency are hedged primarily by means of rebalancing assets and liabilities per currency (natural hedge).

More than 20 currencies are involved, with the US dollar, Chinese yuan, Singapore dollar, Australian dollar, British pound, the Hungarian forint and Russian rubles representing the most significant sources of those risks.

Depending on market conditions, risks in the main currencies may be hedged based on cash-flow forecasting using contracts that expire in 12 months or less.

The financial instruments used to hedge exposure to fluctuations in exchange rates are described in note 23 of the consolidated financial statements for the year ended December 31, 2019 (Chapter 5).

Key to symbols High impact Medium impact Low impact

11.2 Insurance strategy

Why we think this is important

Schneider Electric's general policy for managing insurable risks is designed to defend the interests of employees and customers and to protect the Company's assets, the environment and its shareholders' investment.

How we are mitigating the risks:

- We identify and analyze the impact of our main risks.
- In order to prevent the risks of damage and protect our production capacity, we define protection standards (including for the sites managed by third parties), organize audits of our main sites by an independent loss prevention company and roll-out of a self-assessment questionnaire for the other Group sites.
- We draw up business continuity plans, in particular, for the Group's main sites and critical suppliers.
- We implement crisis management tools with the Group's Security Department.
- We carry out hazard and vulnerability studies and safety management for people and equipment.
- We negotiate global insurance programs at Group level for all subsidiaries with insurers meeting appropriate minimum credit ratings.
- We implement these global programs in countries where the Group operates in compliance with local regulations through a network of international brokers.
- We optimize financing for high-frequency/low-severity risks through retentions managed either directly (deductibles) or through captive insurance companies.

Liability insurance

The insurance program renewed on January 1, 2017 for a period of three years was continued in 2019. This program, deployed in more than 75 countries, provides coverage and limits in line with the current size of the Group and its evolving risks and commitments.

Certain specific risks, such as aeronautic, nuclear and environmental, are covered by specific insurance programs.

Property damage and business interruption insurance

A new insurance program has been put in place as of July 1, 2019 for two years. This is an "all risks" policy which covers events that could affect Schneider Electric's property (including fire, explosion, natural disaster, machinery breakdown) as well as business interruption resulting from those risks.

Assets are insured at replacement value.

Transport insurance

Risks of loss or damage to goods while in transit, including intragroup shipments are covered by a global insurance program renewed on January 1, 2019.

Erection all risk insurance

The erection all risk insurance program providing cover for damage to work and equipment for projects taking place at our clients' premises was continued in 2019.

Other risks

In addition, Schneider Electric has taken out specific cover in response to certain local conditions, regulations or the requirements of certain risks, projects and businesses.

Self-insurance

To optimize costs, Schneider Electric self-insures certain high-frequency/low-severity risks through two captive insurance companies:

- a captive company based in Luxembourg provides mainly Property Damage and Transport reinsurance worldwide as well as Liability reinsurance outside the US and Canada. The total amount retained for these risks is capped at EUR20,2 million per year;
- for the entities located in the US and Canada, a captive insurance company based in Vermont (USA) is used to standardize deductibles for general/products/professional liability, workers' compensation and automobile liability. These retentions range from USD1 million to USD5 million per claim, depending on the risk. An actuary validates the reserves recorded by the captive company each year.

The cost of self-insured claims is not material at the Group level.

Cost of insurance programs

The cost (including tax) of the Group's main global insurance programs, excluding premiums paid to captives, totaled around EUR19 million in 2019.


Schneider
Electric

In this section

Sustainable development

2

1. Sustainability at the heart of Schneider Electric's strategy

In this 21st century, humanity is facing the most daunting challenge in its history: the need to radically transform its economic growth model in less than 30 years or face catastrophic changes to its ecosystem. While global GHG emissions continue to grow(1), the devastating effects of these changes are already being felt: an increase in the frequency and magnitude of extreme climate events, melting glaciers and disappearing coral reefs. Added to this is the alarming loss of biodiversity and growing inequalities.

Resolutely determined to contribute to the 17 United Nations Sustainable Development Goals (SDGs), Schneider Electric provides innovative solutions to overcome the energy paradox: balancing the need to reduce the planet's carbon footprint with the inalienable human right to quality energy and access to digital. Schneider Electric seeks to be a role model and to embark its ecosystem onto a just transition for a net-zero carbon world.

Schneider Electric has made strong commitments for its entire ecosystem, ranging from helping its suppliers improve their sustainability practices, to reducing its customers' emissions through innovative solutions, as well as deploying an ambitious action plan for its own operational scope. In addition, the Group is convinced that in this journey for a better planet, no one should be left behind.

Neither the 840 million people without electricity for whom Schneider Electric develops inclusive business models and creates solutions for clean, safe and reliable energy, nor the 50 to 125 million energy-poor Europeans the Group supports through its Foundation.

With its new Principles of Responsibility, placing human rights, people development, ethical business conduct, cybersecurity, environmental action and corporate citizenship at its core, as well as the Schneider Sustainability Impact (SSI), Schneider Electric continuously demonstrates that it can be a trusted partner.

The Group's sustainability roadmap

(1) UN Emissions Gap Report 2018

1.1 Towards long term positive impact

1.1.1 Long-term corporate commitment for sustainability with short-term and medium-term objectives

For Schneider Electric, sustainability is a tangible growth pillar which encompasses the continuous improvement of cross-functional (environmental, ethical, social and economic) issues across its entire value chain and its stakeholders. Therefore, naturally, the Group's sustainability process is hardwired into its strategy. This process is built around five major challenges identified by its materiality matrix:

- Climate
- Circular economy
- Health & equity
- Ethics
- Development

These five trends are the pillars supporting the Group's roadmap in the short term.

In the medium and long term, Schneider Electric aligns its strategy on key issues under the UN SDGs in coherence with its business model and global footprint.

1.1.2 A strategy serving energy transition and climate technologies

Schneider Electric is strategically positioned to capitalize on these challenges, while the associated risks are low and controlled. The Group performs regular assessments of the direct and indirect risks and opportunities linked to climate change challenges, and has built a scenario planning function and roadmap since 2018.

As a global specialist in the digital transformation of energy management and automation, the Group places its expertise and solutions at the service of its customers to ensure that energy is safe, reliable, efficient, connected and sustainable. The Group proposes an integrated offering of technologies and market-leading solutions tailored to customer needs, promoting the transition towards more electric, digital, decarbonized, and decentralized energy.

Schneider Electric's response is to reduce its own impact and to offer products, services and solutions which help its customers reduce their energy consumption and CO_2 emissions. The solutions Schneider Electric brings to the market are directly linked to activities to mitigate, adapt and improve humanity's resilience to climate change (see "Smart energy management products and solutions to help fight climate change" pages 109 to 111). In 2019, Green Revenues represent 70% of the Group's total revenues. In addition, to further contribute to a new electric and digital world, 100% of Schneider Electric's innovation projects are aligned with its purpose, more than 90% being either strictly green or neutral (more details are provided page 111).

The numerous awards received each year by Schneider Electric and its leadership in the main ESG indices confirm that the Group is headed in the right direction (see pages 106-107). To further improve its best social and environmental practices, the Group joined the United Nations Global Compact LEAD group in 2018 and the "Pathways to Low-Carbon & Resilient Development" and "Decent Work in Global Supply Chains" working groups. In 2019, the Group also joined the Business for Inclusive Growth (B4IG) initiative, a group of major international companies pledging to tackle inequality and promote diversity in their workplaces and supply chains, sponsored by the French Presidency of the G7 and overseen by the OECD.

2030

SUSTAINABLE DEVELOPMENT GOALS

- Reach net-zero operational emissions and reduction of scope 3 emissions by 35% (vs 2017) as part of the Group's validated 1.5°C Science-Based Target
- Provide access to energy to 80 million people
- Consume 100% renewable electricity (RE100)
- Double energy productivity vs 2005 (EP100)
- Switch to 100% electric cars (EV100)

2050

- Engage with suppliers towards a net-zero supply chain
- Engage actively with sustainable business initiatives such as the UN Global Compact

1.2 Evaluation of the main non-financial risks and opportunities created

1.2.1 Evaluation methodology

As part of its Extra-Financial Performance Declaration, the Group presents the main risks and opportunities identified with respect to major societal challenges in this section.

In order to compile the list of the main non-financial risks for the Group, a panel of both internal and external tools is used to address the expectations of its stakeholders as best as possible.

Internal tools:

- See detailed materiality matrix on page 89
- Internal audit risks matrix

External signals and international frameworks:

- Regulatory framework: the key topics of the French Extra-Financial; Performance Declaration;
- International institutions/organizations (UN Global Compact and SDGs);
- Non-financial and NGO rating agencies;
- Specific requests from investors and customers;
- Recommendations from the Taskforce on Climate-related Financial Disclosure, SASB framework (see also pages 104 to 105 internal and external guidelines.

The analysis covers the entire value chain of the Group and its stakeholders: suppliers and subcontractors, transactions, customers, as well as Schneider's scope extending to the activities at its Foundation, on cross-functional, environmental, social and societal topics, human rights and anti-corruption.

Each topic is monitored by the relevant departments and their management teams, who are in charge of proper risk assessments and the implementation of mitigation and prevention actions. The main departments and managers are:

- Safety, Environment, and Real Estate and the Global SVP
- Human Resources and the Chief Human Resources Officer
- Sustainability and the Chief Sustainability Officer
- Procurement and the Chief Procurement Officer

The main identified risks are quantified on probability of occurrence and magnitude of impact by these departments. On this basis, the list is reviewed and validated by relevant SVPs, by the board of directors' secretariat, Internal Audit team, and presented to the HR and CSR Committee and to the Sustainability Executive Committee.

Seven main non-financial risk categories were identified and are presented in detail on pages 90-93: environment and circular economy, climate, health and safety at work, human resources (recruitment and competencies, gender equity), anti-corruption, human rights in the supply chain, and socially responsible investments. Risks presented here are gross risks, i.e. absolute risks before a mitigation plan is implemented.

The risks linked to privacy and data security and to consumer health and safety identified by the materiality matrix, were not retained as CSR risks but as business risks and are therefore described in chapter 1 pages 70, 71 and 79. Additionally, risks arising from the sourcing of critical materials, identified by the industry standard SASB on Electrical and Electronic Equipment, are also discussed under the business risks section in chapter 1, pages 51, 64, 73 and 351.

1.2.2 Materiality analysis

In 2017, Schneider Electric renewed its materiality analysis(1) by questioning external stakeholders (e.g. customers, suppliers, international organizations, trade associations, experts, shareholders, members of the board of directors, etc.) and top and senior managers within the Group (strategy, country presidents, safety/environment/real estate, businesses and services, human resources, industrial design, IoT and digital transformation, European labor councils, etc.). The participants represented five nationalities; 32% of the respondents were women, 68% were men. Participants were asked to assess the significance of each issue according to a quantitative scoring scale, and then were interviewed for qualitative evaluation and justification of the given scores. This made it possible to adjust the averages so as to obtain a more representative matrix of the interviewees' intentions. These interviews also enabled Schneider to consolidate the relationship with its stakeholders and learn about their expectations. Beforehand, the challenges were defined using a study of the sector's stakes (analysis of the different CSR guidelines, sector benchmarks, etc.) and a comparison with the 2013 materiality analysis. With the help of consulting firm B&L Evolution, the aim is to ensure that Schneider reports on the most important economic, social and environmental challenges; identifies current and future opportunities and risks for the business; and updates its sustainability agenda with key stakeholders' expectations. In particular, the materiality matrix was one of the sources used to design the 2018-2020 Schneider Sustainability Impact and to confirm the topics to be addressed in the Registration Document.

(1) Definition is based on AA 1000 Assurance Standard's materiality principle as well as the Standard GRI strategic roadmap.

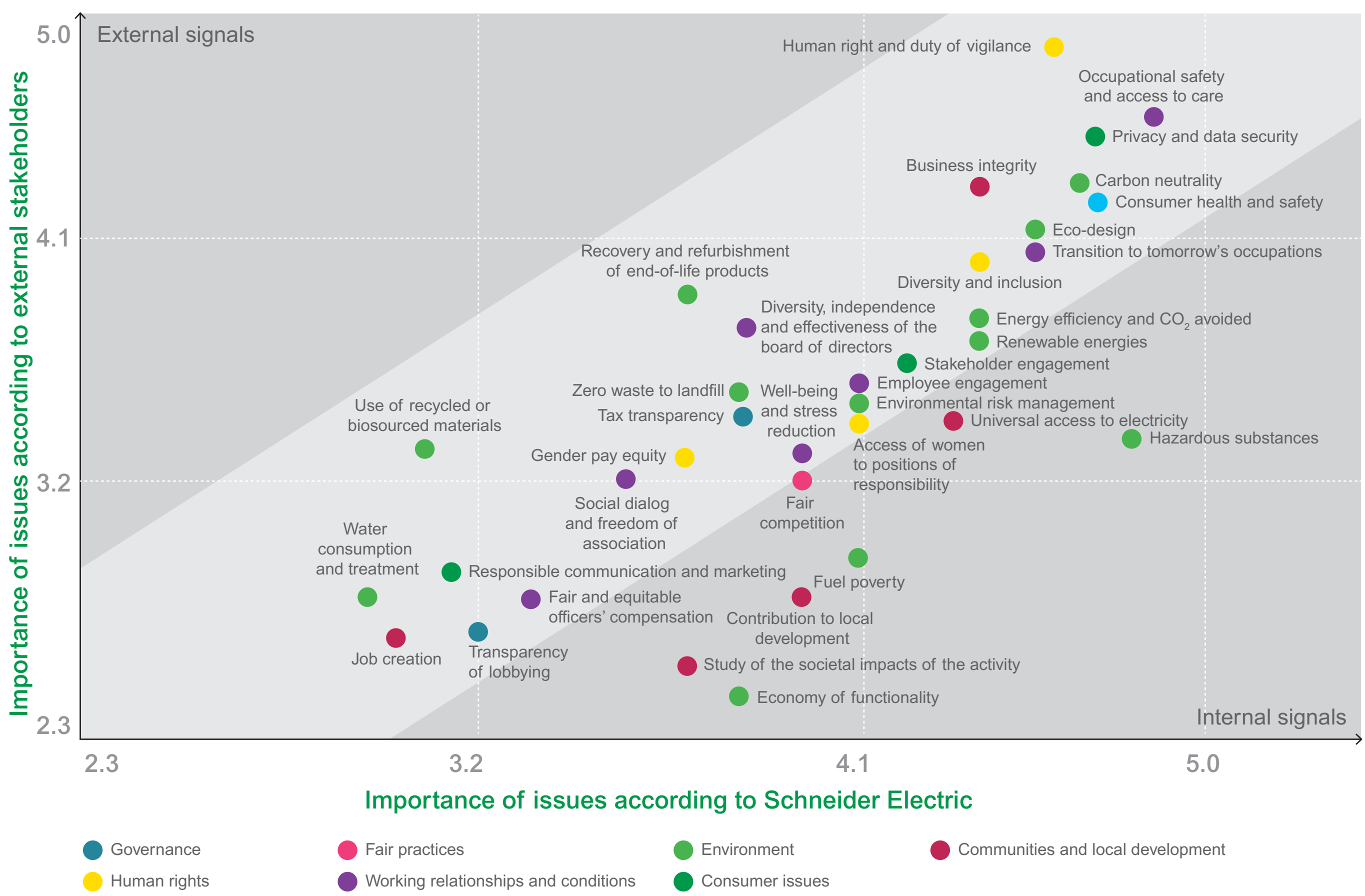
1.2.3 Key learnings

The materiality matrix below displays the results of the analysis. The external and internal visions of the challenges are generally aligned. Challenges related to governance, communities and local development are generally less material than challenges related to human rights, consumers, working conditions and relationships, fair practices or the environment. Six challenges are defined as crucial: human rights and duty of vigilance, data security and privacy, business integrity, workplace safety and access to health care, and carbon neutrality.

The 2019 registration document, Schneider Electric's commitments for the climate (see pages 132-136) and finally the 2018-2020 Schneider Sustainability Impact cover all these priority challenges through Group policies, improvement plans, indicators, and short-term or long-term goals.

For further details, please visit the Schneider Electric website.

Materiality matrix



1. Sustainability at the heart of Schneider Electric's strategy

Following its assessment of material risks, Schneider Electric presents its main extra-financial risks and opportunities.

Risk description	Risk impact	Policies	Due diligence and results	Performance	Opportunity created
Environment and circular economy					
Circular economy					
Strengthening of circular economy regulation (on product lifecycle)	Circularity concept reduced to waste recycling, not taking into account lifetime, reparability and serviceability Horizontal regulations not taking product specificity into account Conflicting regulations (waste/end-of-life/ hazardous substances restriction)	Circular economy strategy Group Environment Policy EcoDesign Way™ Green Premium™	Participation in multistakeholder panels (FREC, MIIT China, AFEP, Gimélec, FIEEC, IGNES, ORGALIME) Circularity in EcoDesign Way™ for product lifetime, reparability and serviceability	This risk is more qualitative stressing that circularity is not only waste recycling but also serviceability, upgradeability, etc.	Awareness that circularity has to be product and sector specific, incorporation of recycled materials in products all the same
Volatile prices and materials/resource availability	Cost increase of primary materials Disruption of supply	Circular resources and Towards Zero Waste to Landfill	100% cardboard and pallet for transport packing from recycled or certified sources by 2020 Raw material cost productivity and hedging strategy +100% increase of recycled plastics by 2025 (in weight, baseline 2017)	SSI#7: 96% cardboards/ pallets from recycled/ certified sources in 2019 Achieving 22% of the 2025 recycled plastics target	Lean, agile, efficient manufacturing processes
Safety risk if assets handled by non-certified third parties (repair, end-of-life)	Health & Safety impact Reputation impact	Circular offers: ECOFIT™, and takeback schemes (EOL, etc.) End-of-life information for our products with Green Premium™	120k tonnes of avoided primary resource consumption through ECOFIT™, recycling and take-back programs by 2020	SSI#8: Increasing ambition to 120k from 100k 97k tonnes avoided up to end of 2019	Market growth for Schneider Electric circular offers (repair, retrofit, takeback, EOL)
Strengthening of waste regulation	Increased costs and administrative requirements of waste management Reputation impact	Circular supply chain: waste as worth Towards Zero Waste to Landfill	200 sites Towards Zero Waste to Landfill by 2020	SSI#6: 193 sites Towards Zero Waste to Landfill by end of 2019	Industrial waste monetization
Chemical substances					
Strengthening of chemical substance regulation Market shift Consumers preferences for eco-friendly products	Access to market since products may be forbidden (regulations) or blacklisted (prescriptors) Multiplication of uncoordinated regional legislation, with different requirements	Substances and Material Directive: REACh, RoHS, China RoHS, CA Proposition 65 Group Environment Policy EcoDesign Way™ Green Premium™	75% of sales achieved with Green Premium™ by 2020 Chemical substitution Deployment of REACh o5a "once an article, always an article Extended transparency	SSI#5: +55.2% of sales under Green Premium end of 2019	Market opportunity for Green Premium™ offers
Pollution prevention and control					
Soil, water, and air contaminations at Schneider Electric sites	Non-compliance findings from public authorities and fines Health impacts on personnel at our sites Site property pollution and environmental provisions	Group Environment Policy	IMS (Integrated Management System) with ISO 14001 certification Environmental risk analysis CLEARR Environment due diligence in M&A	241 sites certified ISO 14001 in 2019 100% Global Supply Chain factories with CLEARR assessment	Robust management system to drive environmental performance

Risk description	Risk impact	Policies	Due diligence and results	Performance	Opportunity created
Climate					
Climate change mitigation					
Volatile energy prices, rising carbon prices; Climate and energy regulation strengthening; Evolution of energy mix, phase-out of fossil fuels	Energy cost increase Cost increase of purchased goods and services Emissions in Supply Chain Electric power outage and power quality	Energy Policy Schneider Energy Action & Smart Factory Renewable Strategy	10% energy efficiency target in 2020 v/s 2017 Digital energy management in our sites with EcoStruxure 10% CO_2 savings in transports 120MT saved on customers' end +25% revenues ESS 80% renewable electricity target by 2020	8.7% energy efficiency in 2019 SSI#2: 4.1% CO_2 efficiency in transport in 2019 SSI#1: 50% renewable electricity in 2019 Reduced costs Reduced environmental impact Increased revenues Customers attractivity	Market growth for Schneider Electric energy efficiency and renewable offers Showcase of EcoStruxure in our sites
Growth of energy demand from IT and IoT	IT cost increase Reputation impact	Green IT/OT	WeGreenIT study Data center optimization Application landscape rationalization Hardware asset management	Customer attractivity Reputation improved	Digitization and IoT are enablers of the energy transition Lean IT/OT architectures
SF6 regulation strengthening	Phase-out of SF6 in products and production processes SF6 cost increase (tax)	SF6 strategy	0.25% SF6 leaks target in 2020 in manufacturing process Eliminate SF6 from our products in 10 years	0.24% SF6 leaks in 2019 in manufacturing process	Disruptive innovation
Climate change adaptation					
Increased frequency and severity of extreme weather events	Damage to property and assets Supply disruption GRC	Business Continuity & Risk Management Insurance policy	Weather risks part of Business Continuity & Risk Management Program, leading to preventive investment to secure assets	Business continuity	Business continuity expertise extended to critical suppliers
Water scarcity	Disruption of supply	Water stewardship	Water scarcity risk mapping Water intensity reduction of 5% in 2020 vs 2017	22.2 m^3/head on average in 2019 0.000094 m^3/EUR turnover	
Health and Safety at work					
Engagement					
Risk of having disengaged employees feeling that their opinion is not taken into account which could impact the financial results of the Group	Most employees are taking the OneVoice survey, qualitative and quantitative results and verbatim	Continuous listening strategy, employee-centricity Gives the opportunity to our employees to share their opinion and is key to being agile in the way the Group's organizations are driven	A global survey surveying 100% of Group employees once per year + design and launch of pulse survey targeting populations for whom attention is needed (return from maternity leave, results dropping down) + verbatim deeper analysis	SSI#9: 64% Employee Engagement Index in 2019	Improved employee engagement leading to greater performance
Ideal working place					
Not providing ideal working conditions to colleagues could create a risk of not being able to attract and retain best talent on the market	Absenteeism Cost of turnover Disengagement Branding – company image on the market	Employee Value Proposition Global Family-Leave Policy Pay Equity Global Anti-Harassment Policy Career development and learning Flexibility@Work guidelines Well-being practices	100% of employees are working in countries that have fully deployed the Family Leave Policy by 2020 90% of employees have access to a comprehensive Well-being at work program (including access to medical coverage and well-being training) by 2020	SSI#12: in 2019, 99% of employees are working in countries that have fully deployed the Family Leave Policy SSI#11: 47% of employees have access to a comprehensive well-being at work program	Schneider Electric is well recognized as an attractive employer

1. Sustainability at the heart of Schneider Electric's strategy

Risk description	Risk impact	Policies	Due diligence and results	Performance	Opportunity created
Health and Safety at work (continued)					
Safety					
Legal nonconformance	Loss productivity Impact to Company image/customer confidence Citation/fines	Safety strategy Global safety directives	Global EHS alert EHS assessment	SSI#10: 2019 MIR = 0.79 See other safety KPIs pages 153-155	Absolute requirement Global Action Plan
Serious/fatal employee injury/illness	Loss of or impact to employees Loss of productivity Property damage Impact to Company image/customer confidence Citation/fines	Safety strategy Global safety directives	Serious Incident Investigation Process (SIIP) KPIs GlobES reporting Global Safety alerts EHS assessment	2019 fatal, serious, LTIR and LTDR figures provided pages 153-155	Absolute requirement Global Action Plan
Human Resources					
Recruitment and competencies					
Risk of not attracting and retaining the best talent in the market	Cost of recruiting and onboarding Impact of talent's brand perception	New applicant tracking and candidate relationship management systems to be implemented in 2020-2021 Investment in sourcing and market intelligence tools for all recruiters in 2020 Open talent market for internal mobility New Employee Value Proposition (EVP) Schneider GoGreen program	Faster time to hire, better candidate and hiring manager experience, better quality of hire New tool to support internal mobility piloted New EVP launched as part of the Company wide People Vision	GoGreen in the City 2019 achieved 23,000+ registrations and 3,000+ students around the world submitted their ideas for a sustainable city. Four top talents were hired from the program Internal mobility increased from 20% (2018) to 33% (2019) Glassdoor rating of Schneider's new EVP increased from 3.8 (end 2018) to 4.0 (end 2019)	Increase in brand awareness, talent market share and reduction in employee turnover
Gender equity					
Risk of not providing equal opportunities to everyone and impacting ability to attract and retain the best talent on the market	Cost of turnover Loss of women in top potential pipeline Legal issues Brand/Company image	Recruitment of women Women representation in leadership roles Gender pay equity Executive-level governance body to drive gender equality across Schneider	40% of new hires are women by 2020 30% of top positions are women by 2020 SSI#15: 95% of employees covered under the pay equity framework by 2020 Diversity & Inclusion Board, sponsored by 2 Executive Committee members and consists of 12 board members from different entities and geographies	The Diversity & Inclusion board met twice in 2019 Please consult "Diversity and Inclusion" section for more details on the performance Financial Times, Forbes, Catalyst, Equileap, Bloomberg and Universum recognized Schneider Electric as one of the Diversity & Inclusion leaders in 2019	People attraction and retention with equal opportunities for everyone

Risk description	Risk impact	Policies	Due diligence and results	Performance	Opportunity created
Anti-corruption					
Corruption is the abuse of entrusted power for private gain. It can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs. It may occur through third parties' activities (partners, suppliers, agents, companies to be acquired)	Reputation impacts Legal impact Financial impact Impact on the development of the Company Impact on the employer brand	Principles of Responsibility Global Anti-Corruption Policy Anti-Corruption Code of Conduct Gift & Hospitality Policy Business Agents Policy	ISO 37001 certifications Red and Green Line alert system Specific risks map for anti-corruption 100% of sales, procurement and finance employees trained every year on anti-corruption	ISO 37001 certifications on Middle East entities Alerts investigated and closed in 2019 led to 105 disciplinary sanctions SSI#18: 94% of sales, procurement, and finance employees have been trained on anti-corruption in 2019	More opportunities with actual and potential customers People attraction and retention Sustainable business development
Human rights in the supply chain					
Violations of human rights and fundamental freedoms, serious bodily injury, environmental damage, or health and safety risks in supply chain	Reputation impacts Legal impacts Health & Safety of suppliers Schneider Electric employees, customers Environmental pollution	Duty of vigilance with suppliers and subcontractors, leveraging RBA membership	EEHS risk mapping of suppliers Onsite supplier audits with RBA protocol EEHS in procurement process (code of conduct, supplier qualification, performance review, etc.) Continuous improvement with ISO 26000 standard Training Green Line Alert system	SSI#16: +3.70 points supplier sustainability performance SSI#17: 279 onsite supplier audits since 2018 SSI#18: 94% training on anticorruption	Collaboration strengthening with suppliers
		Conflict minerals compliance program	Conflict-free mineral monitoring	At the end of 2019, the Group confirmed that more than 80% of the relevant purchases are "conflict-free". The remainder are still under analysis, mainly due to the number of lower-ranking suppliers who are themselves in the process of developing this initiative	Collaboration strengthening with suppliers, improved reputation
Socially responsible investing					
Given current momentum for sustainable finance and emerging regulations, there could be risk that the Group is not captured by SRI or green portfolios	Reputational impact Market share value	Transparent and public reporting on sustainability objectives and performance Engagement with stakeholders to identify critical sustainability topics Engagement and dialog with investors to ensure expectations are met	Schneider Sustainability Impact Program Inclusion in main ESG indices and top-ranking recognition	SSI score of 7.77/10 in 2019 Numerous leadership positions in ESG indices and external recognitions in particular CDP A score for 9 years in a row, membership of Dow Jones Sustainability World index	Greater attractivity to investors and strengthened partnership with clients, suppliers and other partners in the Group's ecosystem

1.3 The Schneider Sustainability Impact, a regular and objective measure of the Group's actions

1.3.1 A single, specific sustainability performance monitoring tool since 2005

To have a significant impact and initiate lasting change, performance must be measured, although there is no recognized standard that defines an organization's sustainability performance. That is why Schneider Electric defines specific objectives and measures its results each quarter since 2005 in a dashboard commonly referred to as a "barometer". In 2018, this barometer was renamed Schneider Sustainability Impact (SSI). The action plans of the SSI are carried out at Group level. Schneider Electric uses this tool to address its sustainability challenges and to improve each of the pillars of its strategy identified through its materiality matrix. The barometer uses a scoring scale of 10 and provides an overall measure of the Group's progress on sustainability issues. The tool also enables Schneider Electric to anticipate and effectively manage its sustainability risks and opportunities by mobilizing key stakeholders around specific, measured objectives and reliable results. The barometer's monitoring systems are audited annually by an external auditor (limited assurance). Each barometer seeks to:

- **Mobilize** the whole Company around sustainability goals (ethics, social, environmental and business);
- **Share** the Group's improvement plans with stakeholders.

On a daily basis, Schneider Electric proves that economic, environmental and social interests are convergent.

Overview of the 5 barometers since 2005, and example achievements.

2005-2008:

10
KPIs in program

>120
Products with an environmental profile

-20%
Number of lost days from work accidents per employee per year

2009-2011:

13
KPIs in program

70.4%
of employees worked on ISO 14001 certified sites

1,291,768
Households at the Base of the Pyramid got access to energy thanks to Schneider Electric solutions

2012-2014:

14
KPIs in program

16%
CO_2 savings on transportation

460
Missions with the "Schneider Electric Teachers" NGO

2015-2017:

16
KPIs in program

100%
of products in R&D designed with Schneider EcoDesign Way™

98.4%
of our entities passed our internal Ethics & Responsibility assessment

2018-2020:

21
KPIs in program

7.77/10
2019 overall performance

9
Indicators with increased objectives

1.3.2 Process to select and prioritize commitments

1	2	3	4	5	6
Analysis of material challenges	Definition of key performance indicators	Validation of monitoring goals and methods	Launch of the three-year program	Quarterly performance reporting	Annual external verification

1.3.2.1 Analysis of material challenges

Every three years and as part of the Company's programs, the Group defines a new dashboard in the wake of an exercise to identify sustainability challenges on the basis of external and internal contributions.

The voices of each stakeholder are thus taken into account via the Group's materiality matrices, meetings with SRI investors, the questionnaires from rating agencies or from customers, which all shed light on our strategic points of differentiation and on salient societal concerns.

1.3.2.2 Definition of key performance indicators

For each target and indicator, and this is a critical point for the operational implementation of each barometer, the ambition is defined in consultation with the departments concerned. For the Group, it is a guarantee of strong mobilization in the field that is consistent with actual priorities; for teams, it is the assurance of having the necessary means and visibility to improve. In each new period, the barometer update takes into account results obtained, progress still expected, the emergence of new topics and new priorities, and the experience gained. Thus, it is a powerful tool to move the Group forward on its major challenges.

Four scenarios may emerge from one barometer to the next:

- Improvement plans are maintained in the barometer and their targets are renewed or increased;
- Improvement plans change, new and more innovative or better-adapted indicators that cover the same subject are implemented; old indicators continue to be monitored internally if necessary;
- Improvement plans are removed from the barometer; this is also the case with indicators that have reached a threshold. They continue to be monitored internally if necessary;
- Improvement plans to address new challenges are implemented.

1.3.2.3 Governance and validation of the barometer

The Sustainability department presents a draft version of the new barometer to the board of directors' HR and CSR Committee, to the European Works Council, and to the Sustainability Executive Committee for validation. This latter committee includes four members of the Executive Committee: Strategy, Human Resources, Global Supply Chain and Marketing. The new barometer is then approved by the CEO.

Quarterly results are supervised by the Sustainability Executive Committee, which makes decisions on any corrective actions that may be necessary to reach objectives. This committee meets twice a year. The HR and CSR Committee within the Board of Directors conducts an annual review of the Group's sustainability policy, analyzing in particular the performance of the barometer.

Non-financial annual results are presented together with financial results by Jean-Pascal Tricoire, Chairman and CEO of Schneider Electric, in order to demonstrate the Group's commitment to making sustainability part of the Company's long-term strategy. In addition, since 2014, quarterly results have been presented together with quarterly financial information to institutional investors by Emmanuel Babeau, Deputy CEO and CFO.

1.3.2.4 A key component of the variable compensation of the Group's employees

Since 2011, the barometer score is included in the variable compensation of global functions and Company leaders. In 2019, the sustainability component has been strongly reinforced in short-term incentives, in the profit-sharing incentive plan for the French entities Schneider Electric Industries and Schneider Electric France, and in the long-term incentive plan for the Group's key talents and critical roles. Further details are provided in section "Compensation and benefits" page 172.

1.3.2.5 Active communication of sustainability performance

The results of each barometer are released through the main channels below:

- Quarterly conference calls on the Group's financial and non-financial results to investors and the business press;
- The Group's website (quarterly press releases, presentation of integrated quarterly results);
- The Intranet (including a quarterly internal video featuring the CEO and the CFO on the quarter's results – these videos have strong internal visibility);
- The "Webradios", which inform the Sustainability Fellows (see page 98) about performance and achievements for the quarter and provide an update on key sustainability topics;
- Communications with the board of directors via its HR and CSR Committee and the Executive Committee;
- The Group's Annual Reports (Registration Document including the statutory auditors' report, Schneider Sustainability Report, Integrated Report);
- The quarterly internal rating for managers on monitoring the level of achievement of objectives related to variable compensation;
- Customers or investors events.

1.3.3 Schneider Sustainability Impact 2018-2020

For each of its five major challenges Climate, Circular economy, Health & Equity, Ethics and Development, Schneider Electric sets ambitious objectives, which will require the Group to improve each year.

The 2018-2020 Schneider Sustainability Impact (SSI) includes 21 key performance indicators. Once each performance is converted into a score out of 10, the average of these scores indicates the overall performance of the SSI, with all the indicators having the same weight. Departments directly affected by the improvement plans (Human Resources, Environment, Access to Energy, etc.), each represented by a project leader, implement measures to achieve the objectives of the plans. This project leader works directly with local managers in their respective areas.

The table below shows Schneider Electric's sustainability performance in 2019. When the SSI was launched on January 1, 2018, the global rating was 3/10. At the end of 2018, it exceeded its target of 5/10 and attained 6.10/10. Following this excellent performance, the Group decided to increase the ambition for nine indicators by about 20% (#3, #5, #8, #10, #13, #16, #17, #20 and #21). End 2019, the SSI achieved a 7.77/10 score, ahead of a 7/10 objective.

Schneider Sustainability Impact 2018-2020

Megatrends and SDGs		2018-2020 programs	2019 progress		2020 target
Climate	1.	Renewable electricity	50%	▲	80%
	2.	CO_2 efficiency in transportation	4.1%	▲	10%
	3.	Million metric tons CO_2 saved on our customers' end thanks to EcoStruxure offers	89	▲	120
	4.	Increase in turnover for our EcoStruxure Energy and Sustainability Services	23.8%	▲	25%
Circular economy	5.	Sales under our new Green Premium program	55.2%	▲	75%
	6.	Sites labeled Towards Zero Waste to Landfill	193	▲	200
	7.	Cardboard and pallets for transport packing from recycled or certified sources	96%	▲	100%
	8.	Metric tons of avoided primary resource consumption through ecoFit, recycling, and take-back programs	97,439	▲	120,000
Health & equity	9.	Scored in our *Employee Engagement Index*	64%	▲	70%
	10.	Medical incidents per million hours worked	0.79	▲	0.88
	11.	Employees have access to a comprehensive well-being at work program	47%	▲	90%
	12.	Employees are working in countries that have fully deployed our Family Leave Policy	99%	▲	100%
	13.	Workers received at least 15 hours of learning, and 30% of workers' learning hours are done digitally	62%	▲	100%
	14.	White-collar workers have individual development plans	79%	▲	90%
	15.	Employees are working in a country with commitment and process in place to achieve gender pay equity	99%	▲	95%
Ethics	16.	Increase in average score of ISO 26000 assessment for our strategic suppliers	+3.70	▲	+5.5pts
	17.	Suppliers under human rights and environment vigilance received specific on-site assessment	279	▲	350
	18.	Sales, procurement, and finance employees trained every year on anti-corruption	94%	▲	100%
Development	19.	Turnover of our Access to Energy program	x1.56	▲	x4
	20.	Underprivileged people trained in energy management	246,268	▲	400,000
	21.	Volunteering days thanks to our VolunteerIn global platform	11,421	▲	15,000

▲ 2019 audited indicators.

The 2017 performance serves as a baseline for the 2018-2020 Schneider Sustainability Impact (SSI). Please refer to pages 192 to 196 for the methodological presentation of indicators. The performance of each indicator is presented in detail in corresponding chapters.

1.4 Open dialog with stakeholders

1.4.1 Focused dialog with clearly identified stakeholders

This diagram is an overview of sector stakeholders proposed in France by Gimélec(*), the French trade association for electrical equipment, automation and related services.

Schneider Electric engages in open and continuous dialog with each of its stakeholders. In particular, the Sustainability department takes into account the comments, ratings and evaluations from stakeholders on the Group's Sustainability policy and programs. This feedback is integrated into the drawing up of the Registration Document, the Group corporate brochure (Schneider Sustainability Report), the Integrated Report, and new improvement plans throughout the Company program as well as during the design of the Schneider Sustainability Impact every three years.

(*) Source: CSR sector reporting guide, 2017.

1.4.2 Revenue breakdown

Every year for the last 14 years, Schneider Electric has published a diagram showing its revenue distribution for its various stakeholders. This exercise allows the importance of each stakeholder to be highlighted from the point of view of financial flows and shows their share in this flow.

2019 Total Revenue: €27,158 million

Employees: wages	States: income taxes	Non-governmental organizations: donations	Shareholders: dividends	Bank: net bank fees	Procurements and other
€7,333 million	**€690 million**	**€20 million**	**€1,296 million**	**€129 million**	**€14,704 million**

Investment capabilities

Net external financing* including capital change	Operating Cash flow after Dividend Payment
(€829 million)	**€2,986 million**

Investments and development	Net financial investments	Change in cash
€806 million(1)	**€169 million**(2)	**€1,182 million**

R&D: **€1,368 million**

* Borrowings, capital increases and treasury stock disposals.
(1) Of which EUR303 million in R&D.
(2) Of which EUR90 million for long-term pension assets.

1. Sustainability at the heart of Schneider Electric's strategy

The table below presents the major dialog channels with stakeholders. It is not exhaustive.

Stakeholder	Dialog	Department
Customers	Quarterly customer satisfaction surveys Co-innovation programs Online publication of environmental information on products	Quality, Customer Satisfaction, R&D, Sales, EcoDesign
Financial	Quarterly conference calls to present financial and non-financial information, meetings and plenary meetings Regular meetings with individual shareholders Quarterly newsletters to shareholders Response to non-financial rating questionnaires Individual meetings with SRI analysts Response to SRI analyst questions	Finance, Board Secretary, Sustainability
Partners	Purchaser/supplier meetings Suppliers' day Supplier qualification process Awareness-raising about the Global Compact and ISO 26000 Participation in commissions and work groups on the sustainability of professional groups	Procurement, Environment, R&D, Businesses, Sustainability
Social	Half-yearly employee satisfaction surveys Social dialog with employee representation bodies Sustainability webradios	Human Resources, Sustainability
Technical	Collaborative approach, creation and participation in competitiveness cluster initiatives, R&D programs, university chairs and professional associations Active participation in international standardization bodies PEP Ecopassport program	R&D, Activities, Environment
Institutional	Committment to and promotion of the Global Compact Relationships with public authorities, legislators and the European Commission, especially in the field of energy efficiency	Sustainability, Purchases, Influence
Civil society	Participation in working groups and local and international organizations on challenges within our industry Community programs Partnerships with local NGOs	According to subject and audience, Foundation and Access to Energy program

1.4.3 Engaging employees in sustainability: The Sustainability Fellows community

Schneider Electric believes that all of its employees should be aware of the major sustainability issues and be ambassadors of its sustainability commitment. To achieve this goal, an initiative was launched in 2013: The Sustainability Fellows. Relying on the internal social network, the community's objective is to make all employees aware of what sustainability is, what the main challenges linked with this topic are, inside and outside the Company, and to understand the link between Schneider Electric's strategy and climate or societal challenges. The goal is also to allow members of this community to share their views in order to solve problems, improve the Company's policies and actions, or to learn about the different ways to get involved daily or occasionally. The Sustainability department acts as the community manager: from posts or polls to quarterly webradio live broadcasts. The community grew from a few hundred people in early 2013 to more than 3,700 Sustainability Fellows in 2019.

1.4.4 Global and local external commitments to move forward collectively

Schneider Electric works with different local and international organizations and associations on economic, social and environmental issues to foster sustainability in cooperation with various players. Schneider Electric confirms its commitment to and participation in discussions on challenges related to climate change.

Topic	Commitment
Sustainable governance and cross-functional topics	**International:** World Business Council for Sustainable Development (WBCSD); Business for Social Responsibility (BSR); United Nations Global Compact (Jean-Pascal Tricoire, Chairman of Global Compact France since 2013, was appointed in 2018 a member of the Global Compact Board of Directors); International Chamber of Commerce (ICC, Environmental and Energy commission); International Electrotechnical Committee (IEC) in many areas, including environmental standardization; T&D Europe (the European association of the electricity transmission and distribution equipment and services industry); Business for Inclusive Growth coalition (B4IG); CEN-CENELEC Circular Economy groups supporting the European mandate M/543. **France:** ORSE (French Study Center for Corporate Social Responsibility, board of directors); EpE (Entreprises pour l'Environnement), Afep (French Association of Private Sector Companies, Environmental and Energy, CSR commissions); Medef (French Business Confederation, Energy Competitivity Climate, Environment, CSR commissions); Gimélec (French trade association for electrical equipment, automation and related services, sustainability commission and commissions on topics related to energy efficiency, smart grids); FIEEC ((French trade association for electronic, electric and communication equipment); CCI France (Environmental and Energy commission).
Climate	**International:** Carbon Pricing Leadership Coalition; Caring for Climate; The Climate Group and We Mean Business (RE100, EP100, EV100, Responsible Climate Policy, Report Climate Change Information/TCFD); Business Climate Summit; Clinton Climate Initiative; The 2°C Challenge Communiqué; White House Pledge; Global Compact LEAD (Pathways to Low-Carbon & Resilient Development); ETC (Energy Transitions Commission); T&D Europe – Chair of the European group in charge of "Alternatives to SF6 gas" in the T&D industry; signatory of the UN Global Compact Business Ambition for 1.5°C Pledge. **France:** EpE (Zen 2050), French Business Climate Pledge, Climate Chance.
Cybersecurity	**International:** ISO/IEC JTC 1/SC 27: Information security, cybersecurity and privacy protection; IEC/TC65/WG10: Security for industrial process measurement and control – Network and system security; ITIC, the IT Industry Council (Board and Cybersecurity Chair). **Europe:** CEN/CLC/JTC 13 – Cybersecurity and Data Protection; CLC/TC 65X – Industrial-process measurement, control and automation; Digital Europe (board); The European cyber-security organization (ECSO, convenorship of the group in charge of the standardisation, certification and supply chain management aspects); EG2 group (part of the European Commission Smart Grid task force, in charge of advising it for a future network code for electricity supply cybersecurity). **US:** IEEE Power System Communications & Cybersecurity Committee (PSCC); ISA99: Industrial Automation and Control Systems Security; The Cybersecurity Coalition.
Energy/Energy efficiency/ Electric mobility/ Digital/ Renewables	**International:** Alliance to Save Energy; The Green Grid (Board); eu.bac (the European association for building automation and controls – energy efficiency in buildings); Orgalim (Orgalim Presidency and Chairmanship of the Energy Group); CAPIEL/CECAPI (Capiel vice Chair; Impact of Digitization for Buildings; Smart buildings); Global Alliance for Building and Construction (GABC). **Europe:** European Alliance to Save Energy (Vice-chair); Energy Solutions; Solar Power Europe; CEN- CENELEC-ETSI clean energy package group; International Electrotechnical Committee (IEC, in many areas, including e-mobility and smart charging, storage, microgrids, distributed energy resources, grid integration both on digital and hardware perspectives). **France:** National Industry Council (Sectoral Strategic Committee: New Energy Systems); National Energy Transition Council, Green Building Plan; Promodul, financing company for energy transition; Avere (Electric Vehicle Association, Board of Directors and vice-chairmanship); IFPEB (*Institut français pour la performance énergétique du bâtiment*); Industry of the Future Alliance; P2E Initiative; Ignes (digital, energetic and security engineering industries); France Data Centers; *Comité Stratégique de Filière* (CSF); *Industries des Nouveaux Systèmes énergétiques*; Minalogic, Conseil National de l'industrie.

1. Sustainability at the heart of Schneider Electric's strategy

Topic	Commitment
Smart grids and sustainable cities	**International:** Research Triangle Cleantech Cluster (Raleigh, North Carolina); Grid Edge Executive Council (Greentech Media); Fort Collins Cleantech Cluster (Colorado); OpenADR Alliance; smartEn (Smart Energy Europe, association of market players driving digital and decentralized energy solutions Chairman of the Board); Peak Load Management Alliance; North American Electric Reliability Council (NERC, Functional Model Demand Response Advisory Team); NEMA Smart Grid Council; IEEE (T&D and Power and Electronics Society); Association of Energy Service Professionals (AESP); Association for an Energy Efficient Economy (AEEE); Pacific Northwest Demand Response program; Capiel (European Coordinating Committee of Manufacturers of Electrical Switchgear and Controlgear, Smart grid project group); Orgalim (Infrastructure Task Force); Urban Infrastructure Initiative led by the WBCSD; Electric Drive Transportation Association (EDTA); Bay Area Climate Collaborative (SF Bay); NEMA Distribution Automation Section 8DA; T&D Europe – Chair of the Working Group smart grids and micro grids; EG3 group, part of the European Commission Smart Grid Task Force, in charge of defining regulatory recommendations for the deployment of flexibility; ISGAN (International Smart Grid Action Network); CEN-CENELEC-ETSI Smart Energy grid Co-ordination group; International Electrotechnical Committee (IEC) in many areas, including the Smart Energy System committee. **France:** Think Smart grids, Tenerrdis Energy Cluster.
Circular economy and product environmental performance	**International:** Ellen MacArthur Foundation membership; European Standardization CEN-CENELEC JTC10 Circular Economy (supporting the European mandate M/543 for assessing recyclability, remanufacturability, repairability); PEP ecoPassport (Product Environment Profile, Presidency), PEP ecoPassport was selected by EU as leader of PEF (Product Environment Footprint) experimentation phase (2020-2021) for EEE cluster (Electric and Electronic Equipment), for promotion of transparent, robust and digital Product Environmental information; International Electrotechnical Committee (IEC, in many areas, including environmental standardization). **France:** Afep (Circular economy working group), AFNOR Circular Economy, Gimélec (chairmanship of strategic taskforce for Circular Economy); MTES/*Feuille de Route Éonomie Circulaire* (active contributions, working groups).
Access to energy	**International:** Co-signatory of a white paper for the WBCSD on business solutions for access to energy for all and co-pilot of the "Low carbon electrification in remote areas" group; Sustainable Energy for all; Club ER; Alliance for Rural Electrification; Gogla; Co-lead of the B4IG coalition's Inclusive value-chain & ecosystem working group; IFC Energy2Equal; Women's Forum climate charter; Power For All Powering Jobs Campaign; Solar Impulse Foundation. **France:** Supporting partner of the Movement for Social*Business Impact/Enterprise and Poverty Chair at HEC.
Fuel poverty	**International:** Ashoka, Social Innovation to tackle energy poverty program. **France:** The *Rénovons* initiative/CLER the energy transition network (Hope, *la chaire pour lutter contre la Précarité Energétique/Fondation Grenoble INP*); *Stop à l'exclusion énergétique/Fondation des transitions*.
Diversity & Inclusion	**International:** Signatory of the UN Women's Empowerment Principles (WEP); The Global Deal; Member of the B4IG coalition's "Building inclusive workplaces" working group. **France:** Diversity Charter; Agreement for professional gender equality; Parenthood Charter; Disability Agreement; Agreement on inter-generational mechanism; Apprenticeship Agreement; Framework Convention on Jobs for the Future (*Emplois d'Avenir*); Businesses and Neighborhoods (*Entreprises et Quartiers*) Convention.
Education	**International:** Training program in energy management for disadvantaged people, in partnership with local vocational training centers and/or national or international non-profit organizations. **France:** Paul-Louis Merlin school, framework agreements with the Ministry of National Education, Higher Education and Research, partnerships with the continuing education network of UIMM, *Ingénieurs Pour l'École* network (IPE), selected by the Ministry of Education for the Digital School project.
Ethics and human rights	**International:** Transparency International, Global Compact LEAD (Decent Work in Global Supply Chains). **France:** *Cercle éthique des affaires* (Business ethics club, Board of Directors), *Club Droits Humains* (Human rights club) of Global Compact France, *Entreprises pour les droits de l'homme* (Companies for human rights).
Biodiversity	Livelihoods (carbon offset fund for biodiversity and rural communities), act4Nature Initiative; CDC/ *Caisse des Dépôts et Consignations* – B4B+ club (Positive Biodiversity Businesses) membership.
Philanthropy	**International:** IAVE (International Association for Volunteer Effort), more than 70 NGOs supported each year in over 35 countries. **France:** Fondation de France, Admical (*Association pour le développement du mécénat industriel et commercial*, member of the European network CERES); *IMS-Entreprendre pour la cité*; *Centre français des fonds et fondations*; Pro Bono Lab; *Alliance pour le Mécénat de compétences*.

Topic	Commitment
Standardization	With around 700 experts actively participating in international and national standardization bodies, Schneider Electric is making a decisive contribution to the creation and distribution of standards that ensure the safety and reliability of electric facilities and equipment, and address their environmental impacts all along their life cycle to prepare for a better circular economy, support the new energy landscape with the goal of greener energy integration, safer energy delivery and better integration of prosumers, and support the digital transformation of the industry. Schneider serves, in particular, as a main contributor of the French electrotechnical institute, which is a founding member of international (IEC – International Electrotechnical Commission) and European organizations (Cenelec – European Committee for Electrotechnical Standardization). Involved in these two organizations, at governance and technical levels, it participates actively in the standardization of smart grids, for which it leads the definition of standards and the standardization roadmap within the European smart grids coordination group, as well as the group in charge of standardizing the interfaces between smart buildings and smart grids. It chairs the IEC Committee on Environmental standardization of Electric and Electronic Equipment and is secretary of IEC SC23K on Energy Efficiency Products, Systems and Solutions. It chairs the French Committee for environmental standardization and the French Committee on Circular Economy. It was a major contributor to smart manufacturing initiatives such as the AIF in France. Notably, it is a member of the Council Board and of the IEC Conformity Assessment Board. It chairs the Smart Energy Grid coordination group of the CEN-CENELEC-ETSI (European Standardization Committee – European Committee for Electrotechnical Standardization – European Telecommunications Standards Institute), responsible for ensuring availability of an appropriate set of standards for the rollout of smart grids in Europe, as well as supporting the coming new legislative “Clean Energy Package”. CEN-CENELEC-ETSI are the three official European standardization bodies. Schneider also chairs the group at the IEC level in charge of defining the roadmap of international standards to support the rollout of the Smart Energy sector (smart grids, in addition to interfaces with other energies). This roadmap also includes cybersecurity and resilience, as well as the impact of the IoT. It contributes to the European Commission’s Circular Economy package, with CEN-CENELEC-ETSI developing a set of standards assessing reparability, reusability, recyclability, remanufacturability, etc. of products by 2020 which fall within the scope of the EcoDesign directive. Schneider has appointed active experts in each of the working groups. In 2018 it led the UPS manufacturers’ group in the EU Commission’s Product Environmental Footprint (PEF) pilots for defining rules to assess the PEF of products put on the EU market, prior to its implementation of the European policy. It chairs several ISO (International Standardization Organization) technical committees. At the forefront of digital transformation, it is a board member of the European AIOTI initiative (Alliance for Internet of Things Innovation), leading in particular the buildings work group, and leading the IEC 17 working group on compliance assessment in the field of cybersecurity. Since February 2007, Schneider has represented France on the IEC’s Advisory Committee for Environmental Aspects (ACEA). ACEA works to advise and coordinate the IEC’s efforts to tackle environmental issues. The Group also chairs the IEC’s Advisory Committee for Energy Efficiency (ACEE), created in 2013, and chairs the Advisory Committee on Safety (ACOS). It also chairs many French standardization committees hosted by AFNOR (French standards organization). It is particularly heavily involved in the working group on sustainability (chairing environment and circular economy groups) and in the work on the rational use of energy.

1.5 Integrated and transverse governance of sustainable development

At Schneider Electric, Sustainability is integrated in the processes and bodies that design and execute the Group's strategy at board executive and operational levels.

1.5.1 The board of directors

In 2013, the Board of Directors decided to extend the powers of the Remuneration Committee to corporate social responsibility issues. Since 2014, there has been a specific committee for CSR: the HR and CSR Committee (See pages 252-253).

1.5.2 The Sustainability Executive Committee

Since 2010, the three members of the Executive Committee in charge of Human Resources, Global Supply Chain and Strategy have met twice per year with the Sustainability Director to monitor and steer the Group's action plans in this area. In 2016, the Global Marketing EVP, a member of the Executive Committee, joined this committee.

1.5.3 The Sustainability department

The Sustainability department, created in 2002, has been part of the Strategy department since 2008. It has the following responsibilities:

- Schneider Electric's sustainability strategy and rollout action plans at Group level with relevant entities;
- Schneider Electric's innovative community projects to ensure continued improvements in the Group's performance in this area.

It is organized around four areas:

- Ethics, in charge of leading the Ethics & Compliance program (see pages 115-117);
- Social responsibility, specifically with the Schneider Electric Foundation as well as local economic and social development programs (see pages 185-190);
- Access to energy, with responsibility for the Access to Energy program (see pages 179-185);
- Group performance, in particular by steering the Schneider Sustainability Impact, the Extra-Financial Performance Declaration, the Schneider Sustainability Report, and the Integrated Report (see pages 94-96).

1.5.4 The Sustainability Communication Steering Committee

In 2017, Schneider Electric set up a Sustainability Communication Steering Committee. Its members are those impacted by the sustainability journey of the Group for the coming years. Among them, the Chief Marketing Officer, the Chief Strategy Officer, the Chief Sustainability Officer, the Safety, Environment and Real Estate SVP, the Energy & Sustainability Services (ESS) SVP, and the Talent Management SVP.

1.5.5 Other key organizations

- Global Supply Chain organization, with responsibilities including safety and the environment (See page 131).
- Human Resources organization (See page 152).
- The Ethics Committee (See page 115).

Board of Directors:
HR & CSR Committee

- Advise on the sustainability strategy
- Analyze sustainability policies and practices

Executive Committee:
Sustainability Executive Committee
Strategy, Industrial Operations, Human Resources, Marketing

- Challenge, align with strategy and decide

Strategy Executive Vice-President

Sustainability department

- Set the sustainability strategy
- Manage innovation projects
- Lead the relationship between internal and external stakeholders

Corporate functions

- Implement strategy and Company programs
- Deploy policies
- Execute sustainability objectives (Schneider Sustainability Impact, variable compensation)
- Support awareness

Networks and specific committees

- Schneider Sustainability Impact – Sustainability Executive Committee
- Access to Energy – A2E Committee
- Environment – SERE Committee
- Climate – Carbon Committee
- HR-HR Committee, Diversity & Inclusion Committee, etc.
- Safety – SERE Committee
- Ethics – Ethics Committee & Fraud Committee
- Foundation – Foundation's Executive Committee & Schneider VolunteerIng Board
- Sustainable purchasing – Global Purchasing Committee & business reviews with recommended suppliers

All Employees

- Sustainability Fellows webradios
- Schneider VolunteerIng NGO
- Schneider Electric Foundation delegates
- Regional Sustainability Directors

Businesses

- Implement strategy and Company programs
- Deploy policies
- Execute sustainability objectives (Schneider Sustainability Impact, variable compensation)
- Support awareness

1.6 External and internal guidelines for a solid framework

1.6.1 External guidelines

The United Nations Global Compact
The Global Compact was launched in 1999 by UN Secretary-General Kofi Annan. It brings companies and non-governmental organizations together under the aegis of the United Nations to "unite the power of markets with the authority of universal ideals". Parties signing the Global Compact commit to ten fundamental principles in four areas: human rights, labor rights, the environment and anti-corruption.

By signing the Global Compact in December 2002, Schneider Electric made a public commitment to these universal values.
In line with the requirements of the Global Compact, Schneider Electric publishes an annual Communication on Progress (COP) and meets the requirements of the Global Compact Advanced Level with this report. This publication reports on the Group's different action plans and monitoring indicators for the ten principles of the Global Compact.

International Organization for Standardization (ISO)
In 2010, the International Organization for Standardization ISO published its guidelines on organizations' social responsibility (ISO standard 26000). This standard promotes a compromise involving different players from the public, private and non-profit sectors from around 100 countries, and a vision of how an organization should view societal responsibility. Schneider Electric's actions towards sustainability are committed to ISO 26000. This standard legitimizes the sustainability actions undertaken by the Group since the early 2000s and provides an educational support and framework for its actions in the field. The Group has worked since 2012 to promote the adoption of the ISO 26000 principles with its suppliers (see pages 125-127 "Relations with sub-contractors and suppliers").

Schneider Electric also adopts other ISO guidelines or certifications (see ISO 14001 and ISO 50001 p.139; ISO 45001 p.153; ISO 9001 p.138; ISO 27000 p.120; ISO 14025 and 14021 p.150; ISO 14044 p.193).

The Global Reporting Initiative
The Global Reporting Initiative (GRI) was established in 1997 as a mission to develop globally applicable directives to report on economic, environmental and social performances; it was initially intended for companies and subsequently for any governmental or non-governmental organization. Brought about by the Coalition for Environmentally Responsible Economies (CERES) in association with the United Nations Environmental Program (UNEP), the GRI integrates the active participation of companies, NGOs, accounting bodies, business associations and other stakeholders from across the globe. In 2016, Schneider Electric integrated updates to the GRI Standards. A reference table with its indicators and those proposed by GRI is available on the Schneider Electric website.

The Sustainability Accounting Standards Board (SASB)
The SASB Foundation was founded in 2011 as a not-for-profit, independent standards-setting organization. Schneider Electric extra-financial disclosure is aligned with SASB reporting guidelines for its sector (Electrical and Electronic Equipment):

- Energy management (see pages 137-141 and 202-203),
- Hazardous waste management (see pages 143-146 and 202),
- Product safety (see pages 72 and 120),
- Product lifecycle management (see pages 147-150),
- Materials sourcing (see pages 51, 64, 73 and 351),
- Business ethics (see pages 77, 115-125 and 258).

The Task Force on Climate-related Financial Disclosure (TCFD)
In June 2017, the "Task Force on Climate-related Financial Disclosure" (TCFD), a working group led by Michael Bloomberg under G20 Financial Stability Board's (FSB) mandate published its recommendations for companies' climate action disclosure. These recommendations comprise four categories: Governance, Strategy, Risk Management and KPIs and targets. CEOs from more than 100 companies signed a statement of support for the TCFD recommendations and Schneider Electric's CEO was among them. Schneider Electric is fully aligned with those recommendations. Detailed information can be found in Schneider Electric's CDP Climate Change public disclosure and in this report in particular:

- Governance: pages 88, 102-103, 112, 128-133, 228-234 and 252-253
- Strategy: pages 63-81, 90-93, 109-111 and 128-136
- Risk management: pages 52-62, 88-89 and 128-136
- Metrics and targets: pages 128-136 and 201-204

1.6.2 Internal guidelines

Principles of Responsibility
Schneider Electric has written guidelines that promote an ethical framework and strategic roadmap in which the activities of the Group are carried out: The Principles of Responsibility, which are supplemented by policies and related directives. The Group's Principles of Responsibility were updated in 2019. See page 112.

Ethics & compliance
In addition to the Principles of Responsibility, which act as a reference framework within which Schneider Electric conducts its business, different policies and directives bolster the Group's commitments in terms of business ethics and integrity. The Business Agents Policy was fully updated and strengthened in January 2015 and deployed worldwide. It specifies the rules to be followed when an external stakeholder is solicited to get a deal and integrates the approval process of business agents. The Internal Fraud Investigation directive was also updated mid-2015 and clearly indicates the commitment to whistleblower protection. The new Gifts & Hospitality Policy was approved by the Group's CEO in December 2015 and was deployed locally. In 2016, the Group also put in place a new anti-corruption policy deployed in 2017. It is supplemented by an anti-corruption Code of Conduct detailing related processes. In 2016, a new directive specified the Alerts Management processes. Other policies cover social media management, data management and protection, competition law, the market ethics code, etc.

Human rights
In 2017, Schneider Electric drafted a specific Human Rights Policy as part of a broader program on duty of vigilance in its value chain and in line with the UN Guiding Principles on Business and Human Rights (see pages 113-114).

Responsible purchasing
In 2016, Schneider Electric renewed the charter for its suppliers, called the Supplier Guide Book. The first chapter of this Book sets out the Group's sustainability expectations in five areas: environment, fair and ethical business practices, sustainable purchasing, working conditions, and human rights. These requirements are detailed in a dedicated document called the Supplier Code of Conduct. In 2018, the Group adopted the Responsible Business Alliance (RBA) Code of Conduct for suppliers.

Environment
Schneider Electric's environmental policy aims to improve industrial processes, reinforce product EcoDesign and incorporate Group customers' concerns about environmental protection by providing them with product and service solutions. It is bolstered by the Energy, EcoDesign, Materials and Substances, and WEEE (Waste Electrical and Electronic Equipment) policies. These policies apply to the Group and are accompanied by global action plans.

Social
The Group's Human Resources policies cover the following: diversity & inclusion, health & well-being, safety, security and travel, employee engagement, recruiting, international mobility, training, human capital development, talent identification, total remuneration, and social benefits. These apply to the Group and are accompanied by global processes.

1.7 Ratings and awards

1.7.1 Ratings and indices

Dow Jones Sustainability World Index
In 2019, Schneider Electric was one of the 318 companies in the DJSI (Dow Jones Sustainability Index) world index, which selects the top 10% worldwide ESG leaders across 58 industry groups from the 2,500 largest companies of the S&P Global Broad Market Index. Schneider Electric was ranked third in the Electrical Components & Equipment group with a score of 83/100 (a +2 points progress vs 2018). It has been part of this index since 2002, except in 2010 and was Industry Leader between 2013 and 2016. Evaluation for this family of indices is provided by RobecoSAM, an independent asset manager headquartered in Switzerland, acquired in 2019 by the American group S&P Global.

CDP Climate A list and Supplier Engagement Leader
In 2019, Schneider Electric was one of 179 companies of the 8,361 companies that participated in the CDP Climate Change program to secure a place on the Climate A list, and the only company in its industry to achieve an A rating for the ninth consecutive year. Schneider Electric is also a member of the CDP Supplier Engagement Leader Board for its performances as a supplier, by examining four key areas of the CDP questionnaire on climate change: governance, objectives, scope 3 emissions and commitment in the value chain.

It belongs to several STOXX indices, in particular Global Low Carbon Footprint, Global Climate Change Leaders, EURO STOXX 50 Low Carbon, Global ESG Environmental Leaders and Global ESG Impact indices.

Schneider Electric also received an A- score for its second participation in CDP's Water security questionnaire.

Vigeo Eiris Industry Leader and Ethibel Sustainability Index
The composition of the Euronext Vigeo Eiris indices is updated twice per year, in June and December, based on the opinions of Vigeo Eiris conducted approximately every two years. Following assessment in late 2019, Schneider Electric is an industry leader (Electric Components and Equipment) at the highest level (Advanced), with a rating of 65/100 (+2 points vs previous rating). As of December 1st, 2019, Schneider Electric is part of the Euronext Vigeo Eiris World 120, Europe 120, Eurozone 120 and France 20 indices.

It is also part of the Ethibel Sustainability Index (ESI) Excellence Europe and Global.

FTSE4Good
Schneider Electric is part of the FTSE4Good Developed, Environmental Leaders Europe 40, FTSE Environmental Opportunities, and FTSE EO Energy Efficiency indices.

ISS Oekom (now ISS-ESG) Industry Leader
Schneider Electric is at Prime level at Oekom and second in its industry (Electric Components) out of 91 companies.

MSCI industry leader
Schneider Electric has been at AAA grade since 2011, an industry leader and a member of the MSCI SRI, Socially Responsible, ESG Leaders, Select ESG Rating & Trend Leaders, Low Carbon Leaders, and Low Carbon Target (list non exhaustive).

Sustainalytics leader
Following its assessment in December 2019, Schneider Electric was ranked first among peers with $36-$51bn market cap, with a score of 85/100 and is part of the STOXX Global ESG Leaders, Environmental Leaders, Social Leaders, Governance Leaders, Impact, and STOXX Sustainability indices.

ECPI
Schneider Electric is included in the ECPI Carbon, Ethical, Renewable Energy, Global Developed ESG Best in Class, Megatrend, Climate Change and Circular Economy leaders.

ISS
Schneider Electric achieved a 1 ranking in Environment, 1 in Social, and 4 in Governance at ISS (Institutional Shareholder Services, Inc.) in the 2019 QualityScore. The rating scale runs from 1 to 10, with 1 representing the lowest risk level and 10 the highest.

EcoVadis Advanced level and Gold rating
Schneider Electric has achieved Advanced level (and Gold rating) at EcoVadis with a rating of 80/100.

Overview of Schneider Electric sustainability external ratings

* Average score among: ABB, Legrand, Siemens, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric and Yokogawa.

1.7.2 Other awards in 2019 and beyond

Among the awards received for sustainability, the Group highlights the following:

Impak Finance, the new independent impact rating agency, has ranked Schneider Electric first in CAC40 for its contribution to the UN Sustainable Development Goals. The Group obtained a score of 435/1000, way ahead of CAC40 average of 218/1000.

Integrated Thinking Award: Schneider Electric is the winner of the 2017 Integrated Thinking Awards in Europe in the Large Companies category, organized by the Responsible Capitalism Institute; this distinction hails the real integration of sustainability into the Group's strategy and the great attention paid to dialog with all its stakeholders.

Carbon Clean 200 list: in the first quarter of 2020, Corporate Knights ranked Schneider Electric number 9 worldwide for its revenue devoted to energy transition.

Global 100 most sustainable corporations*:* Schneider Electric ranked 29th in January 2020 in the list drawn up by Corporate Knights. This is the 8th year running it has appeared on this list.

Carbon Clear (EcoAct): Schneider Electric is 4th in the CAC 40 in the fight against climate change.

The Circulars 2019: Schneider Electric won an award in the Multinational Companies category of The Circulars 2019 awards for its commitment to the circular economy. This award recognizes Schneider Electric's efforts to make the circular economy a core tenet of its strategy and its innovation as well as its ambitious goals in the field.

Gartner supply chain top 25: Schneider Electric is 11th in the Gartner Supply Chain top 25 ranking for the exemplary management of its value chain. Schneider also received Gartner's 2019 Industrial Manufacturing Supply Chainnovator award.

CAC40 2019 trophies: Schneider Electric is ranked 3rd in 2019.

Bloomberg Gender-Equality Index: Schneider Electric is present in Bloomberg's gender-equality performance index among 325 companies, published in January 2020.

Catalyst award: Schneider Electric received an award in 2019 for its capacity to attract female employees in India, an initiative that is an integral part of the Group's global diversity and inclusion program.

Equileap Gender Equality Global Report and Ranking: according to Equileap, Schneider Electric is one of the 100 companies worldwide with the highest level of workplace gender equality. The Group ranked 31st overall, and 1st in its sector.

Ethisphere: Schneider Electric was one of the 128 most ethical companies according to Ethisphere's ranking in February 2019, for the ninth consecutive year; only three French companies were included in this year's ranking.

Employer Rewards: Forbes recognized Schneider Electric US as one of the world's most attractive employers; Schneider is recognized by Fortune as one of the "World's Most Admired Companies" in the Top 5 of the electronic industry for the second consecutive year; Schneider received a score of 4.0 from Glassdoor at the end of 2019; Schneider Electric is recognized as one of the "World's Most Attractive Employers" by Universum. In the US, Schneider ranks among the best employers promoting diversity according to Forbes "Best Employer for Diversity" and "America's Best Large Employers"; Schneider US was also recognized as being a "Best Company for Women" by Comparably, a "Military Friendly Company" by Military Friendly, and certified as a "Great Place to Work" by 81% of polled employees.

2. Green and responsible growth driving economic performance

In this section:

Context and goals

Climate change is one of the main challenges of the 21st century. Schneider Electric works for industries that account for the majority of global energy consumption but as energy consumption is not always optimized, it makes it one of the largest sources of CO_2 emissions. As a global specialist in energy management, Schneider's products and solutions help reduce energy consumption and CO_2 emissions. The Group is developing energy efficiency offerings to reduce energy bills up to 30% for every type of building.

The Group works in more than 100 countries, with adaptable practices, standards and values. Schneider is also committed to acting responsibly towards all of its stakeholders. Therefore, the Company has defined its Principles of Responsibility that apply to the entire Group and are based on dedicated organization and processes. In addition, Schneider is committed to sharing its sustainability vision with as many of its suppliers as possible.

Key targets and results

Schneider Sustainability Impact 2018-2020

Megatrends and SDGs		2018-2020 programs	2019 progress		2020 target
Climate	1.	Renewable electricity	50%	▲	80%
	2.	CO_2 efficiency in transportation	4.1%	▲	10%
	3.	Million metric tons CO_2 saved on our customers' end thanks to EcoStruxure offers	89	▲	120
	4.	Increase in turnover for our EcoStruxure Energy and Sustainability Services	23.8%	▲	25%
Ethics	16.	Increase in average score of ISO 26000 assessment for our strategic suppliers	+3.70	▲	+5.5pts
	17.	Suppliers under Human Rights & Environment vigilance received specific on-site assessment	279	▲	350
	18.	Sales, procurement, and finance employees trained every year on anti-corruption	94%	▲	100%

▲ 2019 audited indicators.

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

Please refer to pages 192 to 196 for the methodological presentation of indicators and the following pages for the analysis of the results pages 140-141 for indicator 1, 141-142 for indicator 2, 135-136 for indicator 3, 109-110 for indicator 4, 126-127 for indicator 16, 122-124 for indicator 17, and 119 for indicator 18).

2.1 Smart energy management products and solutions to help fight climate change

2.1.1 Description of risks and opportunities

The planet is facing an unprecedented challenge as global primary energy needs are expected to increase by more than 50% by 2040[1] if not limited thanks to energy management actions. At the same time, awareness of the urgent need to decarbonize energy production has never been higher. Schneider Electric research indicates that 93% of large companies are deploying energy and resource efficiency measures to reduce their overall carbon emissions. Even with mitigating energy management actions currently pledged, net energy consumption is likely to rise by 25%.

Energy management lies at the heart of Schneider Electric's business strategy. Customers – companies, citizens, governments – all want to reduce their costs and environmental impact while constantly improving the reliability, safety and performance of their homes, buildings, sites and equipments.

To ensure that energy efficiency and greenhouse gas (GHG) reduction targets are achieved, and to facilitate the increasing share of renewable energy and clean technologies in the energy mix, Schneider Electric provides an innovative and competitive portfolio of products and software solutions to help its customers.

2.1.2 Active Energy Management

Economic and environmental factors are driving organizations to seek out energy and resource solutions at record rates. As at this writing, more than 700 companies globally have committed to reduce GHG emissions in alignment with prevailing climate science through the Science-Based Targets initiative. Some of these same companies have also made public commitments to energy productivity, renewable energy procurement, or electric vehicle deployment through initiatives such as the RE100, EP100, and EV100. Deregulation of global energy markets drives even further need for organizations to rely on a trusted, independent advisor to support their procurement pursuits.

The increasing complexity in energy and resource management calls for data-driven, integrated strategies that support organizations across their product and service portfolio. We call this holistic approach to buying energy smarter, using it more efficiently, and stewarding global resources Active Energy Management (AEM). AEM enables thousands of Schneider Electric clients worldwide to maximize investments, deliver greater returns and build more robust, viable operations that can endure in the face of growing global challenges.

Practical examples of AEM include tracking, managing, and disclosing environmental impact data to voluntary or regulatory agencies; managing the increasing convergence in energy procurement of conventional and renewable power; exploring and investing in renewable and clean technologies; implementing demand response programs based on real-time price or carbon signals; combining distributed energy resources and efficiency technology to cut costs, reach CO_2 reduction goals, and increase resiliency; and using utility records to validate compliance with industry standards and regulatory requirements. Given the rapid evolution of the energy landscape, and the push to a more decentralized, decarbonized and digitized future, this type of integrated thinking and action is essential and can create new financial opportunities.

Schneider Electric helps the world's leading companies set energy and sustainability goals, develop a strategy, collect data and deploy solutions and programs to reduce their footprint and meet their goals. Services and software offers include:

- Energy and sustainability strategy development, including climate change and carbon neutrality initiatives;
- Strategic procurement programs including traditional and renewable energy, distributed energy resources, and carbon offsets;
- Enterprise efficiency consulting to reduce energy consumption;
- Sustainability consulting services including science-based carbon reduction target goal setting;
- Energy and sustainability certification and compliance and reporting;
- Enterprise-wide energy and sustainability data collection and integration into the EcoStruxure™ Resource Advisor software platform (Schneider's Energy & Sustainability Services manages more than 128 million metric tons of carbon equivalent on behalf of its clients annually);
- Software to improve manufacturing and construction efficiency.

Buying energy smarter. Using energy efficiently. Operating more sustainably. All worthy pursuits on their own, but much more effective when combined through Active Energy Management. As resource and climate concerns grow, integrated energy and carbon management gives companies a holistic view of their performance, and access to the data they need to refine their strategies and drive innovation. Moreover, companies that embrace smart grid increase electric reliability and lower risk of price fluctuations which make for more profitable companies.

Data

Strategy

Buy energy at the lowest possible cost

Energy is the most volatile commodity in the world

Save more energy with less money

93% of companies have adopted energy efficiency

All while stewarding global resources

More than 200 companies globally committed to RE100

(1) International Energy Agency, World Energy Outlook 2017.

SSI#4: 25% increase in turnover for our EcoStruxure Energy and Sustainability Services

Schneider Electric's Energy and Sustainability Services (ESS) works with thousands of clients around the world to help them proactively manage their energy, carbon, and resource footprints. ESS annually manages more than €30B in energy spend (70GW), 128 million metric tons of CO_2, and over 250,000 client sites. ESS is the foremost advisor to corporations on global energy procurement, including renewable energy and emission-reducing technologies. It has received recognition for its microgrid solutions, sustainability consulting, and EcoStruxure Resource Advisor™ software, as well as being honored as a leading ESCO and Energy-as-a-Service provider.

% turnover increase vs 2017

+23.8%

2.1.3 Partner of choice in the energy transition

Distributed Energy Resources (DERs) are reshaping the energy landscape. Consumers are now able to reach new heights in energy cost savings, sustainability and resilience by investing in DERs behind-the-meter, turning themselves into prosumers.

Intermittent and decentralized, DERs employ innovative power systems designed to optimize and ensure system stability, and to finance asset implementation. This calls for behavioral changes, new and smart technologies and new business models. Today, DERs can help tackle energy challenges by creating an optimized way to access reliable, green, and resilient energy.

Microgrids are the emerging energy ecosystem that provides practical answers through a local, interconnected energy system within clearly defined electrical boundaries, which incorporate loads, DERs, energy storage, and control capabilities.

Schneider Electric's microgrid management offerings consists of:

- The EcoStruxure™ Microgrid Advisor, which is a cloud-based solution that leverages powerful analytics to optimize microgrid performance, in terms of sustainability, energy costs and productivity;
- The EcoStruxure™ Microgrid Operation, which is an on-premise solution that ensures grid stability and energy reliability in several scenarios (islanded, grid-tied, etc.);
- The Energy Control Center, which is all the microgrid in one box – minimizing the impact on the rest of the installation.

The open scalable EcoStruxure solutions can be connected with Schneider Electric or third-party systems, for both new and existing infrastructures. This combined with innovative business models to help end users to navigate the landscape, optimize system design and operation, and achieve the desired energy goals.

Schneider Electric's Access to Energy solutions electrify remote areas, from individual systems in homes and micro-enterprises used to develop commercial and leisure activities, to larger scale systems in public institutions, schools, healthcare centers and other community buildings. Schneider Electric recently launched Villaya Emergency, a mobile hybrid microgrid, that provides cost effective clean energy to people without access to energy (see more details pages 179-185).

2.1.4 Driving grid transformation in the energy transition

The energy landscape is under transition driven by megatrends like decentralization and decarbonization of energy generation as well as digitization across the grid. Grid operators must innovate to provide customers with reliable power, all the while running operations at maximum efficiency.

Schneider Electric recognizes that the world of the prosumer and that of the electricity company are tightly interconnected. EcoStruxure™ for Electricity Companies harmonizes and unites both sides of the energy equation. It contains offers that help both supply and demand side energy players to harness and capitalize on the new energy landscape.

With EcoStruxure™ for Electricity Companies:

- The Group helps electricity companies to build a sustainable future, by providing greener power generation, building smarter grids and serving the new energy consumer at an affordable cost, while improving their profitability;
- EcoStruxure™ for Electricity Companies makes electrical networks and generation assets smarter through digitalization. Schneider Electric's digital solutions help its customers satisfy their own customers' electricity demand without interruption, with greater grid resilience, more reliability and better cost avoidance, integrating greener and more sustainable energy at an acceptable cost while still reducing their carbon footprint;
- Second, it integrates DER and renewable/intermittent energy sources into existing grids in a safe and optimal way. It ensures the grid stays stable and manageable as the growth of decentralized renewables continues into the foreseeable future;
- Third, it optimizes and extends the life of existing grid assets through services. Electricity companies are some of the most asset-intensive organizations on the planet, and Schneider Electric's services, expertise and technologies lead to substantial efficiencies and avoided downtime, which means huge cost savings for its customers;
- Fourth, it provides microgrid solutions for prosumers. Microgrids and energy-as-a-service are gaining popularity because they solve many different energy problems. Those include ensuring a reliable power supply, reducing energy costs, reducing CO_2 emissions, taking ownership of consumption, giving users the power of choice and control, and optimizing the energy mix according to one's particular goals.

2.1.5 Energy efficiency

Energy efficiency means using less energy for equivalent performance or service. This reduces energy consumption and carbon emissions and saves money while contributing to energy security and creating jobs. In its World Energy Outlook 2017, the IEA estimates that over 80% of the economic potential of energy efficiency in buildings and more than half in industry, remains untapped. The world has to use energy at least 3% more productively each year in order to stay below the 2° global warming level, and there is a big opportunity to reduce emissions with energy efficiency[1].

Improved energy efficiency not only pays dividends by trimming consumption and costs, it also brings environmental sustainability benefits, which can deliver as much as 2.5 times the value of reduced energy usage (IEA). And the good news is that most companies are working towards increasing energy efficiency.

(1) https://rmi.org/press-release/energy-efficiency-can-address-climate-change-drive-prosperity-and-strengthen-national-security/.

Schneider Electric promotes active energy efficiency solutions, which consist of optimizing the entire energy cycle using energy control products, systems, services and softwares. Schneider is helping companies and utilities to reduce energy consumption by up to 30%, as well as optimizing their processes.

Schneider Electric's EcoStruxure™ architecture framework enables the Group, its partners and end-user customers to develop scalable digital solutions that:

- Maximize energy efficiency and sustainability through smarter systems and real-time, data-driven decisions;
- Optimize asset availability and performance through predictive analytics and proactive maintenance;
- Enable smart, productive, and profitable operations through reduction of waste and downtime;
- Provide mobile insight and proactive risk-mitigation through simulation, situational awareness, and digitization; and
- Foster open innovation and interoperability through development and partnerships with leading standards organizations and best-in-class technology leaders.

For Schneider Electric, EcoStruxure™ is tailored to its end-markets, where it has decades of deep domain expertise and applied experience. EcoStruxure™ solutions are deployable both on premise and in the cloud, with built-in cybersecurity at each of the innovation levels: connected products; edge control; apps, analytics, and services.

For the residential end-market, Schneider Electric's Wiser system controls measures and monitors home energy usage, for increased comfort and a more efficient use of energy in residential homes. Schneider also offers the integration of safe recharging infrastructures for electric vehicles in home electrical systems and enable next generation efficient electric home heating.

2.1.6 A measure of Green Revenues and Green Innovation

Within its Purpose, Schneider Electric clearly places green offers to customers as essential:

"At Schneider Electric, we believe access to energy and digital is a basic human right. We empower all to make the most of their energy and resources, ensuring Life Is On everywhere, for everyone, at every moment.

We provide energy and automation digital solutions for efficiency and sustainability. We combine world-leading energy technologies, real-time automation, software and services into integrated solutions for Homes, Buildings, Data Centers, Infrastructure and Industries.

We are committed to unleash the infinite possibilities of an open, global, innovative community that is passionate about our Meaningful Purpose, Inclusive and Empowered values."

In line with this Purpose, Schneider Electric activities and revenues evolve, to bring more efficiency and sustainability everywhere. In 2019, Green Revenues(1) represent around 70% of the Group's total revenues (using a stringent Green Revenue definition detailed below). In addition, to further contribute to a new electric and digital world, 100% of Schneider Electric's innovation projects are aligned with its purpose, more than 90% being either strictly green or neutral, according to the definition(2) outlined below.

(1) Green Revenues: Green revenues are defined as offers that bring energy, climate or resource efficiency to our customers, while not generating any significant harmful impact to the environment. Schneider Electric's green revenues are split into 4 categories described thereafter. Activities included are:
1/ Energy efficiency architectures bringing energy and/or resource efficiency to customers. Offers include Building Management systems, Power management systems, lighting and room control, thermal control, variable speed drives, Energy & Sustainability consulting services (ESS), and industry automation;
2/ Grid reinforcement and smart grid architectures contributing to Electrification and Decarbonization. This includes all technologies and architectures contributing to a New Electric World, helping grid and electrification come to life: smart grid and microgrid technologies, EV charging infrastructures, medium voltage systems to upgrade electricity distribution networks, low voltage connectable offers enabling smart grid management and energy efficiency, secure power and switches that enable security and security of supply;
3/ Products with differentiating green performance, flagged thanks to our Green Premium program. Green Premium products offer environmental transparency (with digital lifecycle analysis and circular end-of-life instructions), superior compliance to stringent environmental regulations and differentiating performance on climate, resources or health. (note: double-accounting with categories 1 or 2 is removed);
4/ Services that bring benefits for circularity (prolonged asset lifetime and uptime, optimized maintenance operations, repair and refurbish) and energy efficiency (maintenance to maintain the operational performance of equipment and avoid a decrease of energy efficiency over time).
Revenues derived from activities with fossil sectors and others are excluded, including Oil & Gas, coal mining and fossil-power generation, in line with prevailing Corporate Responsibility reporting practices and forthcoming EU regulations (Green Taxonomy), even though Schneider Electric's technologies deliver resource and carbon efficiency in such sectors as well. In line with Schneider Electric's strategy to phase out SF6 from offers by 2025, SF6-containing switchgear for medium voltage applications are also excluded. In addition, neutral technologies such as signaling, racks and enclosures, access control or emergency lighting are excluded.

(2) Green and neutral innovation: Green innovation concerns every innovation contributing to a decarbonized world, for instance energy and processes efficiency, resource optimization, SF6 free projects or Green Premium offers. Innovation for offer development in certain sectors is excluded (for instance Oil & Gas, coal mining, and fossil-fuel generation). Innovation which is neither Green nor excluded is deemed Neutral.

2.2 Schneider Electric's Principles of Responsibility

As a global company, Schneider Electric is convinced that its responsibility goes beyond compliance with local and international regulations and is committed to conducting its business ethically, sustainably and responsibly.

Schneider Electric believes that companies can make a positive impact and contribute to making the world a better place for all. The Group supports the 17 United Nations Sustainable Development Goals, and their translation into tangible business actions. The Principles of Responsibility are the Group's Ethics Charter, which serves as a reference for every person and every team in the Company. Together they aid us in pursuing Schneider's objectives in a way that is meaningful, inclusive and positive. The Principles of Responsibility apply to all employees at Schneider and its subsidiaries, as well as to contractors, self-employed workers, and persons working on the Group's premises. They also serve as a source of inspiration in its relations with customers, partners, suppliers, and external stakeholders in general.

2.2.1 Major upgrade in 2019

The Principles of Responsibility, initially published in 2002, then updated in 2009 and 2013, have undergone a major upgrade in 2019 to address society and business permanently evolving challenges. The Principles of Responsibility were inspired by the Universal Declaration of Human Rights, the ten principles of the United Nations Global Compact, and standards issued by the International Labor Organization (ILO) and the Organization for Economic Cooperation and Development (OECD).

The creation of this 2019 version has relied on the involvement of Schneider Electric resources: employee sentiment has been captured through a large series of interviews and workshops, ensuring the Group's diversity was well reflected in the opinions collected. Internal experts have brought their knowledge on specific technical topics and external stakeholders provided their opinion and view.

The new version of the Principles of Responsibility was published in June 2019 on Schneider Electric internal and external website and can be downloaded in 26 different languages.

2.2.2 The five pillars of the Principles of Responsibility

Today the Principles of Responsibility are built on the following five pillars:

Human rights and people development: what Schneider Electric stands for in terms of human rights, diversity and inclusion, safety at work, employees development, fighting against forced labor, and zero tolerance for all kinds of harassment. For more details consult section "Human rights" page 113.

Ethical business conduct: Schneider Electric business is important, but the way the Group conducts this business is equally important. Schneider conducts business in an ethical, sustainable and responsible manner. With its Principles of Responsibility and its compliance program, codes and policies, Schneider addresses matters such as corruption, conflicts of interest, business agents or fair competition. For more details, consult sections "Ethics and Compliance program" and "Focus on anti-corruption" pages 115 to 119.

Digitally trusted and secure: in a world becoming more digital every day, Digital Trust is a fundamental area of focus for Schneider Electric, its employees and network of customers, partners and suppliers. The Principles of Responsibility embrace this important responsibility, covering cybersecurity, data protection and privacy, and Artificial Intelligence (AI). For more details, consult section "Digitally trusted and secure" page 120.

Act for the environment: environment is at the heart of Schneider Electric's activity, through the offers and solutions the Group brings to customers, through the sentiment of Schneider employees and culture, and through its ambition to contribute positively on the important subjects of climate change, environment and biodiversity. The Principles of Responsibility address the subjects of climate change and CO_2 emissions, resource saving and circular economy, as well as environmental preservation. For more details, consult "Schneider Electric's commitments towards environmental excellence" pages 128 to 150.

Responsible corporate citizenship: Schneider Electric is a community of people that interacts with other groups and communities across the planet. Schneider's ambition to make a difference is here expressed though specific programs such as Access to Energy, or the Group support to the development of local communities. For more details, consult section "Schneider Electric, an eco-citizen company" pages 177 to 191.

2.2.3 Communication and training for all employees

Ethics and responsibility are both a team effort and an individual commitment. Management has been continuously involved in the design of the deployment plan, on communication sessions and learning tools to ensure everyone at Schneider Electric is aware of the Principles of Responsibility and has the opportunity to learn and to reflect.

The new version of the Principles of Responsibility was first introduced by the CEO and the Executive Committee to the community of Top Leaders, and then cascaded by leaders throughout the organization via specific communication events (townhall speeches, conferences, seminars…). A dedicated mandatory learning including interviews from Executive Committee leaders, role plays in real situations, quiz tests, and an acknowledgement of the Principles of Responsibility has been made available to employees. This training is either an e-learning for connected employees, or an in-class version for non-connected employees.

At the end of 2019, the training completion rate for all Schneider Electric eligible employees was 96%:

Connected employees:	97% completion
Non-connected employees:	93% completion

2.3 Human rights

2.3.1 Risks and opportunities

Human rights is a fundamental topic that has significantly evolved over the past years, under the pressure of geopolitical influence, social and economic transformations as well as technological developments. Schneider Electric has consistently focused on human rights and has the ambition to remain an exemplary company on this subject.

Schneider Electric's review of risks and opportunities covers the following areas:

Fundamental human rights:
- Respect and dignity: the healthy and respectful relations at work between individuals and teams, and towards communities;
- Child labor: defined by the International Labor Organization (ILO) as work that deprives children of their childhood, their potential and their dignity, and that is harmful to their physical and mental development;
- Forced labor: defined by the ILO as all works or services for which a person has not offered themselves voluntarily or willingly;
- Freedom of association: the right for workers to join professional organizations that can defend their interests.

Decent working conditions:
- Health & safety: potential incidents of various degrees of severity and related to workplace conditions;
- Security at work: the physical or verbal violence that may originate from internal or external threats;
- Working time and leave: ensuring employees work on a schedule that respects legal time frames, rest periods and leave provisions, and are given the possibility to balance between personal and professional time;
- Wages and benefits: paying employees a compensation that is fair in view of their profile, skills and qualifications;
- Harassment: continuous solicitation with the intention of exhausting a person or forcing that person into unwanted behaviour;
- Data privacy: securing the data that individuals are placing into the Company's hands so that their privacy and freedom remain safe and protected.

Equal opportunities:
- Discrimination: creating a situation of inequality based on an employee's personal characteristic, at work or when hiring;
- Diversity and inclusion: risk of introducing several biases that would result in an unbalanced representation of the society inside the Company, and the exclusion of some groups or communities from the Company;
- Development of competencies: giving employees the opportunity to learn, maintain and develop their skills and abilities.

2.3.2 Group policy

Schneider Electric's human rights approach is articulated as follows:

- **First**, Schneider is committed to fully respecting and applying laws and regulations in all countries wherever it operates;
- **Second**, Schneider is committed to fostering and promoting human rights throughout all its operational sites and subsidiaries worldwide;
- **Third**, Schneider wishes to support human rights beyond its borders, leveraging its large network of partners and stakeholders to promote the implementation of actions that will ensure the respect of people's rights.

2.3.2.1 Schneider Electric alignment with international standards and frameworks

Schneider Electric adheres to the following principles or guidelines:

- The ILO Declaration on Fundamental Principles and Rights at Work;
- The international human rights principles encompassed in the Universal Declaration of Human Rights, which sets out a common standard for all types of organization;
- The OECD Guidelines for Multinational Enterprises, which formulate recommendations for companies, including for the respect of human rights;
- Since 2003, Schneider Electric is part of The United Nations Global Compact, an initiative to encourage all companies to adopt a responsible behavior in their business. In 2011, the United Nations issued the Guiding Principles on Business and Human Rights which precisely define the roles and responsibilities of States and businesses on these matters. Schneider Electric is committed to these Guiding Principles and to the United Nations Declaration on the Rights of the Child.

2.3.2.2 Schneider Electric guiding documents

Through its Principles of Responsibility, Schneider Electric is taking a strong position on what values it stands for. The "human rights and people development" section gives guidance on the following subjects:

- Respect, fairness and dignity;
- Diversity, inclusion and individual development;
- Safety at work;
- Health, well-being, and the way we work;
- Protecting the vulnerable against labor abuses;
- No tolerance for harassment.

Human Rights Policy:
Schneider Electric has formulated a specific global policy that defines its position on human rights. It is applicable to all Schneider permanent or temporary employees working on Group premises. It also aims at inspiring external stakeholders. For all human rights risks identified above, and based on the "Protect, Respect, Remedy" principles, the policy provides a framework and gives guidance to employees and teams on how to behave in their daily operations or when facing a specific situation.

2.3.2.3 Specific policies
In addition its Principles of Responsibility and the global Human Rights Policy, Schneider Electric has implemented specific policies to provide guidance in the following areas:

Human Resources:

- **Diversity & Inclusion Policy:** applies to the entire Company and covers all facets of diversity, as Schneider wants to mirror the communities in which the Group operates. This policy is based on respect and dignity, which are the foundations for fairness and equity;
- **Family Leave Policy:** provides a framework so that every employee, whatever the country of employment, can take some specific leave to enjoy some of life's special moments with their families;
- **Global Anti-harassment Policy:** states Schneider's commitments to have zero-tolerance for any kind of harassment or offensive behaviors.

Health & Safety:

- **Health & Safety Policy:** states the rules and guidelines applicable to all Schneider employees and to specific populations performing specialized tasks as well. It is supported by learning tools, and it is the subject of an annual "Global Safety Day";
- **Global Travel Policy:** defines the rules applicable to travelers, including the safety guidelines, procedures and processes to ensure at all moments the safety of Schneider business travelers.

2.3.3 Due diligence

2.3.3.1 Duty of vigilance: risks identified and prioritization of mitigation actions
In accordance with the 2017 French duty of vigilance law and its ambition to behave as an exemplary company, Schneider Electric implemented a specific vigilance plan. In 2019, Schneider presents its "duty of vigilance risk matrix" which highlights human rights risks at its sites, as well as for suppliers and contractors.

Several actions are implemented to mitigate the highest identified risks in this matrix. For more details, consult section "Vigilance plan" pages 121 to 125.

2.3.3.2 Deployment of internal actions
Schneider Electric entities and subsidiaries are monitored through the implementation of Key Internal Controls. These controls are designed in coordination with the Internal Audit team and consist in an annual self-assessment covering different operational topics. Human rights and Health & Safety controls are included in this annual review. The results of these assessments allows to benchmark the entities and to prioritize mitigation plans when necessary.

Internal actions regarding respect and dignity, freedom of association, health and safety, working time and leave, wages and benefits, harassment, discrimination, diversity and inclusion and development of competencies are described in section 4 "Committed to and on behalf of employees".

Example actions are described hereafter.

Schneider Electric develops a gender pay equity plan to reduce pay gap and ensure a fair remuneration between genders. Schneider has also initiated a global process to analyze wage levels and employment practices against local living wage standards set by an external consultant (BSR).

Schneider is implementing training programs that are specific to the policies listed above, to raise the level of awareness of employees and give them advice on how to react or behave in specific situations. Some of these trainings are mandatory, others are part of recommended training paths. Such programs cover a very wide area of topics, from anti-harassment to well-being, or how to overcome bias and develop an inclusive culture (see also pages 160 to 163).

Specifically, for Health & Safety, the Group maintains a follow-up of safety metrics. Incidents are reviewed with management, corrective actions are implemented when necessary, and communications are sent to relevant teams throughout the Company. When needed, a global safety alert can be launched to draw all relevant employees' attention. Schneider Electric organizes a yearly "Global Safety Day", to inform all employees and keep the level of awareness high on this key topic (see also "Employee health and safety" section pages 153 to 155).

2.3.3.3 Deployment of actions towards suppliers
Human rights are included in the integration of the sustainable purchases approach in the selection of new suppliers. Schneider Electric uses a qualification process called Schneider Supplier Quality Management to select new suppliers. It is based on an evaluation questionnaire combined with on-site audits, which include human rights and Health & Safety assessments.

Schneider Electric Supplier Code of Conduct states the framework in which the Group wishes to operate with vendors. Schneider expects suppliers to respect the fundamental principles on health, safety, people's protection and development as defined in this document.

Other actions are implemented through the Group's Vigilance plan. For more details consult section "Vigilance plan" and "Relations with subcontractors and suppliers" pages 121 to 127.

2.3.4 Partnerships and working groups

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

The Group also joined the Global Compact LEAD working group "Decent Work in Global Supply Chain". Schneider co-leads the Business for Inclusive Growth (B4IG) coalition's "Advancing human rights in direct operations and supply chains" and "Building inclusive workplaces" working groups.

2.4 Ethics & Compliance program

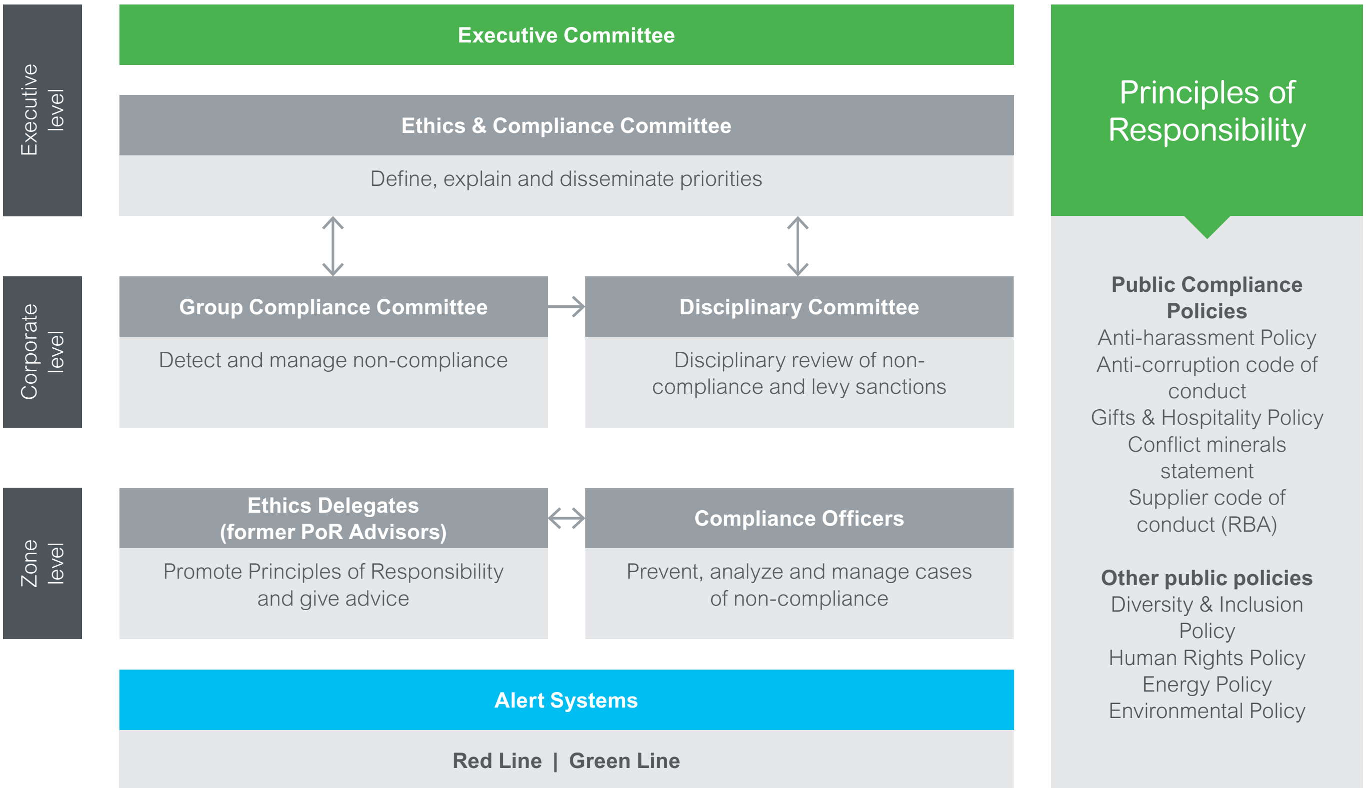
2.4.1 Dedicated compliance policies completing the Principles of Responsibility

Driven by the Principles of Responsibility, the Ethics & Compliance program forms the basis of common frames of reference and processes. The Principles of Responsibility are completed by global and local compliance policies in order to provide specific answers to the different pillars, specific legal obligations and local practices. Policies accessible publicly are presented in the graph below are presented in the graph below. In addition, Schneider Electric has deployed several other policies: Travel Policy, Security Policy, Competition Law Policy, Business Agent Policy and Export Control Policy.

In addition, as a global company, Schneider Electric has strict policies and practices in areas identified with high political risks to significantly reduce or eliminate them. The Group strictly respects all applicable embargoes and trade regulations and has set up export control organizations and processes in its operations. The export control processes include, but are not limited to, due diligence screenings (embargo and restricted countries, denied-party lists, dual-use goods, sensitive applications). The aim is to ensure compliance with all applicable export control laws and regulations, both local and extra-territorial.

2.4.2 Dedicated teams and organization

Schneider Electric has built strong governance to lead the Ethics & Compliance program to the best standards, with responsibilities at Executive, Corporate and zone levels.



Executive level: Schneider Electric has put in place a dedicated governance to lead the Ethics & Compliance Program to the best standards. The program is overseen by the Group Executive Committee, through the Group Ethics & Compliance Committee. This Committee, chaired by the Group Deputy CEO and CFO, and composed of two other Executive Committee members – EVP Chief Human Resources Officer and EVP Strategy – and of the relevant heads of functions in charge of the program (Legal, Compliance & Ethics and sustainability), is in charge of defining the program's strategy and priorities. It must ensure that the program is consistent with the Group's strategic goals. It provides its Executive Committee members with operational elements to be incorporated into the corporate strategic program.

Corporate level: the Group has put in place a two-fold governance to detect, manage and remediate any non-compliance:

- A Compliance Committee, in charge of detecting and managing non-compliance with appropriate investigation process applying to cases reported through management, internal channels and through the Red and Green Lines. This Committee is co-led by the SVP Chief Legal & Compliance Officer, the Group Head of Internal Control & Audit and the Group Head of Safety and Security, assisted by the Group Compliance Director and the Head of Bureau of Investigation;
- A Disciplinary Committee, chaired by the Chief Human Resources Officer, was created to rule on the sanctions specified for serious cases of non-compliance with internal rules, following the management of an alert by Group Compliance Committee, aiming to ensure consistency and fairness in the sanctions taken.

Zone level: two networks support the implementation of the Ethics & Compliance program:

- first, a network of nine Regional Compliance Officers is in charge of the implementation and adaptation of the Compliance Program at local level, with the support of the Ethics Delegates and Legal department; they also manage non compliance cases by delegation given by the Group Compliance Committee.
- Then, the Ethics Delegates, located in all countries of the Group, support the implementation of the Principles of Responsibility, and advise employees faced with ethical dilemmas.

In addition to the Group Compliance team in charge of general compliance matters, an Export Control Center of Excellence composed of specialists monitors and enforces the export control program of the Group, through awareness-raising programs and support to the operational teams. The export control processes include, but are not limited to, due diligence screenings (embargo and restricted countries, denied-party lists, dual-use goods, sensitive applications). The aim is to ensure compliance with all applicable export control laws and regulations, both local and extra-territorial.

2.4.3 Two alert systems to cover all stakeholders

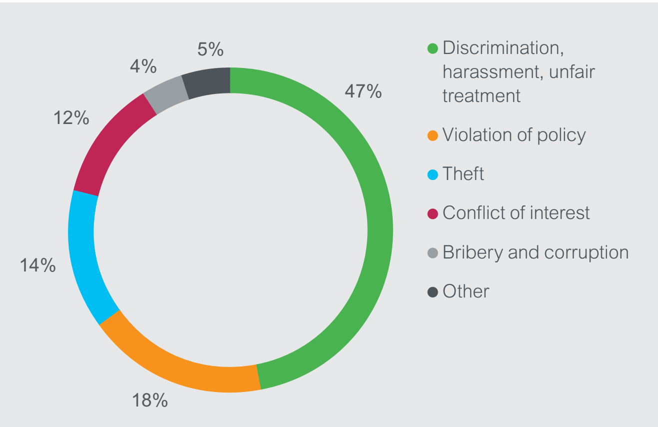
2.4.3.1 The professional alert system for employees: the Red Line

When an employee is a victim of or witness to a potential violation of the Principles of Responsibility, he/she may report it through the Red Line: a professional alert system, available since 2012. This system ensures the confidentiality of the exchanges and protects the anonymity of the whistleblower (unless there is legislation to the contrary). In compliance with local legislation, this system is provided by a third-party company and proposes alert categories, a questionnaire, and an information exchange protocol between the person issuing the alert and the person responsible for the internal investigation. Each concern reported is analysed by the Group Compliance Committee or at least two of its representatives, in order to appoint, if necessary, a two-person team to conduct an investigation, comprised of a Compliance Officer and an investigator from the Schneider Electric Bureau of Investigation or linked to the latter. Based on the findings of the investigation, management, or Group Disciplinary Committee for the most sensitive alerts, takes appropriate measures to sanction or exonerate the party or parties involved. Each year, a detailed report with statistics (number and type of alerts by geographic area) is presented to the Audit Committee, which reviews and approves the preventive and corrective actions to be taken.

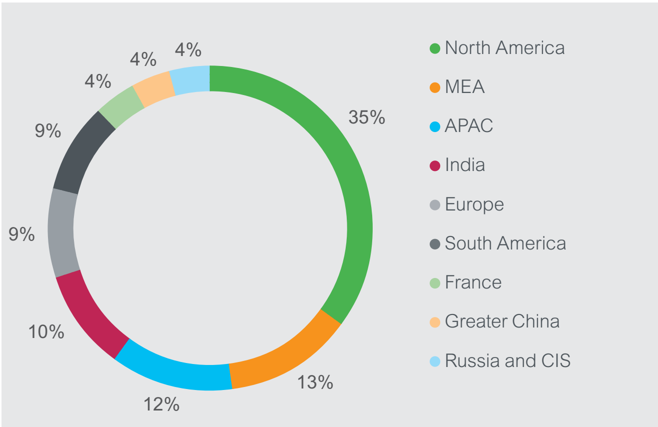
Unless there are legal provisions to the contrary, the system can be used to send any concern in the following areas in every country in which the Group operates: discrimination, harassment, safety, environmental damage, unfair competition, corruption, conflicts of interest, accounting manipulation, document forgery, insider trading, theft, fraud and embezzlement.

560 concerns were received through the Red Line from collaborators in 2019, representing a 71% increase over 2018. Alerts investigated and closed in 2019 led to 105 disciplinary sanctions.

Distribution of Red Line cases received by categories



Distribution of Red Line cases received by region

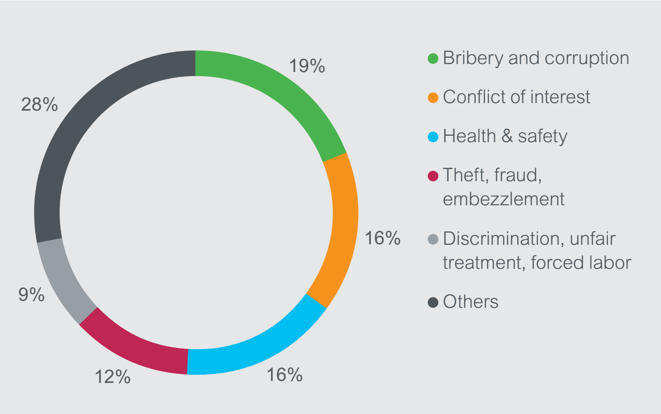


2.4.3.2 The professional alert system for external stakeholders: the Green Line

The Green Line, launched in 2018, is a professional alert system, available online and featuring a simple and intuitive interface. It is aimed at all Schneider Electric external parties, suppliers, subcontractors, customers and commercial agents who might be coping with or may have witnessed any unethical situation involving or affecting Schneider. The processing of alerts follows a similar procedure to that of the Red Line.

32 alerts were reported through the Green Line in 2019.

Distribution of Green Line cases received by category



2.4.4 A regular monitoring and control of the Ethics & Compliance program

The Ethics & Compliance program is an integral part of the Group's key internal controls, with, in particular, two categories of specific controls that the internal controllers review in subsidiaries, evaluating the degree of maturity and the effectiveness of the program: the Principles of Responsibility and alert system, and the Business Agent Policy. Whenever an evaluation indicates points of weakness, action plans must be set up and monitored by internal auditors.

Furthermore, the Group's internal audit program includes specific tasks related to the Ethics & Compliance program, or to activities or subsidiaries for which an evaluation of the maturity and effectiveness of the program will be reviewed. This occurred in 2019 with an audit of business agents within the business unit Process Automation.

2.4.5 Award for excellence

The Group has been selected by The Ethisphere Institute as part of the 2019 World's Most Ethical Companies index for the ninth year running.

In addition, the Group received two Silver Awards in July 2019 at the French *Trophée du Droit* ceremony for "2019 Best Compliance Team" and "2019 Innovation".

2.5 Focus on anti-corruption

2.5.1 Risks and opportunities

The Company interacts constantly with all stakeholders throughout the world: its borders are expanding, its environment is changing ever more quickly, its activities are becoming globalized and its social responsibilities are growing. The challenges are numerous:

- Gain and maintain the highest confidence of its stakeholders;
- Growing pressure from public authorities which requires solid Ethics & Compliance programs, especially to fight corruption;
- Attract and retain talents, especially within new generations, who consider an ethical working environment as a key element of engagement.

Each year, Schneider Electric draws up a risks map at Group level which is presented to the Management Committee and used to identify all risks faced by the Company, especially with regard to Ethics & Compliance: in 2019, the dedicated corruption and influence-peddling risk mapping was integrated to the Group risk mapping presentation to the Management Committee. For more details consult pages 58 to 61.

Furthermore, to meet the legal obligations specified by the December 9, 2016 French law known as the Sapin 2 Act, in 2018, Schneider Electric drew up a specific map of corruption and influence-peddling risks at Group level. In 2019, based on the same methodology, a corruption and influence-peddling risk mapping was performed in each region of the Group, to identify risks specific to each region where the Group is located. Results of regional corruption risk mapping were presented to regional Ethics & Compliance Committees to let them discuss and approve specific action plans to mitigate such risks.

Main risks may be divided in two parts:

- Operations
- Third parties

To go deeper into the risk assessment, especially by focusing on operational risks, a new methodology was elaborated end of 2019 by Compliance, Ethics and Internal Controls, and will be launched in 2020, addressing Ethics & Compliance risks, including corruption.

2.5.2 Group policy

Schneider Electric applies a zero-tolerance policy towards corruption and other unethical business practices and considers that “doing things right” is a key value-creation driver for all its stakeholders. In addition to the compliance with all international and local regulations, all Schneider employees are expected to comply with the Company’s values of integrity and transparency. Schneider will not tolerate any exception or show any weakness in ruthlessly sanctioning any misconduct.

The Company has been committed to preventing and controlling the potential occurrence of corruption within its operations for many years now.

Schneider Electric is an active member of Transparency International France, a leading NGO which aims to stop corruption and promote transparency, responsibility and integrity at all levels and across all sectors; the Group participates in inter-company exchanges organized by the NGO.

Schneider also participates in a Global Compact France working group comprising companies with advanced status, tackling many subjects including anti-corruption. It contributes to the sharing of best practices organized in particular by the professional organization *Cercle Ethique des Affaires*.

The Anti-corruption Compliance program is part of the Ethics & Compliance program, presented in pages 115 to 117.

This program has become a full-fledged value-creating subject, whether through the recognition of a management system compliant with industry standards via certification, or by incorporating this subject into key performance indicators of the Schneider Sustainability Impact.

In order to meet the requirements of the French Sapin 2 Act, the Group released an Anti-corruption Code of Conduct. The Code was reviewed in November 2019 to take into account results of the corruption risk mapping, to incorporate principles of the former Anti-Corruption Policy, and to provide employees with examples illustrating situations they may face.

The Gifts & Hospitality Policy provides guidance to employees on the ethical handling of gifts and hospitality received and given by Schneider Electric employees.

A new version of the business agent policy was released in August 2019 to meet legal requirements and public authorities’ guidance, especially regarding risk based approach of the due diligence, as well as internal recommendations following several audits performed on applicability of the policy in 2018. A due diligence digital tool managed at Group level will be put in place in 2020.

These policies complete the body of rules aimed at preventing risks in the area of corruption.

2.5.3 Prevention of the risks related to corruption

2.5.3.1 Anti-corruption due diligence

Schneider Electric business agents, including intermediaries, consultants, lobbyists and business finders, assisting Schneider in developing its business are subject to a due diligence and approval process, which has been centralized with the Business Agent Policy reviewed in 2019. Several documents and information are gathered and sent to Group Compliance which will perform the due diligence and manage the approval process, by analyzing risks of corruption, sanctions and unethical practices. According to a first level of assessment, the business agent will be approved based on the level of risk and with additional checks if relevant.

Regarding suppliers, some compliance checks are performed, through the supplier management process. In addition, for sensitive M&A operations, some compliance checks are performed with outsourced local investigations.

2.5.3.2 Anti-corruption trainings

An anti-corruption e-learning has been developed in 2018. The aim is that 100% of employees identified as “at risk” through their job codes complete the training each year. This indicator is part of the Schneider Sustainability Impact.

Furthermore, in person learnings were organized in sensitive geographic areas regarding Ethics & Compliance challenges (Brazil, India) or in locations where a specific risk is higher (such as the export control risk).

SSI#18: 100% of sales, procurement and finance employees trained every year on anti-corruption

Launched in 2018, the Anti-corruption e-learning, initially mandatory for Finance, Sales and Procurement teams, was extended to 201 job codes identified at risk, representing approximatively 40,000 employees instead of 23,000 employees in 2018. At the end of 2019, 94% of exposed employees had completed this e-learning.

% targeted employees trained in 2019

94%

2.5.4 Focus on responsible lobbying, political activity and donations

In its Principles of Responsibility, under the “responsible corporate citizenship”, Schneider Electric takes a clear stance with regards to responsible lobbying, political activity and donations. As a company, Schneider Electric has a role to play in the public debate addressing leading issues with the global community. It is necessary that the Group states its positions clearly, participate in technical discussions and support responsible public policy development. However, Schneider Electric believes that this representation of interests shall be conducted in a transparent and fair manner, allowing its third parties and stakeholders to understand its activities, positions and statements. In particular, Schneider does not engage in political activity or political representation and does not make any payment to political parties in relation to its public representation. In 2019, Schneider has not been involved in sponsoring local, regional or national political campaigning.

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

The Group’s anti-corruption and bribery policy are formalized through two documents: the Anti-Corruption policy and the Anti-Corruption Code of Conduct. The first extends the Principles of Responsibility by introducing the principle of zero-tolerance for corruption and bribery at Schneider, and the second defines the behavioral rules that every Schneider employee must implement to respect this principle.

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

For 2018 and 2019 the Group discloses membership fees towards trade associations, business coalitions and think-tanks to a large extent in the sense that many organizations’ fees counted are not primarily focusing on political campaigns or legislative activities but rather on standardization activities and industry best practices. However, as they could be referenced in policy development in the margin of their activities, we decided to include those. The following geographies are covered: Europe, the U.S., China and Russia, which are where the Group is mostly active when it comes to policy and legislation.

Total contributions to such groups globally amounted 2.5 M€ in 2016, 2.6 M€ in 2017 and 2.1 M€ in 2018. 2019 data is not available at the time this report is published (April 2019) as reporting on these matters typically ends mid-year or end of year.

Largest contributions and expenditures concern two main engagement topics:

- The first is “sustainable energy for all”: Schneider Electric believes that energy management and energy efficiency are critical to move forward a new energy landscape and therefore supports a policy framework that unleashes the business and climate opportunities related to the new energy landscape. Contributions and expenditures on this topic amounted 0.37 M€ in 2018 (0.26 M€ in 2017) globally;
- The second is “powering the digital economy”: The Group supports the emergence of digital economy to bring new opportunities for businesses and people and therefore supports a policy framework that facilitates the digital transformation globally. Contributions and expenditures on this topic amounted 0.23 M€ in 2018 (0.24 M€ in 2017) globally.

2.6 Combating tax evasion

During the financial year, no consequence of the Group's activities on this point was identified during the implementation of the appropriate internal control measures.

2.7 Digitally trusted and secure

2.7.1 Cybersecurity context and stakes

Digitization is evolving and rapidly transforming Schneider Electric's environment. This new environment generates many opportunities and risks. Companies are now more and more vulnerable to the following risks:

- Threats to revenue and reputation due to data breaches;
- System risks due to bogus system access and control;
- Inherent system vulnerabilities from cloud data storage and computing;
- Physical damage to machines and factories from malicious attacks.

These risks are inherent to any company operating in the digital space, but in the case of industrial infrastructures such as the ones of Schneider Electric's customers, the physical and financial damage can be particularly high and, in some cases, involve security impacts.

2.7.2 Reinforcing the Group's cyberposture and that of its ecosystem of partners and customers

Schneider Electric deploys several actions to reinforce its cyberposture and that of its ecosystem of partners and customers:

- Holding a cyber related business risk register to articulate potential vulnerabilities/attacks and define remediation activities;
- Identifying and prioritizing high value assets (crown jewels) to the Company's operation;
- Implementing cyber capabilities and digital locks around people, processes and technologies;
- Deploying general and dedicated awareness and training programs:
  - In 2019, 96% of Schneider Electric employees completed training on cybersecurity. Specific employee categories received mandatory training for risk linked to their activity;
  - Schneider Electric implemented the GDPR requirements and introduced mandatory training for employees;
- Monitoring, detecting, responding and learning from events and all those with partners and customers;
- Performing reality checks via metrics, internal and external reviews, cyber crisis drills and vulnerability assessments;
- Partnering with leading companies in the field of cybersecurity.

2.7.3 Proposing cybersecurity by design

In addition, Schneider Electric's cybersecurity by design includes:

- Adopting cybersecurity by design strategy, which aligns to the NIST Cybersecurity Framework and other recognized standards (ISA/IEC 62443 and ISO 27000);
- Schneider Electric IoT-enabled EcoStruxure platform provides our customers with end-to-end cybersecurity solutions and services to protect a vast digital ecosystem.

2.7.4 Personal data protection

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

Schneider Electric has chosen to implement a code of conduct for the protection of personal data (Binding Corporate Rules), a legal framework proposed to international companies by the personal data protection authorities in the European Union and a comprehensive personal data protection policy.

The European Parliament and Council General Data Protection Regulation (EU) 2016/679 came into force on May 25, 2018. The Company has set up an action plan to align the practices of entities on the new obligations. Numerous actions were undertaken under this plan and in particular, all European employees were offered training; awareness-raising campaigns were carried out by the Group; processing registers were prepared; the online confidentiality policy was updated; the applications review procedure was upgraded and a management and notification process for personal data breaches was developed. This Regulation is an opportunity for Schneider Electric to strengthen its global governance procedure on personal data protection, and to continue and step up its efforts to rally its entities and employees on the subject, an essential condition for developing the trust of its employees and its customers in a digital environment. The implementation of this action plan is periodically monitored by the Company's Management with the assistance of the Group Data Protection Officer.

2.7.5 Training and awareness

An online training on cybersecurity is mandatory for all employees. This training provides employees with all the tools they need to protect their personal data. At the end of 2019, 96% of Schneider Electric employees have completed this training. Specific employee categories received mandatory training for risks linked to their activity.

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

2.8 Vigilance plan

2.8.1 Context

Schneider Electric seeks to be a role model when it comes to ethics, in its interactions with customers, partners, suppliers, and communities, the respect and promotion of human rights. The Group strives to have a positive impact on the planet and the environment in the way it contributes to find solutions to limit climate change.

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

- A risk analysis specific to vigilance: risks that Schneider Electric poses on for its ecosystem and environment;
- A review of the key actions implemented to remediate or mitigate these risks;
- An alert system;
- Governance specific to vigilance.

In this annual report, Schneider reviews the risk matrix analysis, and some of the actions to mitigate these risks will be described. When needed, the reader will be directed to other sections of the annual report to get the relevant information. For more comprehensive information, the full vigilance plan of the Group is available as a standalone document and can be downloaded from Schneider's website.

2.8.2 Evaluation of the main risks towards Schneider Electric's environment

2.8.2.1 Methodology

In 2019, Schneider Electric developed a specific risk matrix for the implementation of its vigilance plan. The methodology is consistent with other risk evaluations maintained at Group level but focuses specifically on the risks posed by Schneider on its environment and ecosystem.

The scope of work is Schneider, its subsidiaries and majority-owned joint ventures, as well as its suppliers.

Risk categories: five risk categories have been identified: human rights, environment, business conduct, offer safety and cybersecurity. In order to be able to make a granular assessment of the risk level based on the nature of that risk and the impact it may have on Schneider Electric ecosystem, each category has been divided into specific risk areas.

Human rights:
- Decent workplace;
- Health and safety;

Environment:
- Specific substances management;
- Waste and circularity;
- Energy, CO_2, GHG and particles emissions;

Business conduct:
- Ethical business conduct;
- Whistleblowing and alert systems;

Offer safety
- Cybersecurity.

Risk location: the Group has studied three areas where risks may occur:

Schneider Electric sites: sites have been segmented based on categories that present specific level of risk. Employees with frequent travels (sales, field services, travelers , audit, top management...) have been assessed separately;

Suppliers: the level of risk differs based on the type of process and technologies used, and the Group has therefore segmented the analysis by component category. The risk level is an average assessment. The geographical location is factored in when selecting suppliers for the audit plan;

Contractors: when implementing a customer project, like building a large electrical system at the customer's site, Schneider Electric is working with contractors, leveraging their expertise (civil work, electrical contracting, etc.). This "off-site" project work generates a specific level of risk for contractors. A separate "off-site and projects execution" category for contractors has therefore been defined for the assessment.

Risk evaluation and scale: the evaluation combines the probability of occurrence of the risk, with the seriousness of consequences from the risk. This is an evaluation of risk before impact of mitigation actions. After taking into consideration the impact of these mitigation actions, the level of risk may be significantly reduced. Risks are assessed on the following scale:

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

In this study, no "Very high" risk level was identified.

2.8.2.2 Key findings

Schneider Electric sites: on Schneider sites, the higher level of risk is found on CO_2, GHG (greenhouse gas) and particles emissions. The level of this risk tends to be higher on production and service sites. The other significant risk is cybersecurity, as Schneider offers and systems are increasingly connected to that of customers.

Suppliers: risk levels tend to be more evenly spread across the different categories of risk, except in the case of specific industrial processes like metal work, or battery manufacturing. Transportation and shipping also generate a level of risk specific to the sector.

Contractors: due to the specific nature of project work (civil work, installation, etc.) that implies high labor activity on construction sites, this type of supplier carries a medium to high level of risk.

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

- Very high risk
- High risk
- Medium risk
- Low risk

		Schneider Electric sites						Suppliers					Contractors	
		Offices	Travelers, sales forces	Factories LV and elec.	Factories medium voltage	Project centers	Field services	Travels and hospitality	Transportation and shipping	Metallic components	Batteries	Other components	On Schneider Electric sites	Off site and projects execution
Human rights	**Decent workplace**							Medium	Medium	Low	Low	Low	Low	Medium
	Health and Safety		Low	Low	Low	Medium	Medium	Low	Medium	Medium	Medium	Low	Low	High
Environment	**Specific substances management**			Low	Medium	Low	Low			Medium	High	Low	Low	Medium
	Waste and circularity			Low	Medium	Low	Low		Low	Medium	High	Low		Medium
	Energy, CO_2 and GHG emissions	Low	Medium	Medium	High	Medium	Medium	Low	Medium	Medium	Low	Low		Medium
Business conduct	**Ethical business conduct**		Medium			Medium	Low	Medium	Medium	Low	Medium	Low		High
	Whistleblowing	Low	Low	Low	Low	Low	Low	Medium	Medium	Medium	Medium	Medium	Low	Medium
Offer safety and cybersecurity	**Offer safety**					Low	Medium						Low	Medium
	Cybersecurity	Medium	Medium	Low	Low	High	High	High	Medium	Low	Low	Low	Low	High

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

2.8.3 Principles of Responsibility

Please refer to section "Principles of Responsibility" page 112.

2.8.4 Schneider Electric sites main environmental actions

Deployment of environmental actions on Schneider Electric sites is developed in section "Schneider Electric's commitments towards environmental excellence", pages 128 to 150 and covers notably:

- Certification of its sites to ISO standards;
- Schneider Electric specific programs to reduce CO_2 emissions;
- Reduction of SF_6 emissions;
- Schneider Energy Action program for energy efficiency;
- Reduction of waste and increased circularity.

2.8.5 Schneider Electric sites' main health, safety and human rights actions

Deployment of health, safety and human rights actions on Schneider Electric sites is explained in section "Human rights" and in section "Committed to and on behalf of employees", pages 151 to 176 and covers notably:

- Schneider Electric's employees safety;
- Human rights and people development policies;
- Well-being programs.

2.8.6 Cybersecurity

Please refer to section "Digitally Trusted and Secure" page 120.

2.8.7 Vigilance plan for suppliers

2.8.7.1 Supplier risk categories and audit plan

Schneider Electric is conducting a specific evaluation of suppliers. This evaluation covers all natures of risks identified and considers specific parameters such as the type of industrial process used by the suppliers, their technology, and the geographic location of those suppliers. This allows to factor in risks that may arise from a country's specific situation (social, political…).

These parameters are compiled in a third-party independent database (Verisk Maplecroft), with an annual evaluation. Schneider's entire network of tier 1 suppliers (52,000) is processed through this methodology. The Group identified 1,500+ "high risk" suppliers (see graph 1) and targeted to audit 350 of them as part of a three-years audit plan.

~52 000 suppliers

~11,000 suppliers analysed
(~80% of procurement value)

~1,500+ high risk suppliers

350 suppliers targeted for
Three-year on-site audit plan

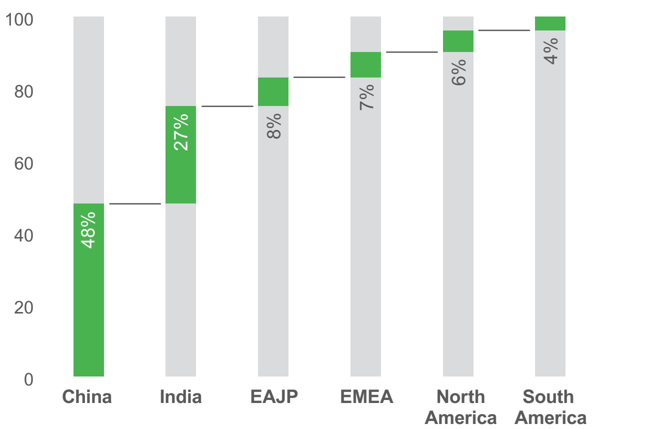
The audit plan was started in 2018. 2019 is the second year of implementation. So far, Schneider Electric is on track with the schedule and planning to complete the 350 audits before end 2020. Schneider's audit questionnaire and audit methodology are fully aligned with the RBA framework (Responsible Business Alliance, ex- EICC, of which Schneider is a member since January 2018). This audit plan is integrated into the Schneider Sustainability Impact (SSI).

In 2019, the Group conducted 124 initial on-site audits with suppliers (see graph 2). Initial audits are the ones conducted for a first time with a supplier, within the scope of the vigilance plan. These audits allow to identify non-conformances and request the supplier to implement corrective actions. 40 re-audits with suppliers already audited have also been conducted to review the corrective actions implemented to remediate non-conformances identified during the initial audit.

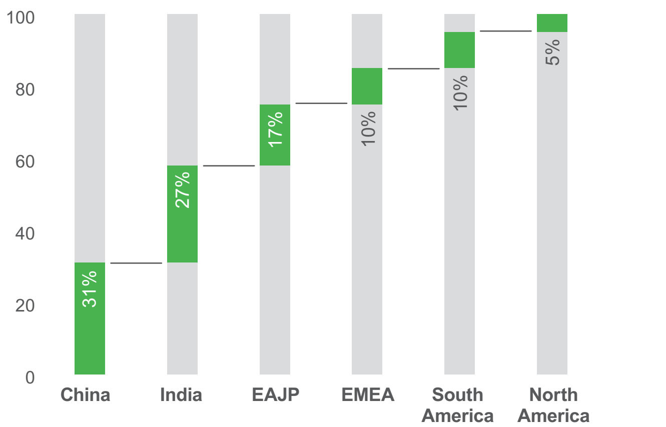
A major part of non-compliance is related to health and safety and labor regulations (38% and 23% respectively). Graph 3 gives the breakdown of non-conformances by topic and graph 4 gives them by geography. An analysis of the 154 "top priority" non-compliance of 2019 shows the following issues are the most recurring. The pattern is similar to 2018:

- **Health and safety** (60% of top priority non-compliance issues): weak emergency procedures, insufficient emergency training issues and preparation drills, insufficient fire alarm and protection systems, lack of medical response equipment and training;
- **Labor standards** (36% of top priorities): respect of working time, resting days (time measurement systems are often insufficient), overtime reporting and payment, formalization of working contracts;
- **Environment and management systems** (4% of top priorities): lack of administrative compliance, management tools and systems, insufficient waste management and pollution prevention systems.

% Risky suppliers – Graph 1

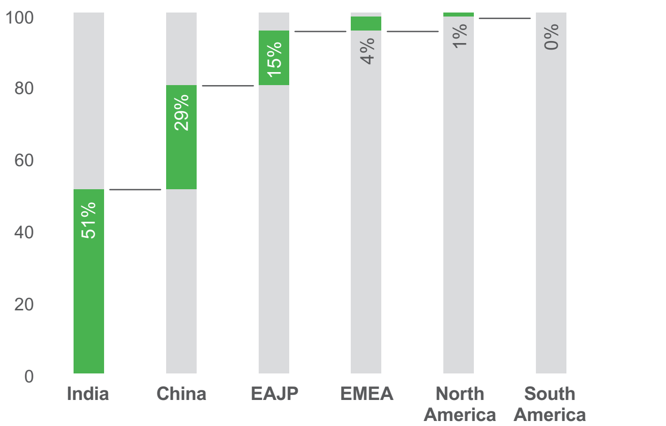


% Audits carried out (2019) – Graph 2



% Non conformances – Graph 3

% Non conformances – Graph 4



SSI#17: 350 suppliers under human rights and environment vigilance received specific on-site assessments

The 3-year program ambition has been elevated from 300 to 350 specific on-site audits, and Schneider Electric is well on track to reach overall target. The 124 initial audits performed in 2019 have allowed to raise 1,745 non-conformances. Out of these non-conformances, 154 are assessed as "top priority", and are given very specific attention during the re-audits of the suppliers. Schneider's objective is to close 100% of all types of non-conformances identified, whatever their priority level.

Suppliers on-site assessments to end 2019

279

2.8.7.2 Remediation and mitigation actions

As of end 2019, Schneider Electric has closed 99.5% of 2018 and 27% of 2019 non-compliances (all types) representing a cumulated rate of 60% over 24 months. Schneider's approach is to help suppliers remediate the issues, by sharing good practices and by providing them with guidance and training. Where non-compliances are not remediated, the Group may stop the relationship. In 2019, two relationships with suppliers have been terminated (four in 2018).

In order to reinforce the coordination between Schneider teams and suppliers on vigilance topics, a specific training program has been implemented. The primary target audience is the Procurement team, and the training modules aim at increasing their knowledge on the natures of risks, so they can integrate these topics early in the discussions with suppliers. At the end of 2019, 300+ employees have taken these trainings. These trainings combine in-class experience with e-learning sessions.

To raise suppliers' awareness, improve their ability to identify risks earlier and implement mitigation solutions, Schneider Electric organized face-to-face workshops dedicated to vigilance subjects. At the end of 2019, 70 supplier teams have attended these events. These sessions include in-class face to face workshops and digital webinars.

2.8.7.3 Other actions

Schneider Electric has deployed a continuous improvement program for its strategic suppliers based on the ISO 26000 standard.

As of today, more than 700 strategic suppliers, representing 70%+ of total strategic purchasing volume have submitted their data and obtained an average score of 54.8pts out of 100. (For reference, the average score of companies in Ecovadis database is 43pts, and Schneider's own score is 80pts).

2.8.8 Contractors for projects execution on customer site

2.8.8.1 Project execution environment

Schneider Electric's products and solutions are usually combined into larger systems such as electricity distribution and energy management in a building or production process automation in a factory. The build-up of such systems can be complex and typically involve several different actors before they are commissioned by end customers. For Schneider, there are two options: to sell components through channel partners who take the responsibility to build and deliver the system; or to build and deliver the system directly for the end customer, as a project. This second option requires coordinating several project contractors (panel manufacturers, system integrators, building contractors…), usually on the premises of the end customer. The common characteristics of these projects are that they happen primarily off-site (mostly on customer premises, existing or future), they involve several different actors, global or local, each bringing their specific added value. Each project is specific, in its size, duration and location. Therefore, the relations with contractors are specific to a contract, and not necessarily recurrent.

2.8.8.2 Vigilance plan specific to the project execution environment

Schneider Electric operates with a pool of project contractors (or "solution suppliers") of more than 8,000 companies. Not all of them may be active during a year. In the course of its supplier risk mapping exercise, Schneider has identified approximatively 110 solution suppliers categorized as "high risk". Schneider current three-year audit plan is targeting 60+ on-site audits of these suppliers (included in the overall 350 target). Between 2018 and 2019, 40 suppliers have already been audited.

2.8.8.3 Main findings and actions

The most recurring non-conformities with high risk solution contractors are: insufficient on-site security measures to protect workers; improvement needed in working conditions; the lack of working contract formalization; respect of working hours and resting days.

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

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

2.8.9 Alert system and whistleblowing

To allow specific alerts to be reported with a high level of confidentiality and to be dealt with at a high level, Schneider Electric relies on an online internal system called Red Line. A similar alert system has been implemented for external cases. This system, called Green Line, is available for external stakeholders including suppliers, subcontractors, customers and business agents. It allows alerts to be raised on issues such as corruption, theft, human trafficking, health & safety, environmental pollution etc. Green Line is managed similarly to the internal alert system Red Line. For more details consult section "Two alert systems to cover all stakeholders" pages 116 to 177.

2.8.10 Governance

The plan is governed by the duty of vigilance Committee, set up in 2017. The Steering Committee meets twice a year in normal circumstances. Overall, since the creation of this instance, nine committee meetings have been held (five in 2017, two in 2018, two in 2019). The Committee's objective is to provide a discussion on strategic orientation, prioritize initiatives and the resources allocated to their implementation. This committee also reviews the actions in progress and their results, and defines decisions on next steps for action.

Composition of the duty of vigilance Committee

Chairman:

- Executive Vice President Global Supply Chain (Executive Committee member)

Management:

- Senior Vice President (SVP), Sustainability
- SVP, Global Safety and Environment
- SVP, Global Procurement
- SVP, Global Customer Projects
- SVP, Ethics and Responsibility

Experts:

- Environment Performance Measurement
- Sustainable Procurement

Human Resources will be represented in this committee in 2020.

2.9 Relations with subcontractors and suppliers

2.9.1 Description of risks and opportunities

Schneider Electric has been involved in an ambitious approach to including sustainable development challenges in supplier selection and working processes. This approach is all the more important as Schneider's Procurement volume represents more than EUR12 billion – and more than 52,000 suppliers.

With a complex global supply chain, there are some potential risks that Schneider Electric is committed to mitigating in the areas of health and safety, human rights, ethics, the environment and sustainable development. Proactively managing upstream supplier risks, through Schneider Electric's Supplier Vigilance, Sustainable Development and Procurement programs & processes also improves the Group's reputation, shareholder value and greatly lowers legislative and business risks.

By working closely with its suppliers to develop their maturity in integrating sustainability, Schneider Electric further de-risks and improves its competitive advantage by continually improving the global supply chain. Other opportunities and benefits include carbon footprint reduction and opportunities to co-innovate sustainable solutions with top suppliers and partners.

2.9.2 How to identify and manage

Schneider Electric has a risk management system to identify and manage critical suppliers, and uses a tool, SRIM – Supplier RIsk Management – to capture risks and ensure the follow-up of identified cases with an extended source.

The Group has also been performing sustainability risks assessments with its own purchasing specialists, supported by its Schneider Supplier Quality Management processes and ISO 26000 assessments for strategic suppliers.

In addition, Schneider is reinforcing its sustainability risk assessment by geography and type of activity as part of its vigilance plan, based on the following categories of risks: human rights, environment, business conduct, offer safety and cybersecurity. In this context, Schneider has performed a risk analysis in 2019 across all its suppliers with the help of a recognized third-party expert mapping tool available through the RBA partnership.

Schneider Electric has also launched its professional alert system for external stakeholders.

2.9.3 Group policy

Since 2004, the Group has been encouraging its suppliers to commit to a sustainable development initiative, first and foremost through measuring the proportion of its purchases made with suppliers who are Global Compact signatories. Since 2012, Schneider Electric has wanted to place itself in a continuous improvement process as well as to follow up with its suppliers by requiring them to make progress according to the ISO 26000 guidelines.

This approach is strengthened by the General Procurement Terms and Conditions which all suppliers must abide by: each supplier undertakes to apply the principles and guidelines of the ISO 26000 international standard, the rules defined in the ISO 14001 standard, and is informed that the energy performance of its supply has been considered as part of the selection criteria. Suppliers also commit to respect all national legislation and regulations, the REACH regulation and the RoHS directives, and, more generally, the laws and regulations relating to the prohibition or restriction of use of certain products or substances. Lastly, suppliers are expected to report the presence and country of origin of any and all conflict minerals supplies in accordance with the requirements of the US Dodd-Frank Act of 2010 known as the "Conflict Minerals" law. In this context, Schneider Electric has a "conflict-free" objective.

Schneider publishes a charter for its suppliers, called the Supplier Guide Book, initially launched in 2016. The first section of this articulates expectations for suppliers on sustainable development in the following five areas: environment, fair and ethical business practices, sustainable procurement, labor practices, and human rights. In 2018, the Group adopted the Responsible Business Alliance (RBA) Code of Conduct for suppliers. The purpose of this is to align Schneider efforts with industry best practice.

2.9.4 Due diligence and results

2.9.4.1 Integration of the sustainable purchases approach in the selection of new suppliers

Schneider Electric uses a qualification process called Schneider Supplier Quality Management to select new suppliers. It is based on an evaluation questionnaire combined with on-site audits by Schneider quality specialists.

It includes two specific sections on sustainability. The following have been chosen as the criteria of evaluation, that are the most relevant areas identified for the business of Schneider:

- People and social responsibility: training, human rights and ISO 26000, health & safety;
- Environment: ISO 14001 and energy savings, EcoDesign, REACH and RoHS, conflict minerals.

Schneider Supplier Quality Management includes four supplier assessment modules. The last being decisive and where sustainable development criteria account for nearly 30% of supplier evaluation. In addition, all of these criteria have a minimum level, below which a supplier cannot be selected to work with Schneider. Schneider carried out 650 audits of this type in 2019. Since 2014, the Group has launched an e-learning program which covers expectations in these fields and defines the documents and proof to be obtained from audited suppliers. In 2017, Schneider Electric has also digitized its supplier approval module tool, making it more efficient and consistent across the organization.

Thanks to this new capability, all newly assessed suppliers have their action plan registered in a central database available to all in real time, making supplier interactions more fluid. These are tracked by Schneider Electric supplier leaders on a monthly or pluri-annual basis depending on the severity of the action plan.

2.9.4.2 Promotion of a continuous improvement process based on the ISO 26000 standard for strategic suppliers

A statement on the importance of sustainable development is made to each major supplier of Schneider Electric by its Group Procurement pilot after the latter has been trained in the approach. For these suppliers, in 2012 Schneider began an initiative that is based on an evaluation carried out by a third party.

Sustainable development has become one of the seven pillars used to measure supplier performance since 2011; allowing the highest-performing suppliers to become "strategic" suppliers. Performance resulting from the third-party evaluation is one of the key points of the sustainable development pillar.

The Group has set out to engage all its strategic suppliers in a process of continuous improvement on this pillar. At the end of 2019, strategic suppliers represented c. 60% of Schneider's purchases volume. Strategic suppliers who have passed the third-party evaluation process cover 70%+ of total strategic purchasing volume.

From 2018, the Group took on the ambitious target of achieving a 5 points out of 100 increase in the average ISO 26000 assessment score of its strategic suppliers between 2018 and 2020 as part of the Schneider Sustainability Impact. In 2019, this target was raised to 5.5 points increase. This indicator of the SSI is integrated into the performance incentive of Procurement employees receiving a bonus. The Schneider Electric strategic supplier ISO 26000 ratings remain one of the key aspects of Schneider's supply chain and Procurement led sustainable development strategy.

The elements of the assessment are now an integral part of the business reviews scheduled between buyers and suppliers, on a quarterly to yearly basis, depending on the suppliers. This monitoring supposes an improvement from the supplier.

SSI#16: 5.5 pts /100 increase in average score of ISO 26000 assessment for our strategic suppliers

In 2019, the average score for 1,000+ strategic suppliers is 54.8/100, up 3.7 points vs 2017, and one of the top performing supply chains measured by the third-party evaluation (Ecovadis). For reference, the average score of companies in Ecovadis database is 43/100, while Schneider's own score is 80/100. This achievement is due to continued prioritization in the strategic sourcing process and desire to continually improve the environmental, labor and human rights, ethics and sustainable procurement aspects of Schneider Electric's supply chain.

Points increase vs 2017

+3.70

In addition to the external assessments, Schneider Electric defined "off-limit" situations which are:

- Employee safety risks
- Environmental pollution
- Child labor

These situations have been identified as material issues in Schneider's supply chain and unacceptable for a supplier of the Group. Each buyer is expected to be alert enough to detect any problem areas related to sustainable development themes when visiting a supplier's site. Off-limit cases must be addressed immediately or escalated using the specifically defined process.

To support this approach, training was made available to Procurement teams: basic training on the ISO 26000 standard for all purchasers is now part of the standard purchaser curriculum; and more advanced training allows employees to learn how to question strategic suppliers during business reviews (whether assessed by a third party or not). For these off-limit situations, Schneider Electric favors a practical training approach, based on case studies, to ensure that purchasers have a clear understanding of situations that are unacceptable per the Group's standards. This also includes how to react if such a situation is encountered by procurement.

Potential detection may come from supplier on-site audits conducted as part of the vigilance plan leveraging RBA guidelines (see previous paragraph): a process is in place for immediate alert towards the Procurement community, including also executives, for escalation and response.

2.9.4.3 Conflict Minerals rule

In August 2012, the SEC (US Security and Exchange Commission) adopted the Conflict Minerals rule as part of the Wall Street Reform and Consumer Protection Act. This rule requires companies to conduct a "reasonable country of minerals' origin inquiry" and due diligence to determine whether "conflict minerals", as defined in the rule, are used in their supply chain.

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

In working towards these commitments, Schneider has taken a number of steps including:

- Updating its Procurement Terms and Conditions to reflect its expectations from suppliers;
- Establishing a "Conflict Minerals Compliance Program" supported and sponsored by its top leadership. This program was developed based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from conflict-affected and high-risk areas and other appropriate international standards;
- Identifying the use of conflict minerals in its products;
- Engaging with its suppliers so that they respond in a timely manner to its requests for evidence of compliance.

Schneider is working with an expert third party, collecting information from its suppliers to identify the source of the minerals in question and ensure they are recognized as "Conflict-Free" within established International standards such as CFSI (Conflict-Free Smelter Initiative), London Bullion Market Association (LBMA) and others.

The Group is aware of the complexity of this task, and that it will take time to collect the required information, but it is committed to contributing to this responsible sourcing initiative as well as responding to its customers' potential concerns. At the end of 2019, the Group confirmed that more than 80% of the relevant purchases are "conflict-free". The remainder are still under analysis, mainly due to the number of lower ranking suppliers who are themselves in the process of developing this initiative.

2.9.4.4 Rollout of eco-responsible initiatives

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

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

Another example is Schneider Electric's commitment to supporting the small and medium enterprises network. This support is given through an approach to work in an adapted manner with certain suppliers. In France, Schneider is a major player in the International SME Pact.

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

3. Schneider Electric's commitments towards environmental excellence

In this section:

Context and goals

Schneider Electric's environmental strategy is both a reflection and an enabler of its profitable growth strategy. 2019 came with confirmed evidence of the speed of climate change, resource depletion and biodiversity losses. Earth Overshoot Day fell on 29 July, earliest ever. 2019 was a tipping point, with students striking, international coalitions and climate change always more evident with extreme weather events. In the corporate sphere, 2019 saw the multiplication of customers strategically seeking environmentally beneficial offers.

Schneider Electric is determined to continue transforming its supply chain and business models, towards a "one-planet prosperity" for all. Schneider is working to adopt lowest-impact operations, while inventing resource efficiency-enabling technologies for its customers. The Group wants to show there is way for companies to 'do good while doing well'. The Group's environmental strategy is built on three pillars: climate, resources and biodiversity.

Key targets and results

Schneider Sustainability Impact 2018-2020

Megatrends and SDGs		2018-2020 programs	2019 progress	2020 target
Climate	1.	Renewable electricity	**50% ▲**	**80%**
	2.	CO_2 efficiency in transportation	**4.1% ▲**	**10%**
	3.	Million metric tons CO_2 saved on our customers' end thanks to EcoStruxure offers	**89 ▲**	**120**
	4.	Increase in turnover for our EcoStruxure Energy and Sustainability Services	**23.8% ▲**	**25%**
Circular economy	5.	Sales under our new Green Premium program	**55.2% ▲**	**75%**
	6.	Sites labeled Towards Zero Waste to Landfill	**193 ▲**	**200**
	7.	Cardboard and pallets for transport packing from recycled or certified sources	**96% ▲**	**100%**
	8.	Metric tons of avoided primary resource consumption through ECOFIT™, recycling, and take-back programs	**97,439 ▲**	**120,000**

▲ 2019 audited indicators.
The 2017 performance serves as a starting point value for the Schneider Sustainability Impact 2018-2020.
Please refer to pages 192 to 196 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 140-141 for indicator 1, 141-142 for indicator 2, 135-136 for indicator 3, 109-110 for indicator 4, 147-149 for indicator 5, 145 for indicator 6, 144 for indicator 7 and 143-144 for indicator 8).

2025

- Carbon neutrality in the Group's operations (scope 1 and 2) by sharply reducing emissions from energy, SF6 and company vehicles, and offsetting remaining emissions ;
- Reach the COP21 goal of carbon neutrality in its expanded ecosystem – 5 years early – by delivering more CO_2 savings to customers than its carbon footprint;
- Phase-out of SF6 in Schneider Electric products.
- Double the quantity of recycled plastics in Schneider Electric products.

2030

- Net-zero operational emissions and reduction of scope 3 emissions by 35% (vs 2017) as part of the Group's validated 1.5°C Science-Based Target;
- Switch to 100% renewable electricity (RE100);
- Double energy productivity vs 2005 (EP100);
- Shift 100% of its company fleet to electric cars (EV100).

2050

Engage with suppliers towards a net-zero supply chain.

3.1. Environmental Strategy

Fifteen years ago, Schneider Electric embarked on a journey to make a positive impact and to deliver incremental year-on-year resource efficiency gains. In last few years, the Group decided to be bolder and dared to disrupt current models. In the Group's industry sector, this means a race towards decarbonization and circularity in everything the Group does, with a determination to support the customers' endeavors in doing the same. With this in mind, an environmental strategy for sustained business performance and contribution to the world's environmental challenges has been structured to allow three forms of "compatibilities" of business development with critical earth boundaries:

- **+1.5 °C climate compatibility:** the determination to build value propositions, business models and supply chains which are +1.5 °C compatible (i.e. allowing the fast decarbonation of operations and customers);
- **One-planet compatibility:** to decouple resource consumption from business growth, the stretch to be as circular as possible (i.e. pushing back "Earth Overshoot Day" by December 31);
- **Life compatibility:** to design products and industrial processes that do not alter life, water or biodiversity (i.e. striving to not harm life directly or indirectly in the extended supply chain).

Put differently, Schneider Electric sees itself and reviews its progress as part of a broader ecosystem: first, how the Group as a company and in its supply chain delivers progress within the limits set out above. Second, how customers are helped to do the same through offers, solutions and services. Third, how Schneider helps the world at large, its cities, buildings, infrastructure, and progresses against the same three factors (climate, resources and life), through customers and the Schneider offers they leverage.

3.1.1 Description of risks and opportunities

This environmental strategy aims at both addressing risks and seizing opportunities. Risks and opportunities are addressed by the following environmental transformations:

Environmental resource productivity (e.g. reduced energy and materials consumption) helps both reduce operating costs and reduce risks related to price volatility and resource availability. This touches resources such as copper, steel, polyamides or cardboard. In 2019, Schneider Electric saw its efficiency efforts and its waste ratios improve.

Decarbonization of operations: with costs assigned today to CO_2 in various parts of the globe (by either regulations, carbon markets, or corporations themselves) in various domains (e.g. electricity, oil, carbon markets and carbon trading schemes, etc.), and expecting this trend to expand, it is critical to drastically reduce CO_2 emissions. Organizations failing to demonstrate active decarbonization may see their value undermined. Conversely, companies that are successful at decarbonizing their supply chains and business models should be more reassuring business partners for customers and investors alike.

Proactive chemical substances substitution is an opportunity, as an increasing proportion of customers expect less hazardous substances in products, and more and more standards and norms come into play. Remaining ahead of regulations, notably REACH, RoHS (EU and China), California's Proposition 65, and distributors' or buildings' specific standards in this space, is paramount. It is both a responsibility and a way to sustain our access to world markets in a leadership position. Such substitution efforts also trigger costly processes, requalification efforts, sourcing efforts, and come with some compliance risks in case not fully executed.

Circular economy innovations: an obsession to avoid wastage, and to reuse, repair, retrofit or recycle translates into cost savings. A circular mindset also triggers process innovations and opens the door to new business models enhancing customer intimacy thus loyalty (e.g. take-back and modernization services). High hopes are placed on circularity as a state of mind as it can transform multiple industries for the better.

Environmental information and footprint transparency, superior environmental compliance: more and more customers, green building standards, distributors and electricians prefer offers with green credentials. It is both a risk, if one is too lenient in this domain, and an opportunity to harness if made an integral part of a deliberate approach. Many building standards, local regulations, mandate or promote offers providing EPDs (Environmental Product Declarations). There is clearly a growing premium assigned to transparency.

Site and property environmental excellence: ill-managed industrial processes can trigger spills and contamination of water, soil and air, and this is clearly a risk for a company as much as for the environment. However, a proactive approach towards site and property environmental risks helps preserve continuity of operations, reduce risks of unexpected legal action and avoid environmental remediation costs. In addition, removal of hazardous and chemicals substances in workshops helps preserve workers' health.

Other risks and opportunities related to the definition of an Environmental Strategy could also have been detailed: risk and opportunity to tarnish or enhance Employee Value Proposition and brand attractiveness to future employees. In 2019, the sustained importance for employees deciding to join Schneider Electric of its commitment to environmental excellence has been particularly reaffirmed. Additionally, the risks and opportunities of an environmental strategy relate to the Group's reputation with analysts, rating agencies, investors, governments, NGOs, civil society, and overall brand image, depending upon our performance.

3. Schneider Electric's commitments towards environmental excellence

3.1.2 Environment strategy 2030 and its pillars

Schneider Electric has defined a clear environmental strategy, defining priority initiatives and related goals across environmental domains, fully aligned with both the Company program and the sustainable growth strategy. At Schneider, environmental considerations go far beyond efforts towards the sustained reduction of the business' footprint on the planet, as they embed everything the Group does, from strategy, R&D, Manufacturing, Procurement, Finance, Human Resources, Transportations, Sales, Marketing, Services, to the way value propositions to customers are spelt out.

The 2020 Schneider Electric environmental strategy was defined in 2015, introduced in previous annual reports, and is structured around six main pillars: CO_2 neutrality strategy in the extended supply chain, resource efficient supply chain, "Waste as Worth" mindset, environmental performance delivered to customers, circular business models and innovations, increasingly stronger environmental governance (suppliers, compliance and products, etc.).

The 2025-2030 Environmental & Climate Strategy has now been defined, it will bring previous strategy to the next level, accelerating Schneider's CO_2, Circular Economy, and Biodiversity related transformations. A key guiding principle of this 2025-30 Environment & Climate strategy will be to embed further CO_2 and resources considerations in everything the Group does, from acquisition, supply chain strategy and network modelling, R&D resources use, and go-to-market. Everyone at Schneider, wherever they operate and in whichever function, must understand and deploy CO_2 and resource efficiency priorities.

Now, briefly introducing below the six components of the environmental strategy, 2019 achievements and key aspirations:

1) **CO_2 and resource strategy towards a climate-compatible and planet-compatible growth path.** A CO_2 strategy and its roadmap (with 2025, 2030 and 2050 time horizons) have been defined, towards "+1.5°C climate compatibility" with a step-by-step decoupling of the growth journey from climate impacts. The Group has received validation for its 2030 target by the Science-Based Target initiative. Furthermore, through efforts in R&D and EcoDesign, a broad range of products has been designed, along with services and solutions delivering measurable CO_2 gains to customers, as the Group's Climate Bond showed. In 2018-19 period, considering only modernization ('brownfield') projects leveraging our technologies, and with a rigorous and conservative calculation methodology, it was externally verified that Schneider Electric helped save more than 89 Mt CO_2 through its customers, enabling absolute emissions reductions compared to previous years.

   Such savings come in addition to our own supply chain decarbonation efforts. Schneider is notably a member of RE100, EP100 and EV100 initiatives to drive operational CO_2 emissions to zero by 2030.

2) **Building an increasingly more sustainable supply chain**. Resource efficiency remains a clear priority. The present report contains specific sections about Schneider initiatives and achievements towards energy efficiency, reduction of transportation and manufacturing externalities, adoption of green best available techniques in its plants and distribution centers. Additionally, key Schneider processes embed environmental considerations, making environmental performance and resource productivity key dimensions of major decisions (e.g. through the SPS/Schneider Production System framework). On the energy front, leveraging the Group's own solutions and expertise, its sites delivered 8.7% energy efficiency gains compared to 2017, which is ahead of the ambitions of 10% gain every three years.

3) **Considering waste as worth.** Schneider Electric drives an "obsession towards zero waste" across its facilities globally, focusing on the largest waste-emitting sites. Waste minimization, reuse, recycling, energy recovery and landfill avoidance have become an integral part of plants and distribution centers' performance scorecards, and constant progress is seen. This year, Schneider is proud to have 193 plants receiving the "Towards Zero Waste to Landfill" designation.

   These efforts in the areas of EcoDesign and industrialization also add to our ability to generate less waste and be smarter with resource use.

4) **Promoting sustainable value-addition to Schneider Electric customers, leveraging the repowered Green Premium™ program.** A growing proportion of customers value the Group's sustainable performance offering and how they clearly benefit from it (e.g. kWh, CO_2, water, costs, low toxicity, superior safety, reparability, longer lifespan, access to markets, etc). Previous features of Green Premium™ until end of 2017 were focused on compliance and transparency. Building on such robust foundations, Schneider repowered its program adding five clear forms of sustainable value addition, to be spelt out for each offer (products, solutions, services), and much more client-centricity. More than 55% of Company revenues in 2019 were made with offers already complying with the new definition of Green Premium™.

   Innovation also touch the 24/7 available MySchneiderApp features, providing access to digitized environmental information (REACH, RoHS, Product Environment Profile/PEP, End-of-Life Instructions/EoLI).

5) **Implementing a circular economy in a variety of ways for Schneider Electric customers' satisfaction.** Schneider circularity expresses itself in many ways. The services help prolong products' lifetime, and help customers enjoy energy management and automation services using fewer resources, 'doing more with less', and for a limited capital expenditure. The Group also grows its services towards the management of its products' end-of-life, for low and medium-voltage equipment, or UPS (Uninterrupted Power Supply) systems, for instance. Circularity is seen as a magnifying glass helping drive further innovation and value-addition for its customers, as well as resource frugality for the benefit of the planet; Schneider took part and led many multi-stakeholder consultations in Europe, the US, China and France on this matter. The partnership with the Ellen MacArthur Foundation CE100 initiative on circular economy helps the Group innovate faster. Schneider was awarded in January 2019 in Davos World Economic Forum, it was worldwide winner of the "The Circulars" competition, in the Multinational Category, and Jean-Pascal Tricoire received this world leadership distinction.

6) **Constantly strengthening environmental governance.** Core to an ambitious environmental strategy is robust governance. Schneider Electric selects and grows its supplier base taking environmental riska and performance into consideration, with more than 1,000 independent assessments, hundreds of field visits and audits, and 279 audits with RBA/Responsible Business Alliance framework.

   Additionally, environmental risks are assessed and mitigated in the supply chain with ISO 14001 certification. Finally, the Group embeds environmental considerations across key functions' processes, such as procurement, capital expenditures, manufacturing, logistics, acquisition, human resources, etc.

3.1.3 Organization

At Group level, the Environment SVP determines the Group's environmental strategy, covering subjects from the definition of green offers and the associated marketing and communication, to environmental actions in manufacturing and logistics. He is in charge of the Group's Resources, CO_2 and Substances strategy.

The network of leaders driving environmental transformations consists of:

- For the design and development of new offers: EcoDesign and environmental managers in each business in charge of integrating key environmental issues into the development of offers and product design, and environmental managers in charge of communicating relevant environmental features to customers;
- For the management of industrial, logistics and large tertiary sites: Safety and Environment Vice-Presidents are nominated in each region, with dedicated teams reporting to them. They are responsible for implementing the Group's policies across all sites in their geographical remit, including plants and distribution centers, as well as some services sites, national and regional headquarters, commercial entities and R&D centers. In each region, managers coordinate teams across a group of sites (clusters), as well as for each site. These environmental and safety leaders are in charge of reporting on performance as well as coordinating progress plans;
- For logistics: the Logistics SVP and his/her teams within the Global Supply Chain Department are in charge of reducing and measuring CO_2 emissions from freight at Group level;
- For countries and commercial entities: environment managers and safety champions are appointed in each country, responsible for local reporting actions where necessary, monitoring regulations, taxes and national opportunities as applicable (e.g. national transcriptions of the WEEE in relation to end-of-life product management, monitoring of RoHS China, etc.), the proactive management of local environmental initiatives, and relations with local stakeholders;
- For the other functions: environmental managers or correspondents, in functions such as: procurement, finance, insurance, marketing, industrialization, security, mergers and acquisitions, sustainable development.

Various governance bodies enable these communities of experts and leaders within the environmental function to meet every month or every quarter, depending on the topics and entities, to ensure consistent adoption of environment policies and standards throughout the Group. To implement these policies, environment leaders coordinate a network of more than 600 managers responsible for the environmental management of sites, countries, product design and marketing.

This network has access to a wide range of resources including directives, standards, policies, best practices, benchmarks, implementation guides, all of which are shared on the dedicated intranet site and databases.

Leading experts in various environmental fields (EcoDesign, energy efficiency, circular economy, CO_2, etc.) are identified globally. Each year, a process recognizes those individuals who have a specific expertise the Company is eager to maintain and grow. Such experts are named Edisons, and there are eight specific domains where such Edisons were identified, one of them being environment. Each year, an Edison Environment is expected to dedicate 10% of his/her time to lead a global initiative related to his/her expertise, such as development of an e-learning course, a new standard, or an innovation.

To educate all employees on environmental issues, and to give them the necessary skills, e-learning modules have been developed on topics such as the circular economy, CO_2 and EcoDesign. Additionally, an Environment Intranet site is accessible by all employees to inform them about our ongoing programs, best practices, results, goals and upcoming deadlines. In 2019, we launched a Company-wide initiative, whereby each of our employee can each day of the year share their suggestion to Green our operations. #ActforGreen in our social network is there for that.

On June 5, 2019 on UN World Environment Day, as has been the case for each year over the last five years, Schneider Electric organized its annual "Global Environment Day" event involving tens of thousands of Group employees across hundreds of sites, inviting them to celebrate and to share innovations in the areas of CO_2 emissions reduction and the circular economy, both internal to the Group and external in association with local communities. The tagline of our Global Environment Day was "A Passion for Green Growth", which summarizes how we see the environment at Schneider.

In 2019, environmental performance has also been reported and discussed in a number of other instances:

- Quarterly reviews with global supply chain leadership;
- Quarterly steering committees with business units, discussing progress on EcoDesign, the Green Premium™ eco-label and product environment stewardship initiatives;
- Multiple *ad hoc* sessions and presentations to the Group Audit Committee, board of directors, Executive Committee, Human Resources Committee and Sustainability Committee.

3.2 Climate strategy towards net-zero CO_2 emissions

3.2.1 Description of risks and opportunities

Global climate science is clear: public and private spheres must work together to reduce global carbon emissions and halt the rise in temperature to below +1.5 °C.

In line with TCFD recommendations, Schneider Electric launched a prospective approach on climate change and energy transition two years ago, by setting up a dedicated organization in charge. The scenarios developed by Schneider demonstrate that a net-zero carbon future, aligned with IPCC's 1.5°C scenarios, is possible and the Group is uniquely positioned to embark its ecosystem onto an inclusive, low-carbon transition. The Group sees the energy and climate transition as an opportunity for companies which are "part of the solution" to grow their revenues. Schneider's energy management and industrial automation help customers deliver energy and resource efficiency and reduce CO_2 emissions. Furthermore, smart grid technologies unlock the potential to electrify energy usage, powered by renewable electricity.

Climate risks identified in the short, medium and long term are related to climate mitigation and adaptation:

- Volatility of energy and commodity prices and regulation strengthening will generate increasing and volatile operating and investment costs along Schneider's value chain, impacting both Schneider's expenditures and that of its suppliers. This can translate into an increase of the cost of goods sold and reduced margins. This risk can be mitigated by securing low-carbon and resilient sources of supply, increasing resource-efficiency, and increasing resale prices along the value chain. In addition, physical assets are retrofitted for resource-efficiency, as competition with new built efficient infrastructure will increase. For instance, energy-efficient and digital buildings provide superior comfort to users while lowering operating costs, which translates into higher asset value.
- Schneider also considers the possible financial impacts of future CO_2 costs on its activity, looking both at operational (scopes 1 and 2) and supply chain (scope 3) footprints. Given the relatively low level of the Group's scopes 1 and 2 carbon emissions, carbon pricing rather has indirect than direct impacts, resulting in increased costs from the supply chain, especially in the purchasing of raw materials and manufactured components containing metals and plastics. A carbon tax at EUR30 / ton of CO_2 is estimated to have an impact on the Group up to +EUR230m globally (incl. direct and indirect impacts).
- Climate change mitigation will lead to regulation strengthening, which can disrupt markets. For instance, SF6-insulated switchgear can have a significant impact on climate change if SF6 is mishandled at the end of life of the equipment and leaks into the atmosphere. Schneider strives to anticipate regulation changes and launched a SF6-free air-insulated medium voltage switchgear in 2019.
- Extreme weather events, floods, droughts, and other climate impacts will increasingly put pressure onto supply chains. Shortage can translate directly into revenue loss (missed orders), increased costs (urgent shipping) and increased working capital requirements (stock management). Extreme events can also cause damage to property and assets. This risk can be mitigated by adopting a flexible and resilient supply chain, with the ability to rebalance supply and manufacturing.

3.2.2 Group policy

Schneider Electric has been a leading contributor to the fight against climate change for the past 15 years by implementing its own energy management and industrial automation services across operations, by supporting its clients in achieving their low-carbon and efficiency objectives and by allowing more than 27 million people to gain access to electricity. Schneider also takes an active part in a variety of multi-stakeholder organizations to promote solutions to climate change, call for a price to CO_2 and strengthen CO_2 governance globally. Finally, Schneider contributes since 2011 to the Livelihoods funds, which proposes innovative investment models to simultaneously address environmental degradation, climate change and rural poverty, while helping businesses become more sustainable.

In its new Principles of Responsibility, launched in 2019, Schneider adopts an unequivocal position regarding impact on climate change and CO_2 emissions. At COP25, the Group reaffirmed its ambition to be a role model in the fight against climate change, by sharply decarbonizing its own operations and by delivering services and solutions that allow its customers to reduce more CO_2 emissions than those produced by its activity. Climate ambitions are defined for 2025, 2030 and 2050:

- Be carbon neutral in the Group's operations by offsetting remaining emissions no later than 2025;
- Reach the COP21 goal of carbon neutrality in its expanded ecosystem by 2025 – 5 years early – by delivering more CO_2 savings to customers than its carbon footprint;
- Achieve net-zero operational emissions and reduce scope 3 emissions by 35% by 2030 (vs 2017) as part of its validated 1.5°C Science-Based Target;
- Engage with suppliers towards a net-zero supply chain by 2050.

These commitments were taken as part of the "Business Ambition for 1.5°C – Our Only Future". Since 2018, Schneider is one of the 15 companies (out of 4,500+ signatories) to join the Global Compact LEAD initiative "Pathways to Low-Carbon and Resilient Development" to proactively share best practices in sustainable climate strategies.

2025

Being carbon neutral in operations by offsetting remaining emissions

Reaching carbon neutrality in expanded ecosystem

2030

Achieving net-zero operational emissions
Reducing scope 3 emissions by 35% vs 2017
Part of 1.5°C Science-Based Target

2050

Engaging with suppliers towards a net-zero supply chain

In 2019, Schneider Electric continued to drive climate change engagement, in Davos, at One Planet Summit in Nairobi, at the UN Climate Action Summit in New York, and at COP25 in Madrid. The Group also contributed to the ZEN 2050 study – Imagining and building a carbon-neutral France – published in July 2019. The Group was one of the 99 French companies signing the French Business Climate Pledge, collectively expecting at least EUR73 billion of industrial investments and R&D in renewable energy, energy efficiency, the deployment of sustainable farming practices and other low-carbon technologies, from 2020 to 2023. Note that following the publication of the Pledge in August 2019, Schneider announced increased climate ambitions at Climate Week in New York.

The Group's progress against climate-related targets is notably reviewed during the Carbon Committee, Sustainability Executive Committee and HR & CSR Committee and specific programs are tracked quarterly as part of Schneider Sustainability Impact.

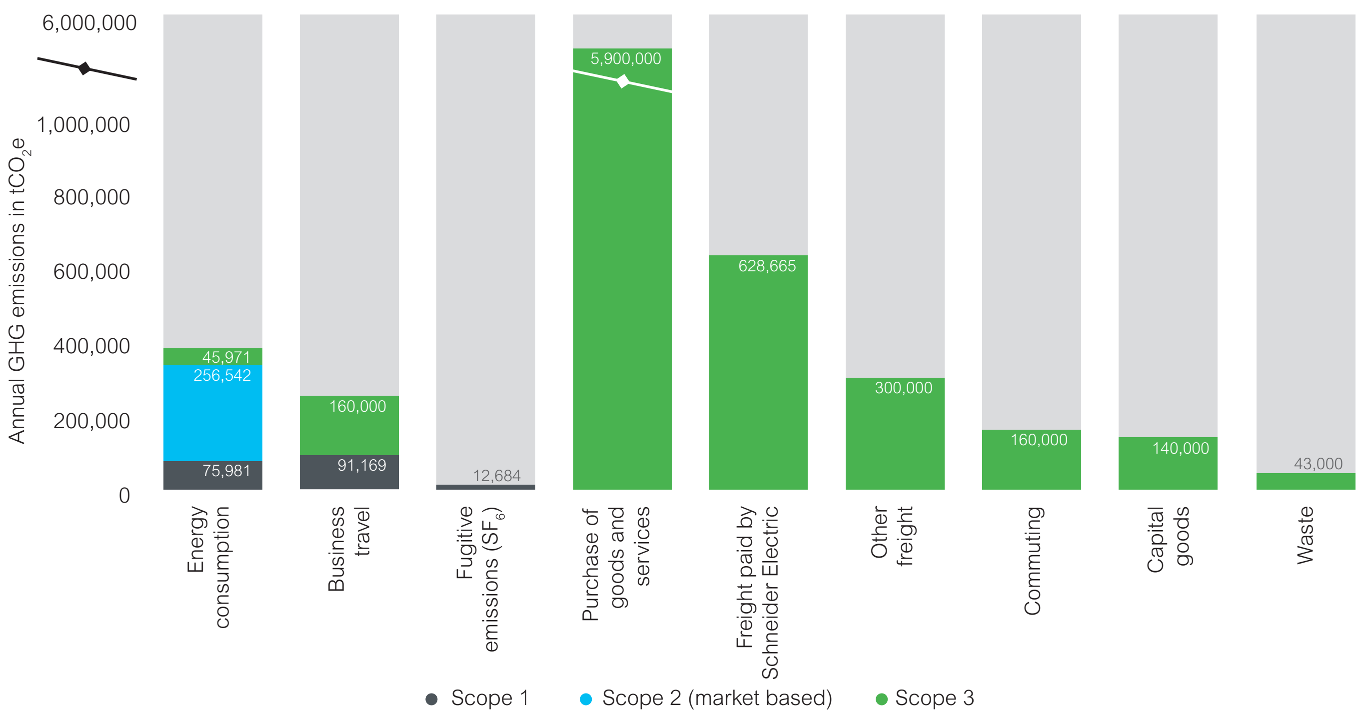
3.2.3 Due diligence and results

3.2.3.1 CO_2 footprint

Schneider Electric updates its scope 1 and 2 carbon footprint annually, and scope 3 emissions annually or every three years (depending on the source of emission). Its industrial carbon footprint (i.e. scopes 1, 2 and 3 upstream, as per the Greenhouse Gas Protocol, excluding use and end-of-life of products sold) enables the Group to quantify and reduce CO_2 emissions from its supply chain, adopting a cradle to gate view. Scope 3 emissions represent around 90% of the Group's industrial carbon footprint, mainly from the purchase of raw materials, equipment and services to its suppliers. Emissions produced, saved and avoided by Schneider's products and services during their use phase and end-of-life are also quantified (see next section).

The diagram below represents Schneider's 2019 industrial carbon footprint on scopes 1, 2 and 3 upstream, including all greenhouse gas emissions from the upstream activity of all its suppliers to the downstream logistics activity to distribute its products to customers.

Schneider Electric's 2019 industrial carbon footprint



Coverage of reported emissions is 100% for energy, fugitive SF6 emissions, waste, purchases, capital goods, commuting, travel and freight (coverage is estimated using a relevant activity indicator for each source of emissions, such as spend for purchases and business travel, surface for energy and capital goods, headcount for commuting and waste, etc.). Schneider reports no GHG emissions on franchises, investments, downstream leased assets, because these emissions are considered not relevant for our activities.

For a broader vision of Schneider's carbon footprint, covering the entire products life cycle, the use phase and end of life of the products must also be taken into account. During the use phase, the emissions induced and saved by the Group's offers to its customers are measured using the methodology described in paragraph "3.2.3.5. CO_2 savings delivered at every layer of EcoStruxure". End-of-life emissions from products sold were estimated in 2019 at 4.6 million tonnes of CO_2e. These data are declared each year in the CDP Climate questionnaire, which is publicly available.

3. Schneider Electric's commitments towards environmental excellence

3.2.3.2 Net-zero CO_2 emissions in operations by 2030

To deliver its net-zero scope 1 and 2 2030 target, validated in 2019 by the Science-Based Targets initiative, the Group has launched several ambitious transformations, such as the phase-out of SF6 in its products by 2025, and the switch to 100% renewable electricity, the doubling of energy productivity and the shift to 100% electric cars in the Company fleet by 2030. The Group leverages its power and building EcoStruxure IoT architectures to deliver these ambitions, to monitor and optimize energy consumption, manage assets and grid infrastructure, manage distributed renewable energy resources and electricity load, monitor energy quality and power electric vehicles. The initiatives to deliver these targets are described in the eco-efficient manufacturing section (pages 137 to 142).

Thanks to Schneider Electric's energy efficiency and renewable strategies, the Group has achieved significant CO_2 emissions reduction in absolute terms in 2019 versus 2017 baseline: scope 1 and 2 operational emissions have reduced from 698,162 tCO_2e to 436,376 tCO_2e, which is an absolute reduction of 261,786 tCO_2e, and a -37% decrease. In 2019, Schneider operated 13 carbon neutral sites in six countries (as per WBCSD Green Building Council definition).

3.2.3.3 Towards net-zero CO_2 emissions in supply chain by 2050

Going further, Schneider Electric is committed to engaging suppliers towards a net-zero CO_2 in supply chain by 2050, in line with 1.5°C climate scenarios. Schneider is already taking concrete action to:

- Reduce purchasing-related CO_2 emissions with EcoDesign™ to improve the end-to-end lifecycle environmental footprint of its offers, notably by reducing and substituting materials and components embedded in products. Two flagship initiatives are to double the quantity of recycled plastics in products by 2025 and source 100% of transport cardboard and pallets from recycled or certified sources by 2020;
- Reduce CO_2 emissions from freight and logistics activities, by shifting from air to sea freight and optimizing fill rates and travel routes. The reduction of CO_2 intensity of freight has been part of the Schneider Sustainability Impact since 2012;
- Reduce CO_2 emissions from waste management, with its "Waste as Worth" program. Since 2012, Schneider has increased its waste recovery ratio by +8% to 95%, meaning that over 11,000 tons of waste were diverted from landfill in 2019 compared to our 2012 performance – more than the weight of the Eiffel Tower. In 2019, 193 sites achieved the 'Towards Zero Waste to Landfill' designation;
- Reduce CO_2 emissions from travel and commuting, with the development of digital solutions such as messaging, web audio, video conference and remote collaborative brainstorming tools. (see Circular economy section);
- Reduce CO_2 emissions from capital goods, by optimizing real estate space occupancy. Indeed, by using existing building surfaces more efficiently, it is possible to deliver more value from existing assets and limit the need to build new infrastructure. Saved surfaces translate directly into lower CO_2 emissions, as well as spared natural habitats and agricultural land.

By 2050, achieving net-zero CO_2 emissions in supply chain will require to work transversally with all stakeholders, from product design, to sourcing, manufacturing and shipping. Schneider works to embed the net-zero CO_2 emissions ambition in its business and industrial strategy. For instance, Schneider considers future CO_2 prices in network modelling strategy. The Group also focuses on co-innovating with suppliers. In 2018 and 2019, the Group co-developed a state-of-the-art CO_2 tracking digital solution for freight with a world-leading logistics company, enabling this supplier to commercialize a new offer on the market.

3.2.3.4 Climate-related scenarios embedded in the Group's strategy

Schneider Electric has built a scenario planning function and roadmap since 2018.

This exercise led to the creation of several scenarios to 2040, developed following an inductive methodology approach. These scenarios include critical reviews of the geopolitical landscape, commodity and resources availability, economic and financial evolutions, climate sensitivity and evolving policies, energy transition pathways and technology developments, among others.

The consequences on the energy transition are quantified, looking at ten regions and a number of sectors individually, framing the business landscape in which Schneider operates. Key findings are regularly cross-checked with new publications, particularly the ones from the International Energy Agency, among others, on a regular basis.

Governance is in place, under the leadership of the Chief Strategy Officer, and this exercise is shared internally and used to inform strategic priorities across business and operations.

Across all scenarios, a key takeaway is the dominant role of:

- Efficiency: a critical enabler for decarbonization, resiliency and security;
- Electrification: the world is becoming more electric, with 2x growth against other sources of energy;
- Digitization: with the increase in connectivity, complemented by real-time information and competitive computing capabilities, digital technologies play a major role in reaching decarbonization targets while augmenting economic productivity.

Based on these inputs and findings, and by estimating the financial impact such scenarios may have on our business (as risks or as opportunities), we have identified key development areas that allow us to actively contribute to the low-carbon transition. These scenarios hence heavily drive our business strategy in terms of investments (R&D, incubation, efficiency), and enable us to develop our sustainability portfolio of offers (for instance we target 75% of revenues from Green Premium™ products, solutions and services by 2020).

In 2019, Green Revenues represent around 70% of the Group's total revenues and 100% of Schneider's innovation projects are aligned with its purpose, more than 90% being either strictly green or neutral, all according to the definitions presented page 111.

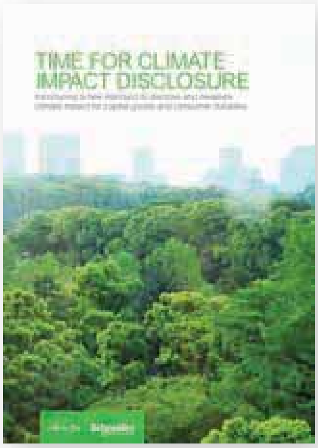
3.2.3.5 CO_2 savings delivered at every layer of EcoStruxure

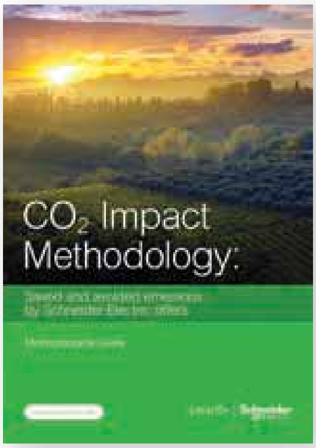
With EcoStruxure, our IoT-enabled architecture, Schneider Electric helps companies become more efficient and reduce their CO_2 emissions. To demonstrate this positive impact, a new indicator was launched in 2018 to quantify CO_2 savings delivered to customers through the use of Schneider offers. From 2018 to 2019, Schneider solutions helped its customers save 89 million tons of CO_2e.

Schneider has created an innovative CO_2 accounting methodology to quantify CO_2 savings delivered to customers. This methodology allows us to quantify CO_2 induced and saved by our solutions at our customers' premises. Detailed calculation rules are defined per offer, leveraging sales data, market expertise and technical knowledge. Emission savings are net emissions (savings are netted from use-phase caused emissions) and consider solely savings delivered on brownfield (retrofit) projects.

The methodology is designed to become a shared industry standard, its principles are applicable across capital goods and consumer durables sectors. Attention was given to define rigorous calculations, with conservative assumptions. The methodology is public and was developed with an expert CO_2 accounting consulting company, Carbone 4.

Time for Climate Impact Disclosure white paper and CO_2 Impact Methodology guide





3.2.3.6 Internal CO_2 price

To lead the global transition to a low-carbon economy, Schneider Electric calls for policymakers to define robust and predictable carbon pricing for companies, enabling companies to integrate collaterals on climate in their strategy. A high and stable price on carbon will strengthen incentives to invest in sustainable technologies and to change behaviors.

At Schneider, an internal price on carbon is used to embed CO_2 externally in decision making and strategy.

First, an internal CO_2 price is used to assess the performance and resiliency of operations. The cost of CO_2 is evaluated for industrial activities, looking at CO_2 emissions from energy consumption, SF6 leaks and road freight per region. CO_2 cost is also embedded in industrial network modelling to account for future CO_2 prices in industrial decisions. For this analysis, a short-term price of €30/tCO_2 and a long-term price of €130/tCO_2 are used. This enables measurement of the potential impact of CO_2 pricing on the Group's supply chain and review of progress against the CO_2 reduction targets. Second, an implicit price to carbon has been adopted for over ten years, through the Group's three flagship programs to reduce scope 1 and 2 emissions: energy efficiency, renewable energy and SF6 leaks reduction. These programs are evaluated against a conventional price of CO_2 of €30/tCO_2, to assess whether the investment and reduction efforts are in line with the cost of CO_2 externally. Schneider views internal CO_2 pricing as a useful tool to reinforce its governance and external commitments on CO_2.

30-130 €/tCO_2

Internal CO_2 price

3. Schneider Electric's commitments towards environmental excellence

SSI#3: 120 million tons of CO_2 saved on our customers' end thanks to our EcoStruxure offers

CO_2 savings are delivered at every layer of EcoStruxure. For instance, Building Management Systems (BMS) monitor, control and optimize buildings' performance throughout its lifecycle. This drives occupancy productivity as well as energy savings. In 2018 and 2019, Schneider Electric's BMS sales enabled customers to save 2.7 million tons of CO_2e.

More about Schneider's BMS

Million tons CO_2 saved since 2018

89

Our ambition is to prove

'More Schneider is a better climate':

120m tons CO_2

saved through our EcoStruxure™ offers (2018 to 2020)

Annual savings are equivalent to:

5m people in the EU

20m hectares of US forest

EcoStruxure™
Innovation At Every Level

Apps, analytics and services	Leverage IOT data to identify additional energy efficiency opportunities, increase the lifetime of assets, optimize maintenance services and boost demand flexibility.	**CO_2 savings in the ecosystem** Example: Power purchase agreements (PPA)	
Edge control	Manage on-site operations, with day-to-day optimization of energy consumption through remote access and advanced automation.	**CO_2 savings in the building or industrial process** Example: Building Management System	
Connected products	Connected products are Eco-Designed to improve their efficiency and deliver electricity savings.	**CO_2 savings of the product** Example: Variable Speed Drive (VSD)	

3.3 Eco-efficient manufacturing

3.3.1 Description of risks and opportunities

Environmental risks related to manufacturing include soil, water, and air contamination. For instance, release of hazardous substances can be harmful for fauna, flora, and human health, as well as disrupt continuity of operations and tarnish reputations.

"Resource and energy efficiency", Schneider Electric's mantra, delivers not only financial savings, but also limits the Group's exposure to commodity-price volatility and shortage risks. The risk extends to the reliability of the energy a facility relies on to maintain production. CO_2 emissions pose a threat environmentally and are subject to additional costs as carbon taxes become implemented. Facilities and industrial assets themselves are also at risk of acute and chronic climate events which can disrupt the supply chain and endanger lives.

By using lean and clean eco-efficient operations, Schneider can outperform competitors and avoid numerous risks. Schneider believes environmental performance is a powerful tool to innovate towards a more efficient and resilient supply chain and generate bottom-line savings. By using its own EcoStruxure architecture to achieve this ambition, the Group also showcases carbon efficient architectures to its customers.

3.3.2 Group policy

Schneider Electric continuously works towards a greener supply chain to protect the environment, decouple its activity from the consumption of natural resources and innovate to build a more 'circular' supply chain. These ambitions are embedded in its supply chain transformation named "Tailored Sustainable Connected supply chain 4.0" (TSC 4.0), as one of the pillars called "Care for People and Planet". Flagship programs include delivering energy efficiency with the EcoStruxure solutions, powering its facilities with renewable energy, minimizing its landfill waste through the Towards Zero Waste to Landfill (TZWL) program, sustainably sourcing its cardboard and pallets for transport, and reducing CO_2 emissions generated by transportation. The Group also partners with its suppliers to extend its environmental ambitions to its upstream supply chain.

Our 2020 sustainable supply chain ambitions

Clean and safe facilites

0 serious and fatal accidents

100% of applicable sites certified with ISO 14001, ISO 50001 and ISO 45001

Carbon light and digital

80% of electricity comes from renewable sources

100% of sites deliver energy savings, leveraging EcoStruxure Power and EcoStruxure Resource Advisor

Resource efficient and circular

95% waste recovery rate

200 sites on the way towards zero waste to landfill

100% of regions with circular supply chain innovations

3. Schneider Electric's commitments towards environmental excellence

Schneider Electric has issued two global policies that drive eco-efficiency performance, the Environment Policy and the Energy Policy. Regarding eco-efficient manufacturing, it is the Group's goal to:

- Protect the environment, prevent pollution and limit emissions;
- Continuously improve the environmental management system and meet our compliance obligations;
- Decouple the supply chain from natural resource consumption;
- Invent circular business models and supply chain loops;
- Extend environmental ambitions to suppliers and partners; and
- Spread a culture of environmental excellence in the Company.

Regarding energy management, it is the Group's goal to:

- Reduce the energy intensity of its operations, sustainably decoupling energy consumption from activity growth;
- Reduce the CO_2 intensity of energy consumption, and CO_2 footprint in absolute terms, in line with the Group's commitments against climate change;
- Adopt Schneider Electric's own Energy Management and Automation EcoStruxure solutions wherever possible, to showcase its solutions for customers and business partners, and help embark them onto an energy excellence journey.

Climate and Energy

	-250,000	50%	30%	13
	tCO2 reduced in 2019 (scope 1 and 2) since 2017	renewable electricity in 2019	energy efficiency since 2010	carbon neutral sites in 2019
Target	**Net-zero CO_2 on operational scope by 2030**	**80% target in 2020**	**Rolling target of -3.3% each year**	**All sites in 2025**

Waste and Water

	95%	193	-13%
	waste recovery	Towards Zero Waste to Landfill sites	water intensity since 2017
Target	**95% target in 2020**	**200 sites in 2020**	**-5% target in 2020 vs 2017**

3.3.3 Due diligence and results

3.3.3.1 Environmental risk management and prevention

The Group takes a proactive approach to managing environmental liabilities and risks. Environmental regulatory compliance, environmental management systems and continuous improvement are the foundation of the Group's environmental risk management and prevention program for current, former and prospective operations.

On this topic, a number of initiatives are in place, and major ones which were again executed in 2019 can be thrown light on:

- The Integrated Management System (IMS) covers the Group's supply chain sites (plants, distribution centers, large offices) and hosts ISO 14001, ISO 50001, ISO 9001, and OSHAS 18000/ISO 45001 compliance management systems. Each site is audited periodically, either externally by Bureau Veritas (every three years), or internally. Such a program is a key pillar towards robust environmental governance;
- The phase 2 of our CLEARR program (Company-wide Look at Environmental Assessment and Risk Review) was successfully rolled-out, with investigations on top sites with historical and current potential environmental risks;
- Periodical environmental risk and provisions reviews are done locally with Finance and Legal function;
- Risks and mitigation actions are presented to the board's Audit Committee;
- Schneider Electric's Company-wide risk repository reflects its biggest environmental risks (on suppliers, products, sites and customer projects);
- As part of mergers, acquisitions and disposals, thorough environmental due diligence of sites is conducted where chemicals are or have been used. Any environmental risks or liabilities identified are addressed through proper risk management activities.

Historical environmental liabilities are managed on a regional level to ensure local expertise, regulatory knowledge and cultural awareness is applied. Using external consultants, known environmental issues are thoroughly investigated, and if appropriate, remediated or otherwise managed through engineered or institutional controls to reduce potential risks to non-significant levels and in compliance with local regulations.

In addition, Schneider Electric uses third-party services to assess each of its key site's risk profile, in relation to a certain number of external risks such as fire, earthquake, flooding and other natural disaster events. Through this process and our Business Continuity Planning efforts, Schneider endeavors to gauge related risks and anticipate possible steps which would be required. With around 200 plants globally, the footprint is balanced geographically. The nature of the Group's manufacturing processes (mainly assembly) allows rebalancing of manufacturing lines in a fairly prompt manner, if needed.

During 2019, no new material environmental impacts were identified. Furthermore, no Schneider sites are Seveso classified.

3.3.3.2 ISO 14001 and ISO 50001 certification

ISO 14001 certification allows us to define and sustain robust environment governance at sites, fostering continuous improvement to deliver environmental performance. As soon as the ISO 14001 environmental management standard was published in 1996, Schneider Electric decided to certify its sites. The Group certifies all industrial and logistics sites comprised of more than 50 employees within two years of their acquisition or creation, and all large tertiary sites of more than 500 employees. 241 sites are certified ISO 14001 as of the end of 2019, representing approximately 71% of the Group scope based on the share of site surfaces, 80% of the Group scope in terms of energy consumption and over 90% of the Group scope in terms of water consumption, waste generation and VOC emissions.

The Group's environmental reporting scope and targets are based on all ISO 14001 sites. Environment reporting metrics are shown in the table on pages 201-204 and include energy consumption, scope 1 and 2 CO_2 emissions, waste generation, water consumption, VOC emissions and headcount included at ISO 14001 sites.

Schneider also leverages ISO 50001 certification to drive energy excellence, focusing on the highest energy-consuming sites. ISO 50001 certification is complementary to ISO 14001 certification and enables us to define and sustain robust energy governance. With the support of this certification, the sites are equipped to understand and reduce their energy footprint. The Group ambitions to ISO 50001 certify all sites consuming over 5GWh per year. End 2019, 153 sites were certified ISO 50001.

ISO 14001

ISO 50001 ENERGY MANAGEMENT

3.3.3.3 Energy Action program: delivering efficiency from the inside out

Schneider Electric leverages the power of its EcoStruxure™ architecture to deliver energy savings and uses its own sites as showcases for customers and business partners.

In smart factories and distribution centres, the Group implements the three-layer power and building EcoStruxure™ architecture, with connected meters and sensors to monitor energy consumption and quality, edge control power monitoring software to optimize daily operations and analytics and services to benchmark performance and optimize energy and maintenance. Asset Performance Management also enables us to optimize operations and maintenance, for maximum uptime and longevity. Four of Schneider's smart factories have been designated as "lighthouses of the fourth industrial revolution" by the World Economic Forum, in China, France, Indonesia and Mexico. The Group targets to have over 100 smart factories and DCs by 2020.

Digital management of energy in SSIC factory, China, using Power Monitoring Expert™

In offices, Schneider's EcoStruxure solutions Building and Workplace Advisor enable analytics of BMS data alongside space, utilization, and comfort metrics. These smart solutions enable the Group and site leaders to actively benchmark and develop occupancy and facility management strategies to ensure we are continually right sizing our footprint and site occupation to keep energy consumption and resultant emissions to a minimum, while reducing cost and improving employee experience and comfort.

3. Schneider Electric's commitments towards environmental excellence

Spotlight: Andover R&D Center in Andover, Massachusetts

The building has around 830 residents and is certified by LEED design (Leadership in Energy and Environmental Design standard) and by ISO 50001. This site is complementary to Schneider Electric's office hub opened in downtown Boston in 2019, with a wide variety of collaborative spaces that increase interactivity and productivity, for higher engagement between employees and customers. It has over USD11 million worth of Schneider products installed, notably with cutting edge solutions for energy management, such as EcoStruxure Resource Advisor, EcoStruxure Microgrid Advisor, EcoStruxure Power Monitoring Expert, EcoStruxure Building Operation.

Global, regional and site energy reporting is delivered with the Resource Advisor software suite. Resource Advisor provides a data visualization and analysis application that aggregates volumes of raw energy data into actionable information. As a cloud-based software as a service (SaaS) model, it provides reduced solution costs, increased data storage capacity, and a flexible and mobile energy solution enhanced by Schneider expert services.

The Group demonstrates its energy efficiency commitment by being a member of EP100 (Energy Productivity 100), a Group climate initiative. The target is to double energy productivity by 2030 against the 2005 baseline, meaning double the economic output from every unit of energy consumed within 25 years. In 2019, the Group has already achieved a 54% reduction against the 2005 baseline.

EP 100

In general, Schneider Electric sites are low consumers of energy compared with other industries, because industrial processes are discrete and assembled. Schneider Energy Action program uses site energy experts along with Schneider's Energy and Sustainability Services (ESS) team to report and analyze energy consumption, to identify energy savings opportunities and to deploy actions. Since 2005, Schneider has fixed annual objectives for energy efficiency each year, as part of the Schneider Energy Action program. The Group has met or exceeded its energy efficiency goals during the past three Company programs (2009-2011, 2012-2014 and 2015-2017), by achieving 10%, 13% and 10%, respectively, totalling over 30% reduction over the past nine years.

The 2018-2020 Company program ambitions to reduce energy consumption by a further 10% over three years compared to 2017. At the end of 2019, this program will have enabled the following achievements:

- 8.7% reduction in energy consumption compared to 2017 (climate and level of production standardized) for the 230 sites with the highest consumption, covering 82% of the total energy consumption published by the Group;
- About EUR8.5 million and 110 million kWh were saved in 2019 compared to 2017 baseline, thanks to the 8.7% energy savings;
- About EUR12 million was invested, of which EUR11.5 million in capital costs and EUR0.5 million in operating costs.

3.3.3.4 100% renewable electricity by 2030

In 2017, Schneider Electric joined RE100 and committed to source 100% of electricity from renewables by 2030, with an intermediary target of 80% by 2020. In 2019, the Group sourced 50% of electricity from renewable sources, up from 2% in 2017 and 30% in 2018. To deliver its target, the Group leverages four complementary tools: green tariffs, renewable certificates, power purchase agreements and on-site generation.

RE 100

Many benefits are seen from this commitment. First and foremost, going green is deeply aligned with the strategy. Schneider wants to be part of corporate actors who shape the future energy landscape, its own sites producing and consuming renewable electricity. Second, renewable sourcing is an important pillar to drastically cut CO_2 emissions from the Group's operations, following a 1.5°C trajectory in line with Science-Based Targets. Third, because it makes good business sense. Renewable supply enables in many cases the delivery of savings on electricity costs. It is also a way to diversify energy supply risks and reduce exposure to the volatility of market prices. Also, in some developing countries, microgrid technologies coupled with renewables can enable the securing of power supply and reducing downtime risks. Four, because the Group wants to demonstrate the value added of its own technologies and solutions, by showcasing EcoStruxure Microgrid IoT architecture in its own sites. Sites leverage Schneider's connected inverters, MCCBs and transformers to connect onsite solar panels to the grid and use the energy and microgrid software to manage energy production and consumption. Schneider also leverages the expertise of Energy Sustainability Services consulting teams to deliver this transformation.

SSI#1: 80% renewable electricity

In just two years, the renewable commitment has deeply transformed our electricity sourcing strategy. For instance, in Mexico, a renewable Power Purchase Agreement (PPA) was signed, delivering over 20 GWh of green electricity to seven facilities.

% renewable electricity in 2019

50%

Solar on-site power station in Schneider Electric SBMLV factory in China, commissioned in 2019.

3.3.3.5 Towards 100% electric vehicles in the car fleet

Part of Schneider Electric's climate strategy, we investigate opportunities to improve accessibility of sites, with commuting shuttles, secure bicycle storage, personal lockers and changing areas, and pedestrian friendly access paths connecting to local routes. Schneider also promotes flexible working to avoid thousands of unnecessary or avoidable trips generating travel-led emissions by enabling employees to connect remotely, to work from home and at/from customer sites.

End of 2019, Schneider accelerated its efforts to cut CO_2 emissions from transport with the commitment to switch to 100% electric cars by 2030. The Group demonstrates this commitment by being a member of EV100, a global initiative bringing together forward-looking companies committed to accelerating the transition to electric vehicles (EVs) and making electric transport the new normal by 2030.

EV 100

3.3.3.6 Reduction of SF6 emissions

All Schneider Electric manufacturing plants and R&D laboratories handling SF6 gas in their processes are managing the reduction of SF6 emissions during the different phases of their activities. Notably, the seal testing processes of the products are mainly done with helium instead of SF6. This method ensures that no emissions are coming from non-compliant enclosures during the production time.

The SF6 leakage rate is still decreasing: from 4% in 2008, the global rate was 0.24% by end 2019. This SF6 leakage reduction enabled savings of 2,188 tons of CO_2 equivalent in 2019 vs. 2017. A worldwide community of SF6 experts is sharing best practices for processes, including procedures, equipment and training. Thanks to this global activity and to the commissioning of efficient equipment, Schneider is in line with the 0.25% target set for 2020.

By 2025, Schneider ambitions to phase out SF6 from its products entirely. In 2019, the Group launched a breakthrough innovation, with new SF6-free medium voltage switchgears.

3.3.3.7 CO_2 efficiency in transportation

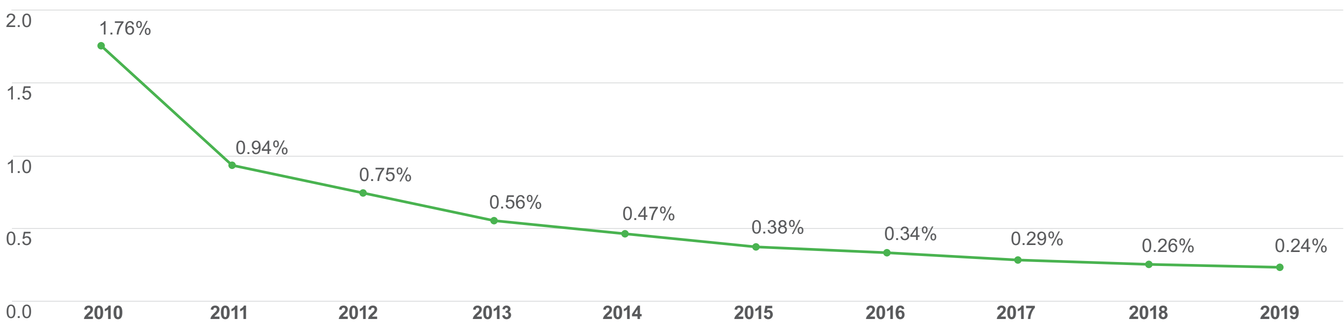
Schneider Electric utilizes a robust transport network to connect its factories, distribution centers and to deliver to its customers. The related CO_2 emissions are part of the scope 3 emissions of the Group's carbon footprint (downstream freight, following GHG protocol) as this activity is performed by transport suppliers. From 2015 to 2017, CO_2 emissions intensity from transportation was reduced by 10%.

The 2018-2020 Company program ambitions to further reduce CO_2 intensity in transportation by 10% in 2020 compared to 2017. By the end of 2019 performance compared to 2017 is a decrease of transport CO_2 emission of 4.1%, in line with the target of 10% reduction by end of 2020. Regarding Air, Ocean and Express (AOE) freight in 2019, CO_2 emissions from air and sea transport decreased by 22% versus the 2017 baseline. Schneider is reaping the benefit of a better ocean container loading factor 67.4% vs 63.4% in 2017. More significantly, reductions in Air Freight and Express versus 2017 in the same period have made a significant contribution to CO_2 reductions. Regarding domestic road freight in 2019, CO_2 emissions from road and air domestic modes increased by 12.4%.

To continually improve CO_2 emissions performance and the quality of the reporting, Schneider has co-innovated with a third-party provider to standardize CO_2 emissions reporting, with a worldwide coverage of all transport modes. This requires transport providers to supply accurate reporting each month on the freight carried for Schneider. This new platform has been implemented in Q4 2019 and will be used for 2020 reporting onwards. The methodology is certified by Bureau Veritas.

The collaborative work to reduce CO_2 emissions with the Group's forwarders will continue, mainly by optimization of the transport footprint and piloting advanced low carbon transportation technologies such as electric and hybrid vehicles.

SF6 leaks reduction trend



3. Schneider Electric's commitments towards environmental excellence

Some evidence of Schneider initiatives to mitigate the impact of transport CO_2 emissions are:

- Brazil, partnership with DHL using electric vehicles to deliver customers to 100 km around Cajamar distribution center;
- Rail trucks from France to Shanghai to replace air travel;
- Singapore, new electric service vehicles reinforcing the battle against climate warming.

Electric vehicles for local deliveries in Singapore

SSI#2: 10% CO_2 efficiency in transportation

As part of its efforts to reduce the CO_2 intensity of transportation, Schneider Electric is piloting low carbon transportation technologies such as electric and hybrid vehicles. For instance, the Group uses electric vehicles and bicycles for last mile deliveries in Brazil.

% CO_2 efficiency in 2019 vs 2017

4.1%

3.3.3.8 Water consumption

Due to the nature of most of its industrial processes (manual and automatic assembly), water consumption is not generally a critical resource for Schneider Electric, and the Group has a minimal impact on water quality. The topic was considered not very material by both internal and external stakeholders during a recent materiality analysis. In 2019, water management and performance information was disclosed in the CDP Water program, and Schneider was awarded a rating of A-.

Schneider's ambition is to reduce water intensity (in m^3 of water consumption per € of turnover) of 5% in 2020 versus 2017, with a focus on sites with high water consumption and within severely stressed water areas. In 2019, water consumption intensity was 22.2 m^3/head and 94 m^3/m€ of revenue, an evolution of -13% against 2017 baseline.

The Group provides a detailed breakdown of water consumption per source, with details on water consumed from the public network, groundwater, surface water (lakes, rivers, etc.) and other sources of water (rain, recycled water, etc.). At the Group level, water is primarily used for cooling and sanitary purposes and, in a few select sites, for processes such as surface treatment. Water drawn for the sole purpose of cooling and immediately released without alteration is also monitored in a separate reporting. For industrial water use, water discharge is subject to appropriate treatments to reduce pollutant potential and subject to a monitoring plan.

3.3.3.9 Conditions of use and release into the soil

Schneider Electric sites are mainly located in urban or industrial areas. None of the Group's businesses involve extraction or land farming. In 2019, Schneider manufacturing sites conducted their annual review of pollution risks as part of ISO 14001 monitoring. At our sites, no spills or discharges were reported in 2019 with known harmful impacts on soil pollution.

Hazardous materials are stored, handled and used in compliance with regulations and with appropriate pollution protection mechanisms. As part of the Towards Zero Waste to Landfill program, additional focus was made on hazardous waste, with efforts to eliminate, substitute or improve treatment (see circular economy chapter, pages 143 to 146).

3.3.3.10 Discharge into the water and air

Because Schneider Electric is mainly an assembler, its discharge into the air and water is very limited. Schneider manufacturing sites are carefully monitored, as part of ISO 14001 certification. Discharges are tracked locally as required by current legislation. At our sites, no spills or discharges were reported in 2019 with known harmful impacts on water or air pollution.

Emissions of NOx and SOx and particles into the air are monitored at the site level in accordance with applicable legal requirements; monitoring of these emissions is verified via ISO 14001 audits. These emissions are not consolidated at Group level.

Schneider is committed to preventing adverse health and environmental impacts from VOC emissions, and for this works to reduce VOC emissions from industrial activities. VOC emissions are primarily linked to production. Schneider is committed to reducing VOC emission intensity by 10% every three years. VOC emissions decreased from 6.1 kg/person in 2017 to 5.7 kg/person in 2019 (-6.5%). The Group engages with each of its industrial sites that contribute the most to VOC emissions, and that together concentrate over 80% of the Group's VOC emissions, in a Pareto law approach. For these sites, environment, health & safety and industrialization teams join hands, and actively collaborate to ensure conditions of use are strictly adhered to, and health and environmental risks are known and getting mitigated. Such top VOC-emitting sites also investigate opportunities to reduce and phase-out concerned chemicals from industrial processes wherever possible.

Finally, CFC and HCFC emissions are monitored locally, in accordance with applicable regulations. These emissions are mainly due to the operation of air conditioning systems and are not directly linked to our industrial activities. These emissions are not consolidated at Group level.

3.3.3.11 Noise, odors and light

All Schneider Electric sites comply with local regulations on noise and odor. Given the nature of its activities and distribution model, Schneider does not have any light pollution externality.

3.4 Circular economy

3.4.1 Description of risks and opportunities

The risks that Schneider Electric sees are around the perception of 'one size fits all' for circularity, the temptation to see it through a waste/recycling lens and the focus on developing the related guidelines/governance and standards based on this perception.

- **Product durability versus shorter-term waste loops:** all resources are not equal in their thermal, mechanical or electromagnetic profiles. For the industrial sector, the biggest impact of the circular economy will come from the promotion of reparability, upgradability, "retrofitability", extension of lifespan and of related "product second and third-life services". Schneider Electric's products are highly technical in nature with a long lifespan and are highly unlikely to end up as ocean plastic waste, yet a risk that the emerging regulations may be too "resource/waste centric" is seen. To meet quality and safety expectations, and adhere to stringent electric and electronic equipment standards, recycled materials are sometimes not available in either quantity and/or quality. The Group actively advocates sector-specific approaches to the circular economy;
- **Ensuring the safety of people and assets through qualified and certified services:** while promoting services to extend the product life, Schneider Electric grows the ranks of certified experts on its products (through thousands of Field Services Representatives). Leveraging the circular economy, there is a fantastic opportunity to enable more repair, retrofit, and recycling services, provided concerned product categories are adequately maintained and serviced by qualified and certified experts.

Opportunities to leverage the circular economies are seen, both externally with customers and internally in operations. Schneider Electric's value propositions have long delivered resource efficiency, allowing customers to "Do more with less".

Schneider Electric's deeply ingrained belief in the circular economy helps create a win-win-win-win ecosystem: good for the planet, good for customers (lower TCO, lifespan of assets, etc.), good for the Company as a business (customer intimacy, stickiness, etc.), and good for its people (meaningful jobs, pride to take part in saving resources and energy, etc.).

3.4.2 Group policy

For Schneider Electric, circular economy is an all-encompassing strategic transformation, rather than an isolated initiative (such as incorporating recycled materials in some products). It is core to the lasting success and touches everything Schneider Electric does, detailed under three main channels:

- **Circular business models and value propositions for customers:** through circular capabilities such as local models of reuse, retrofit, repair, refurbish, take-back and by unleashing the potential of IoT, connecting and digitizing products, (predictive maintenance, performance optimization, leasing, pay-per-use, performance contracting);
- **Circular resources and product development:** starting at the product design phase to minimize resource usage and maximize reuse, recycled resources and recyclability;
- **Circular supply chain:** zero-waste and circular excellence in operations and sites with strict targets on waste reduction, reuse and recovery.

Schneider Electric has been part of task forces on circular economy playing leadership roles in multi-stakeholder dialogues. For example, the Group is active in France's Circular Economy Roadmap and engaged in China with MIIT on circular strategy, leading AFEP, Gimélec, FIEEC, IGNES, ORGALIM discussions for our sector on circular economy, publishing articles and speaking at conferences (EPC, Gartner, WEF, SCM World, peer-to-peer, EthicalCorp, WindEurope among others).

3.4.3 Due diligence and results

3.4.3.1 Circular business models and value propositions

Most of Schneider Electric's new products are digital, connectable, ensure full product lifecycle management and predictive maintenance, and guarantee optimum performance, enabling us to move towards customer-intimate models like subscription, performance contracting and leasing.

The first focus, before considering end-of-life, is to prolong the lifespan of products. These solutions, using up to 60% less materials, enable pull-through and constant payback: increased customer stickiness and long-term relationships.

SSI#8: 120,000 metric tons of avoided primary resources consumption through ECOFIT™, recycling and take-back programs

The SSI KPI "120,000 metric tons of avoided primary resource consumption through ECOFIT™ , recycling and take back programs" highlights some of the Group's key circular offers to customers. To further promote these circular offers, the initial target of 100,000 was increased by 20%. The batteries recycling activity (lead as well as other components) accounts for a big part of the effort due to high specific weight of this product, the relative ease to transport them and the value of the material inside. Many efforts have also been made in other areas for products like transformers, UPS and switchgear.

Metric tons avoided since 2018

97,439

3. Schneider Electric's commitments towards environmental excellence

The underlying bulwarks of such value propositions to customers are:

- Focus on traceability – Assets under Management > 2.6 million YTD September 2019, growing at 45%/year;
- Worldwide network of specialized centers providing local circular solutions and services.

3.4.3.2 Circular resources and product development

Mandatory criteria for circularity have been embedded in our EcoDesign Way principle and all new offers are designed with these criteria in mind. The Group also considers itself best-in-class in providing product circularity information digitally via the MySE App and on the Website (end of life instructions available for >100 000 products).

Schneider Electric is also one of the few companies in the industrial sector to be part of the New Plastics Economy Global Commitment coordinated by the Ellen MacArthur Foundation as well as recycled plastics commitment in the French Circular Economy Roadmap. The Group has committed to double the quantity of recycled plastics in its products by 2025.

In 2019, the Group was at 22% of the 2025 target. Various actions are underway such as creating an internal repository of circular materials examples and important proof-of-concepts with suppliers and partners.

3.4.3.3 Circular supply chain

The Group has an obsession for zero-waste in its operations and since 2014, the landfill waste volume has been halved. The supply chain supports the other channels as well as focusing on efficient production, distribution and packaging in operations.

Schneider Electric also strives to purchase circular resources for its supply chain. As of end 2019, 96% of its transport packing (cardboards and pallets) is from recycled or certified sources and the Group aims to reach 100% by end 2020.

SSI#7: 100% cardboard and pallets for transport packing from recycled or certified sources

Clear communication with regional suppliers and real-time adaptation of part numbers in internal Schneider Electric systems are some underlying critical actions to achieve this result. Studies are also being launched to increase lifecycle of pallets hence reducing the need to purchase additional ones.

% from recycled or certified sources in 2019

96%

With these three complementary channels, the Group is able to have an ecosystem focus by aligning with its customers' expectations all the way to embarking its suppliers.

Employee engagement and a circularity mindset:

- Schneider Electric was among the first companies to co-develop a circular economy e-learning with the Ellen MacArthur Foundation. Since 2016, more than 4,000 employees have attended this training;
- Creation of a Circular Materials Playbook – an internal repository of best practices, live examples and inspirations for recycled materials used in products (plastics focus) and packaging;
- In its supply chain (84,000 employees), circular resource management is an integral part of our Schneider Performance System maturity assessment, from reuse maximization to zero landfilling.

External participation, co-development and knowledge sharing:

The Group has taken important strides in partnering and co-developing circular economy pilots with customers and suppliers, as below:

- Winning the Philips Supplier Innovation event with a value proposal of greater efficiency through new generation technology and sustainable business models – collaboration ongoing;
- Partnering with BASF to develop a new product prototype using recycled plastics: https://www.se.com/ww/en/about-us/press/news/corporate-2019/new-product-prototype-recycled-plastics.jsp.

Schneider Electric continues to be part of the Circular Economy 100 (CE100) program of the Ellen MacArthur Foundation and is involved in various co-projects to develop partnerships and solutions for the challenges faced in further implementing the circular economy in business operations.

Some white papers for circular economy to which Schneider Electric contributed:

- Enabling a Circular Economy for chemicals with a mass balance approach;
- Remanufacturing: Designing new products for many lives;
- Making manufacturing sustainable by design.

CE100

Awards and recognitions:

During the World Economic Forum in Davos, on January 21 2019, Schneider Electric was awarded the premier circular economy award, The Circulars, in the Multinational Category. The award recognizes Schneider Electric's efforts to place circularity at the heart of its strategy and innovation, as well as its ambitious objectives. The Group's circular economy approach was highlighted in various circles as a result of this, some of those assets as below:

- Schneider Electric's overall circular economy approach;
- Jean-Pascal Tricoire responding to the questions on the impact of circular economy and next steps to share a circular future;
- The Group's summary in The Circulars 2019 yearbook (pages 20-24);

THE CIRCULARS 2019

FORTUNE CHANGE THE WORLD 2019

- Being the winner of The Circulars award in 2019, Schneider Electric was invited as a panelist at WEF, Davos 2020 for the launch of the Circular Economy Handbook. Schneider Electric has also provided a case study and endorsement for this book.

Schneider Electric continued to be recognized for its vision and approach towards the circular economy with the Group coming in at #9 of Fortune magazine's 2019 change-the-world list of companies, with a mention of the Group designing its equipment to last longer and be easily recyclable, to fit into a low-waste circular economy. This is the first time the Group has featured in the top 10 of this list.

3.4.3.4 Waste as Worth – "Towards Zero Waste to Landfill" sites
Because waste is a major source of pollution but also a potential source of raw materials, waste management is a priority of the circular economy strategy. At Schneider Electric, waste is considered as a resource. The Waste as Worth program includes:

- The goal of achieving 200 industrial sites sending Towards Zero Waste to Landfill[1] by 2020. Progress on this target is published quarterly in the Schneider Sustainability Impact and the Group is proud to mention that 193 sites received this label by end 2019;
- The implementation of specific actions to reduce and reuse materials, focusing notably on thermoplastic, metal and transport packaging;
- The maximization of value recovery from metal waste, focusing on sites generating the largest volumes.

SSI#6: 200 sites labelled Towards Zero Waste to Landfill

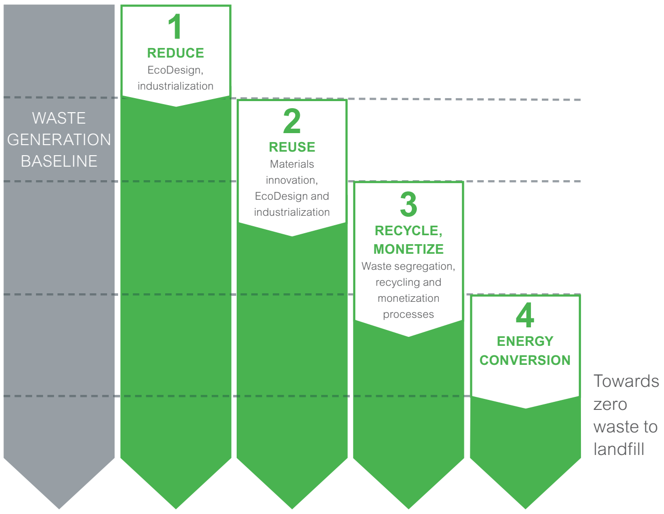
All Schneider Electric's industrial regions are piloting circular innovations to reduce waste generation volumes. In 2019, several sites implemented reusable boxes and pallets, that avoided consumption of tons of wood fibre, while generating significant cost savings. The Group is also carrying out an innovation project with a major packaging supplier to cut packaging waste, with workshops organized in selected plants. Examples of actions include switching from unit packaging to bulk packaging and removing packaging layers.

Sites towards zero waste to landfill in 2019

193

In order to deliver Schneider Electric's commitments, a waste pyramid has been defined as part of our Waste as Worth program. Priority is put on reducing waste volume, through better product and industrial process design. Waste is then reused in our own industrial processes when possible or recycled through third parties. Finally, waste is recovered through energy conversion. The Waste as Worth program aims at drastically reducing waste left over from this virtuous circle and sent to landfill or burnt without energy recovery.

Waste Pyramid



Schneider Electric generates around 155,000 tons of waste annually, most of it being solid waste. Continuous improvement plans have been deployed to manage this waste, in line with the ISO 14001 certification. In 2019, the Group recovered 95% of total waste reported (recovery ratio includes material and energy recovery). This recovery ratio has increased from 81% to 95% since 2009, thanks to site by site waste management action plans.

The Group also focuses on generating value from waste, with a focus on improving waste segregation. This enables the Group to ensure that waste recycling potential is maximized, both in terms of quantity and quality of recycled material. In 2019, the Group notably recovered over 99.97% of reported metal waste.

Finally, Schneider Electric is committed to ensuring the potential adverse impacts of hazardous waste on environment and health are mitigated. Two main levers are investigated as part of the Waste as Worth program: first, all sites generating hazardous waste ensure visibility of handling and end-of-life treatment paths and seek to add value to waste as much as possible (through material or energy recovery) while neutralizing its hazardous nature. Second, top hazardous waste generating sites work to reduce the volumes of waste generated in the first place, notably by implementing 'Best Available Techniques (BAT)' in their industrial processes. Such BAT processes come along with superior performances from a resource efficiency perspective, and/or chemical substances use and/or emission reductions. By 2025, the ambition is to reduce hazardous waste intensity by 20% against the 2017 baseline. In 2019, hazardous waste generation intensity was 0.3 tons/m€ of revenue, an evolution of -21% versus 2017.

(1) 'Towards Zero Waste to Landfill' means over 99% of metallic waste and over 97% of non-metallic waste recovered at site level as well as 100% proper handling/treatment of hazardous waste.

3.4.3.5 Green IT (Information Technology)

Conscious of the growing environmental footprint of IT, as well as the social impact linked to minerals resources, Schneider Digital has launched a Green IT initiative in order to measure and optimize the environmental footprint of Schneider Electric's information systems.
This footprint is measured using the Club Green IT framework, including primary energy, GHG, water and abiotic depletion. In 2018, Schneider Electric participated in the "WeGreenIT" study conducted under the patronage of World Wide Fund for nature (WWF) by Club Green IT, following a generalized LCA screening methodology. WeGreenIT results show that the yearly resource footprint of IT per end user is 800 kg of CO_2, 5740 kWh of primary energy, 14000 liters of water, and 3 kg of electronic waste, placing Schneider in the average of the 18 participating companies representing 880 000 end users.

An action plan has been engaged to optimize this environmental footprint on the different components of IT.

For end user equipment, the Group has updated its IT Asset Management (ITAM) Policy and standards with strong focus on standardization, sustainability and circular economy enablement. Consequently a Green IT training has been launched along Schneider Electric end users. This also includes proper usage of computers and focus on sustainable hardware decommissioning through proper ITAM – Asset Recovery approach aligned with 4R principles (Reuse/Refurbish/Recycle/Renew). Leasing services (mainly in Europe, North America) and Employees' PC Purchase programs (mainly Asia Pacific and China) enable second life for retired PCs. Responsible Recycling (R2) compliant vendors are prioritized for our IT Asset Recovery Services.

Carbon footprint reduction is an integrated part of our Green IT requirements for IT vendor selection processes. Consequently, new PCs acquired by us are between 15% (desktops) and 30% (laptops) more energy efficient than the corresponding old replaced equipment at the end of its lifecycle. Similarly, the reduction of form factor enclosures allows to gain over 70% in energy efficiency and to reduce carbon footprint by 50%. The accelerated desktop to laptop shift is helping us further reduce both energy consumption and product carbon footprint.

Optimization of the Group data center footprint is done using two levers: the rationalization of on-premise servers and the move to cloud. This year, approximately 951 servers have been decommissioned: 310 across North America, 120 in Asia Pacific, 68 in the Middle East and Africa and 453 in Europe. This has resulted in the reduction of more than 73 metric tons of CO_2 emissions per year.

The hosting of the Schneider Electric Infrastructure for Europe & Global applications is provided by our partner IBM for both its Montpellier and Grabels data centers. Both locations are ISO 14001 and ISO 50001 certified for the environmental management of IT. Those two IBM datacenter sites hosting Schneider Electric workloads, have been awarded by the European Commission Participant status in the EU Code of Conduct (CoC) for Energy Efficiency in Data Center program.

Thanks to the rationalization of the Group's application landscape, 2,200 legacy applications have been decommissioned in 2017, 2018 and 2019. This allows Schneider Electric also to reduce datacenter footprints as those applications are replaced by applications running on more efficient infrastructures.

Regarding the network footprint, as the move to cloud has an effect on network energy consumption itself, Schneider has launched different initiatives to optimize application hosting between edge or cloud: a calculator to define the total energy consumption of servers and network has been built, and a standard hybrid architecture, allowing to host locally on virtual machines some network intensive application while having a cloud DRP with the best service level has been defined using Schneider "smart bunker" solution. In addition, local area network (LAN) LIFI capability have been tested functionally. LIFI is an emerging technology using LED as an access point with a potential dramatic energy savings compared to WIFI, and a health benefit as no radio waves are emitted.

Finally, different collaboration solutions are being implemented for messaging, web audio and video conference. Innovative digital solutions allowing virtual teams to work in an agile way are being tested, including remote collaborative brainstorming tools, electronic whiteboard, telepresence robot and smart glasses. The objective is to replace international travel by digital interaction. New collaboration solutions aiming at reducing paper, email exchanges and further leveraging cloud data storage are deployed, and we implemented a new communication solution, cloud based, for messaging, web audio and video conference.

By 2020, the Group will pursue the deployment of Green IT actions, focusing on actions such as:

- A measurement framework will be deployed and automated thanks to the deployment of a global CMDB (Configuration Management Database, the database where all physical assets are managed) and its integration with environmental and supplier database;
- Schneider's own EcoStruxure solutions will continue to be deployed throughout our facilities to reduce the energy and CO_2 footprint of our IT equipment, with the rollout of EcoStruxure Power Monitoring Expert, Building Operation and Building Advisor already underway.

Our ecosystem of partners, including large cloud providers, network operators, and network equipment providers will be invited to join hands in our Green IT initiative through co-innovation.

3.5 Product stewardship

Over the last 17 years the Product Stewardship team has been dedicated to providing environmental premium to customers. Initially, efforts were focused on compliance, then on transparency. Over the last couple of years additional efforts were brought to develop more customer centric programs helping Schneider Electric offers to differentiate from the competition.

15 years of product stewardship with Green Premium

RoHS	RoHS REACH	PEP EoLI RoHS REACH	EcoDesign Way	New Green Premium
2003 European Union adopts RoHS	**2007** European Union adopts REACH	**2008** Green Premium eco-label introduced to provide transparent information on regulated substances and to share the environmental information of our products	**2015** EcoDesign Way launched – our internal EcoDesign approach embedded in the offer creation process	**2018** Upgraded Green Premium eco-label to include customer value propositions for services, solutions and products

3.5.1 Description of risks and opportunities

The main risks Schneider Electric identifies for product stewardship come from the increasing complexity of the environmental pressures worldwide from markets and regulations. This complexity is directly linked to a 'regionalization' of these environmental pressures (California PROP 65, RoHS China are some examples of regulations being more regionalised) while global resources are limited. Moreover, the multiplication of distribution channels, especially e-commerce, could amplify the risk of non-compliance due to the regionalization of environmental pressures.

With the environmental regulations being more stringent year after year, there is a risk for Schneider to have key materials and substance to deliver high performance products to fall within the regulation radar with possible restriction, limiting the innovation potential.

At its customers side, Schneider has observed a multiplication of external repository to leverage product environmental performance, some being specific to a single customer. As such there is a risk for Schneider products not to be systematically referenced externally.

Products are at the very end of a customer journey, as such they are crystallizing a lot of expectations for customers and all Schneider stakeholders. Schneider has identified a risk to face contradictory recommendations due to regulations overlap (e.g. substances restriction vs. circularity performance).

To circumvent the risks stated above Schneider relies on the completeness of The Green Premium™ program, enabling to cover all relevant product oriented environmental topics. Relying on ecoDesign Way process and tools is also key to embed environmental performance as soon as possible in the new product development process enabling Schneider to innovate while delivering more Green Premium™ products that will differentiate from competitors due to higher environmental performance.

The multiplication of environmental regulations is an opportunity for Schneider to improve suppliers' exchanges, environmental criteria at supplier's level is embedded thanks to the Schneider Supplier Portal (SSP) (see also "Relations with subcontractors and suppliers pages 125 to 127).

From customers side, Schneider is relying on the Check A Product platform, a public website providing all relevant product environmental information. Thanks to Check A Product, Schneider is in a good position to be well referenced on external database such as the future SCIP database or customer's prescription tools.

In order to address the multiplication and regionalisation of the environmental pressures, Schneider is reinforcing a worldwide approach of environmental product stewardship directives feed by a regional and local environmental stewards' network and strengthening influence position towards regulators through Schneider professional associations.

3. Schneider Electric's commitments towards environmental excellence

3.5.2 Group policy

Schneider Electric strives to differentiate through innovative green offers as mentioned in the Global Environmental Policy. This ambition is articulated through:

- Designing energy efficient, low CO_2, serviceable and safe offers;
- Helping customers improve their environmental performance;
- Providing digital environmental information on offers.

To reach such ambitions, Schneider has committed to:

- Invest in R&D to create energy-efficient and environment-friendly solutions;
- New EcoDesign products and solutions, develop life-cycle thinking;
- Invent circular offers and business models, through products that can be reused, repaired, retrofitted, refurbished and recycled and through end-of-life services;
- Provide transparent and digitized information on the environmental information and benefits of offers;
- Deliver continuous improvement in Product Stewardship through the Green Premium™ portfolio.

3.5.3 Due diligence and results

3.5.3.1 Green Premium™

Launched in 2018, the updated Green Premium™ program is designed to deliver customer valued sustainable performance around five value propositions:

- A brand promise of compliance and digital transparency, with offers that comply with RoHS and REACH regulations, an environmental disclosure and a circularity profile;
- At a minimum two environmental performance claims selected from either of the performance pillars;
  - Resource
  - Circular
  - Well-being
- Or obtaining recognition from an external organization.

5. Differentiation (external labels recognition, customer preference)

2. Resource performance
We help our customers reduce their energy and carbon footprints.

3. Circular performance
We help our customers optimize total cost of ownership of their assets.

4. Wellbeing performance
We help our customers to best protect their people from environmental risks.

1. Compliance and transparency (substances, environmental disclosure, circular profile, footprint, etc.)

In 2019, the main objectives for the Green Premium™ program were to:

- Keep products compliant with regulations;
- Continue identifying the environmental claims for products;
- Extend the scope to include services and solutions;
- Make available the additional environmental attributes in the online product data sheet; and
- Develop customer stories that demonstrate the value that Green Premium™ brings to customers.

On circular performance, Schneider Electric's ECOFIT™ service has been recognized as a Green Premium™ service by helping customers to implement cost effective and environmentally friendly methodologies to modernize and retrofit their existing electrical equipment with minimal impact to their day-to-day operations.

Green Premium™ information, including environmental claims and external labels, are digitally available 24/7 for customers in the technical data sheet of the online catalog, in the mySchneider mobile app and by using the "Check a Product" website.

SSI#5: 75% sales under our new Green Premium™ program

Supporting customers to achieve their sustainability goals is a key success factor for Schneider Electric. A customer story has been created to tell the story of how Green Premium™ information was able to help the R.W. Kern Center to achieve the requirements of the Living Building Challenge.

% sales in 2019

55.2%

https://youtu.be/OrhjlbQw7Xc

3.5.3.2 EcoDesign Way™

EcoDesign Way™ is Schneider Electric's proprietary process, deployed on product development projects of more than €300,000. EcoDesign Way™ is fully embedded into Offer Creation Processes (OCP) mandatory deliverables and encompasses all involved functions (Marketing, Quality, Design, Project Manager).

In 2019, Schneider launched a new version of the EcoDesign Way™ scorecard to fully align with all Green Premium™ value propositions. Moreover, several initiatives were launched to embed ecoDesign Way™ earlier in the OCP with strong inputs from Future Offer Manager in order to foster innovation and increase EcoDesign's positive impact.

A key objective for the upcoming years is to embed EcoDesign more systematically not only at product level, but at system and solutions level to better match market expectations. Moreover, a key success factor of such an objective is to mainstream the life cycle assessment by using a simplified life cycle assessment tool and providing training materials adapted to the different functions involved in the Offer Creation Process.

3.5.3.3 REACH

The implementation of the European Court of Justice decision in case C-106/14 (O5A: once an article always an article) is fully deployed in the tools in 2019, which goes along with the future communication to our customers concerning Substances of Very High Concern (SVHC) in our products. The high level of supplier declaration collected allows to stop with worst case approach, giving more relevant information to our customers and allowing to better target substitution actions.

In the frame of the Waste Framework Directive, ECHA was mandated by the EU commission to put in place a SCIP database (database containing information on substances of concern in articles) for 2021. Schneider Electric, through FIEEC and Orgalim but also IEC62474, actively participated in the consultation about the database definition and implementation, raising some important blocking points and proposing solutions.

3.5.3.4 RoHS

In 2015, four new substances (phthalates) were introduced in the RoHS regulation in addition to the six that already exist. The entry into force occurred in July 2019 for a first set of product categories. This regulation update was anticipated very soon, and the corresponding substances banned since 2015 by our Schneider Electric Chemicals and Materials Strategy. Nevertheless, a specific global project was launched end 2018 to get the last evidences and secure that the products we put on the EU market are always compliant. The Group's global RoHS worldwide implementation strategy will continue in the coming years. Schneider global tools and databases were updated to consider this regulation evolution.

In parallel, a set of 7 new substances were proposed by Oeko Institute for the next years RoHS restrictions. After a first business and technical impact analysis, a set of recommendations was sent to EU in order to give our point of view and limit the impact, while guarantying the lowest exposure to chemicals for human and the environment.

In the same spirit as for REACh, Schneider actively participated, through FIEEC and Orgalime organizations, to the consultation launched by EU, on RoHS regulation with the objective to point out the pros and cons and prepare the future regulation.

3.5.3.5 WEEE

Schneider Electric has for a long time been engaged in a process that protects the environment and the health of people in the treatment and recycling of its products at the end of the life cycle.

In the context of the application of the Waste Electric and Electronic Equipment (WEEE) directive, Schneider is implementing product identification and selection actions, establishing recycling streams and pricing the taxes to be applied in compliance with the regulations of each country in which its products are sold.

For products falling within the scope of the WEEE Directive, a circularity profile including detailed end of life instructions is systematically provided through our Check A Product public website.

3. Schneider Electric's commitments towards environmental excellence

3.5.3.6 California Proposition 65

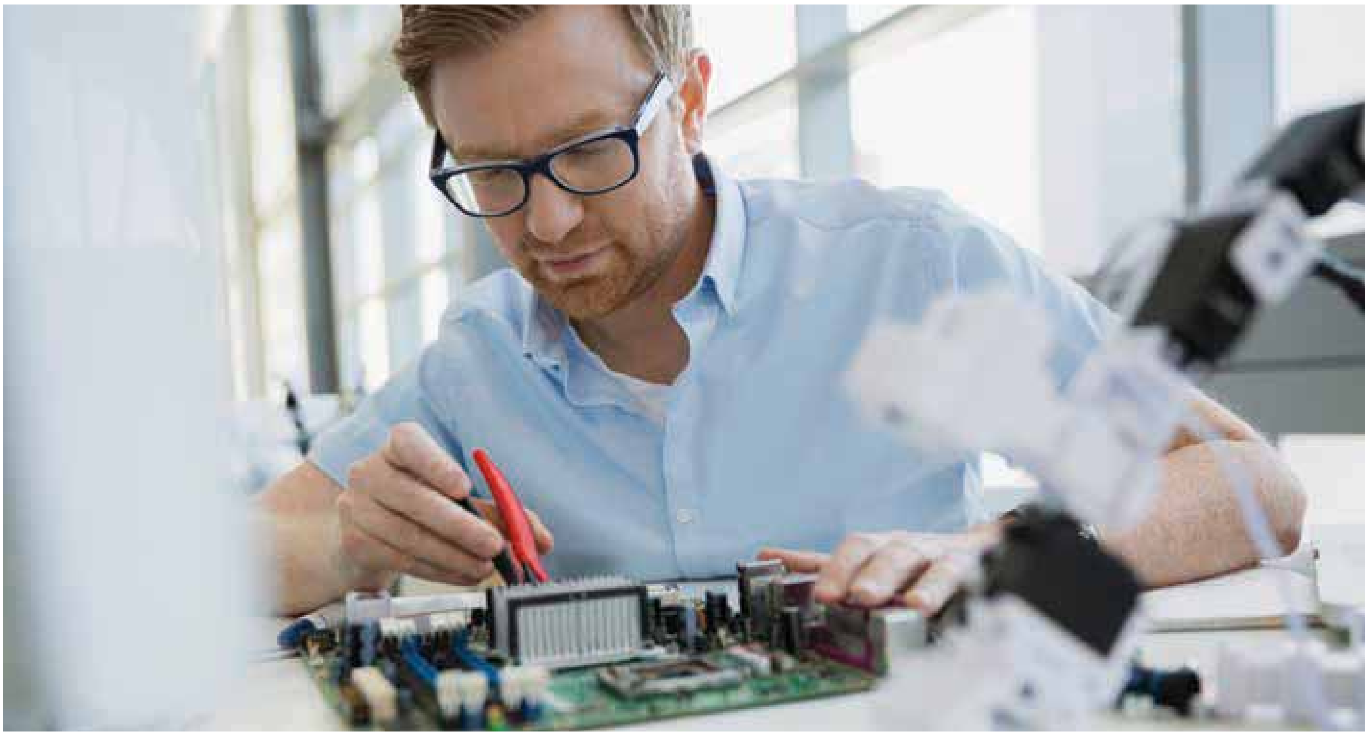
In order to better answer California Proposition 65 duties and fine tune Schneider's warning strategy, a complementary study based on risk analysis and third-party expertise validation was carried out, and a guideline proposed to Business Units.

3.5.3.7 Environmental Disclosure

An Environmental Disclosure is a product or solution related content that provides quantitative, Life Cycle Assessment (LCA) based information. Environmental Disclosure is mandatory to enable Green Premium™, Schneider relies on Product Environmental Profile (PEP) to fulfill this requirement. A PEP is defined as a product-oriented 'summarized' version of a full LCA. It shall rely on a Product Category Rules or product Specific Rules. At Schneider, there are 2 types of available PEP:

- Certified – a type III Environmental Declaration in compliance with ISO 14025. The Certified PEP shall be externally reviewed by an accredited verifier and published by a Program Operator according to the rules provided by this operator (E.g. PEP Ecopassport – www.pep-ecopassport.org). In January 2020, 336 certified PEP were published on the PEP Ecopassport association website;
- Internal – the internal PEP is following the exact same rules as the certified one, however it is internally reviewed and therefore cannot be registered through an independent program operator. A process of accreditation for internal verifiers guarantees the good level of internal PEP verifications (training done by an external consultant). Verifiers are checking PEPs from other line of business than their own, ensuring independence. Internal PEP complies with the ISO 14021 Auto-declaration.

Both certified and internal PEP align with EN15804:2013 – environmental Product Declaration standard for building and construction materials – to fit Green Building Rating Programs such as LEED or BREEAM. In 2018 78.6% of our products revenue were covered by a PEP, including 37.3% of ISO 14025 type III declaration and 41.3% of ISO 14021 type II self-declared declaration.



4. Committed to and on behalf of employees

In this section:

Context and goals

Our people make Schneider Electric a great company. The Group motivates its employees and promotes involvement by making the most of diversity, supporting professional development, and ensuring safe, healthy working conditions. Its ultimate ambition is to generate higher performance and employee engagement, through world-class people practice that are supported by a global/local and scalable model.

Human Resources thus play a key role in supporting the performance and talent development of Schneider Electric in the changing context of its activities. Its growth is characterized by a sustained internationalization, numerous acquisitions, an increase of headcount dedicated to selling solutions and services, while maintaining a share of blue collars close to 50%. All employees are treated equally based on their skills, notably regarding employment, recruitment, talent identification, training, remuneration, health and safety, thanks to common processes and policies.

Key targets and results

Schneider Sustainability Impact 2018-2020

Megatrends and SDGs	2018-2020 programs		2019 progress		2020 target
Health & equity	9.	Scored in our Employee Engagement Index	**64%**	▲	**70%**
	10.	Medical incidents per million hours worked	**0.79**	▲	**0.88**
	11.	Employees have access to a comprehensive well-being at work program	**47%**	▲	**90%**
	12.	Employees are working in countries that have fully deployed our Family Leave Policy	**99%**	▲	**100%**
	13.	Workers received at least 15 hours of learning, and 30% of workers' learning hours are done digitally	**62%**	▲	**100%**
	14.	White-collar workers have individual development plans	**79%**	▲	**90%**
	15.	Employees are working in a country with commitment and process in place to achieve gender pay equity	**99%**	▲	**95%**

▲ 2019 audited indicators.
The 2017 performance serves as a starting point value for the Schneider Sustainability Impact 2018-2020.
Please refer to pages 192 to 196 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 157-158 for indicator 9, 154-155 for indicator 10, 156 for indicator 11, 166 for indicator 12, 160-161 for indicator 13, 157 for indicator 14, and 171 for indicator 15).

Other 2020 targets

- Increase the representation of women across the pipeline – 40% at entry, and 30% in top positions;
- Increase the representation of women in sales to 25%.

4. Committed to and on behalf of employees

4.1 Step Up

The profile of the Company has changed tremendously in the past ten years and the same has happened with its external environment. The new Schneider Electric that has been created over the past ten years is much bigger and well-balanced across geographies and end-markets. It provides a unique portfolio of products, systems, services and software to customers through different go-to-market channels and consolidating many acquisitions. The Group has identified that this new Company requires a different type of leadership. Schneider has embarked on an important People transformation during the past few years, which is embedded in the Company program called 'Step Up'. Step Up is the People strategy and the common roadmap to transform leadership and culture in the coming years.

Through Step Up, the ambition is to create:

- a new Schneider Electric that consistently achieves high growth by innovating for customers and beating the competition;
- a more engaging environment for employees;
- an attractive company for talent through an Employee Value Proposition.

All of this while delivering a best-in-class digital experience to employees, supported by simple and agile processes.

4.1.1 Schneider Electric's People Vision and Our Core Values

Great people make Schneider Electric a great company. This is our People Vision. To transform our culture and create a great place to work for, we launched our new People Vision in 2018, composed of our Employee Value Proposition, our Core Values and our Leadership Expectations.

Our Core Values define the way we work together.

Customer First. Above and beyond for Our Customers. We surprise and delight customers as we would be nowhere without them. So, not only do we put ourselves in their shoes, but we also anticipate their needs and go the extra mile. We champion our sales people, because they are the face of our Company. Whatever our role, we have an impact on the customer's experience.

Dare to Disrupt. Constantly in Beta. Innovation is our middle name. Good is never good enough, and that's why we are constantly experimenting, taking risks and disrupting the status quo. We think fast, and we act even faster. Setbacks don't hurt us. They motivate us. That's why we are not afraid to make our bets bigger, and our decisions bolder to power the digital economy through energy management and automation. We, at Schneider, ensure Life Is On.

Embrace Different. Different is Beautiful. We are 100% committed to inclusion. 'Exclusion' is not even in our vocabulary. We believe in equal opportunities for everyone, everywhere. This means welcoming people from all walks of life, ages and cultures, embracing different perspectives and calling out bias when we see it. So that every person feels uniquely valued and safe to be at their best. To us, a stranger is simply a friend we haven't met yet.

Learn Every Day. #Whatdidyoulearntoday To stop learning is to stop growing. We are genuinely curious, never done with learning. To us, there is no such thing as knowing it all or having all the answers. We believe in life-long learning. Every minute of every day brings a new chance to listen, open up our minds, and widen our horizons. We are never too experienced to learn.

Act Like Owners. All in. Together. Entrepreneurs at heart, we take responsibility and ownership of everything we do. This is not somebody else's company. It's ours! We are individually empowered and collectively driven to collaborate and beat the competition together. In the end, we do what is right for Schneider first – always with integrity and honesty.

4.1.2 Organization

Since 2009, the Human Resources department has been structured around three principal roles to better respond to its missions:

HR Business Partners assists managers on a day-to-day basis in setting out their business strategies and in assessing the human resource requirements needed to meet business targets. The HR Business Partner also plays a pivotal role in anticipating skill requirements and employee development, and in the management of employee relations.

HR Solutions creates and develops comprehensive solutions for the organization's strategic challenges in key areas, such as compensation, benefits, human capital development, learning and performance management. Regional teams are leveraged to effectively support the Group's globalized operations.

HR Services handles the logistics and administrative responsibilities relating to payroll, sourcing, mobility and training programs, mainly through shared service centers designed to optimize efficiency and costs. Since 2015, the Group has put in place an HR Excellence initiative with the objective of creating HR teams ready to make the Leadership & Culture vision a reality while supporting the growth of the business. In this sense, the HR function takes a central role in driving the cultural transformation of the Group, designing a specific development plan for HR professionals, and striving to be an ever effective, scalable and employee-centric function.

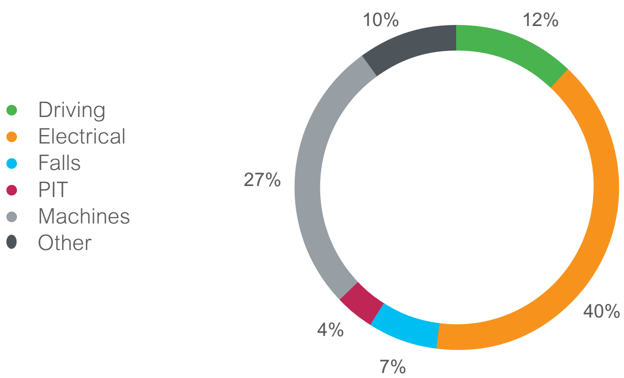
4.2 Employee health and safety

4.2.1 Description of risks and opportunities

At Schneider Electric, risk assessments and strategic action plans are performed, based on the primary risks associated with the workplaces. These plans include opportunities to reduce serious and fatal incidents, maintain legal compliance, provide safe working conditions and encourage employee engagement in the safety processes throughout the organization.

The plans are built on the Top 5 Hazards found in every aspect of the Company, which include driving, electrical hazard, falls, Powered Industrial Trucks (PIT) and Fixed Powered Machines (FPM).

Injuries based on the Top 5 Hazards since 2014



4.2.2 Group policy

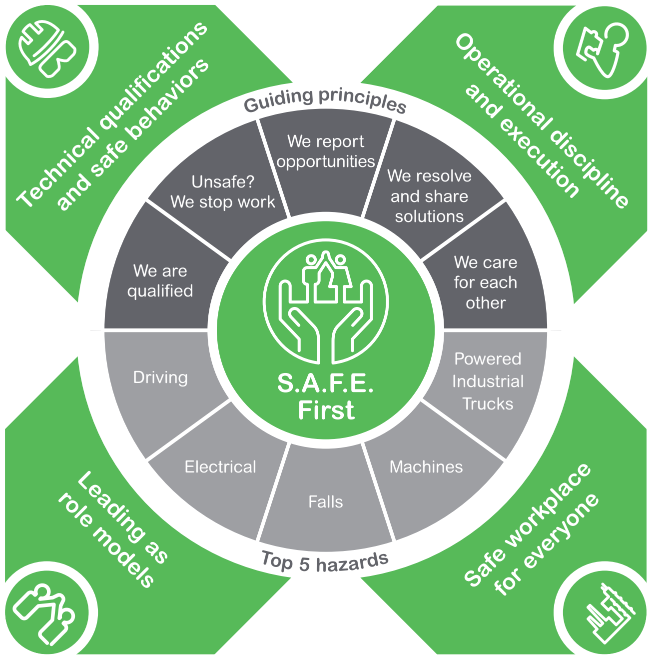
4.2.2.1 Safety is a value

At Schneider Electric, safety is a value on which we will not compromise and this extends to employees, customers, partners and those working on their behalf. Included in Schneider's Principles of Responsibility is a chapter on Safety at Work which includes the commitment to provide a healthy and secure workplace for all. In addition, the Group's ambition is to achieve the highest standards of safety excellence. The newly revised Safety and Occupational Health Policy includes this statement from Jean-Pascal Tricoire, Schneider Electric Chairman and CEO, and goes further to emphasize that "We care for each other, including our colleagues, customers, contractors, and partners, and we want everyone back home safe each day." Schneider is committed to invest in its people and its workplace as "the ambition is to be the standard for safety excellence worldwide."

The Safety and Occupational Health Policy establishes the commitment that Schneider has made to maintaining safe and healthy working conditions, to fulfil legal obligations, to engage employees in safety processes, and to continually improve the health and safety program, and is the cornerstone of its certified Safety Management System. And in 2019, as part of its improvement efforts, Schneider successfully transitioned its Safety Management System from OHSAS 18001 certification to the ISO 45001 certification. This certification is in place for most of its targeted sites, including manufacturing, logistics and R&D locations. Currently, more than 180 sites are certified to ISO 45001 with a goal to complete 100% transition by the end of 2020. Currently, the transition is ahead of schedule at 98%.

4.2.2.2 EHS strategy

The Schneider Electric 2020 Safety Strategy and Safety Culture is focused on the S.A.F.E. First program (S- Self Check, A- Activity Check, F- Facility Check, E- Environment Check), developed as a personal reminder to pause and reflect on safety before beginning any task. The program empowers employees to stop work if unsafe.



The 2020 strategy also takes into consideration the five guiding principles that help to determine actions to be taken as part of a work task. They are:

- Ensuring employees are qualified for the work task before performing work;
- Empowering employees to stop work if unsafe;
- Reporting opportunities for improvement;
- Resolving and sharing solutions to problems;
- Encouraging employees to care about their own safety plus the safety of their co-workers and customers.

4.2.3 Due diligence and results

4.2.3.1 Annual EHS Assessments

To ensure successful implementation of the strategy, annual Environmental, Health and Safety (EHS) Assessments are performed in industrial sites worldwide (228 sites end of 2019). The EHS Assessment is a global process in which a site is evaluated (using a 1-5 rating system) to identify opportunities and to recognize excellence. At regional and global levels, EHS teams consolidate site results to identify and prioritize actions to support site performance, training needs and cross-site mentoring opportunities. The EHS Assessment uses the same structure as the Schneider Performance System (SPS: company performance standardization tool) for simplified user-adoption and to enable further alignment to SPS.

Training on hazards and their associated risks is an important part of Schneider Electric employee expectations. There are more than 390 safety related topics, including 90 new offerings for 2019, housed in the My Learning Link database. Employee eLearning training increased by 25% compared to 2018. Employees averaged 2.5 hours in 2019 compared to 2.0 in 2018.

Communication is important to ensure coordinated and standardized program implementation. This is evident through quarterly safety campaigns, safety alerts, workplace standards and employee engagement to identify safety opportunities. In 2019, over 250k employee safety opportunities were identified, a 67% increase from 2018. These communication programs are deeply embedded into the safety culture at Schneider.

Metric to drive engagement with the intent that every employee participates in safety opportunities

Employee engagement = Safety opportunities reported including near-miss and safety ideas

Employee Engagement 1.59 ↗

59%
Improvement over 2018

(2018 = 1.00)

EHSA = Environment Health and Safety Assessment to drive continuous improvement for targeted sites (228 sites worldwide)

EHSA 99% ↗

7%
Improvement over 2018

(2018 = 92%)

4.2.3.2 Results summary

Schneider Electric has been very successful in meeting goals for the reduction of workplace injuries and illnesses, including those injuries resulting in lost time days. Since 2011, the Group has reduced the frequency of incidents (MIR) by 82% and the severity of incidents (LTIR) by 80%. Schneider monitors proactive leading indicators as well, including safety employee engagement, which tracks the rate of employee participation in safety opportunities, and the effective application of the EHS Assessment tool.

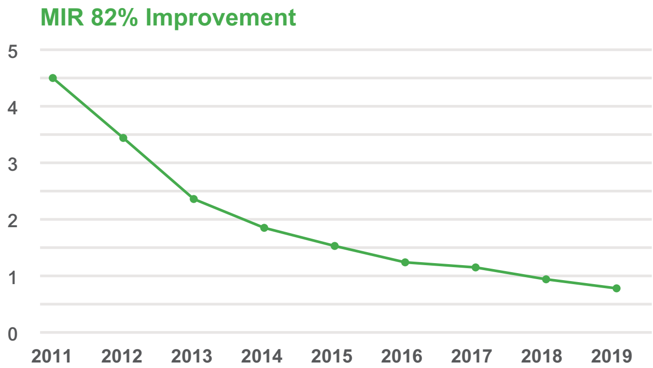
MIR = Medical Incident Rate. Work-related medical incidents; focus on frequency

MIR 0.79 ↘

16%
Improvement over 2018

(2018 = 0.94)

Historical trend



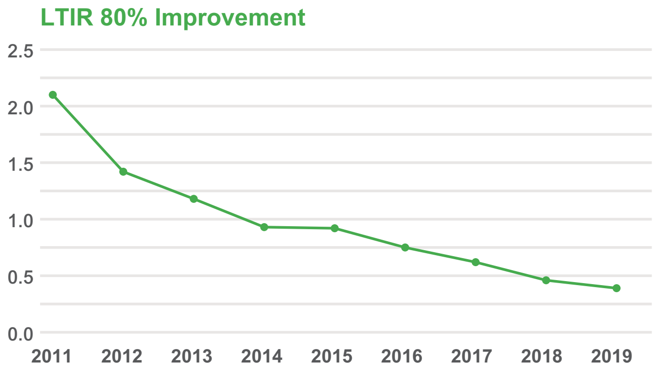
LTIR = Lost Time Incident Rate. Captures the number of work-related incidents requiring time off work (>24hrs)

LTIR 0.39

11%
Better than target

(Target = 0.44)

LTIR Historical trend



This is based on 1 million hours worked.

The Medical Incident Rate includes injuries and occupational illnesses. The Occupational Illness Rate is also tracked independently for benchmarking purposes and to drive continuous improvement. The Occupational Illness Rate is 1.5% of our total medical incidents (MIR) in 2019.

Annual reduction target for 2019 are -5% for the MIR, -5% for the LTIR versus 2018 results.

Other key attributes

The Group values third party (NGOs) evaluation of the safety program and performance. Each quarter, the Group focuses on a key safety topic to bring attention to both workplace factors and human factors that can and have caused serious injuries at Schneider Electric. The campaign includes a dedicated webportal to access tools, videos, training materials, apps, games, posters and leader-led topics to further promote the importance of safety worldwide. The fourth quarterly safety campaign culminated with the annual Global Safety Day celebration held on October 16, 2019. During Global Safety Day the topic of emergency preparedness was emphasized, including solution sharing events, on-site workshops, employee pledge and challenges, all in an effort to further engage employees around safety.

4.2.3.3 Recognition and awards

Schneider Electric was the recipient of several awards for Occupational Health and Safety programs in 2019. This includes the RoSPA Gold awards for both Safety and Fleet. The RoSPA Awards recognize achievement in health and safety management systems, including practices such as leadership and workforce involvement.

Schneider was proudly represented during the Campbell Institute Executive Summit, organized by the National Safety Council Congress & Expo. During the event, the Institute recognized 196 Schneider sites and issued more than 300 safety awards for excellence in Occupational Health and Safety. Schneider benchmarks itself using independent third-party non-government organizations. For example, in 2019 the Group safety score increased 16 points compared to 2018, captured through the Dow Jones Sustainability Index for Safety.

4.2.3.4 Future evolution of safety at Schneider Electric

Safety is a never-ending journey towards excellence. Schneider Electric goals and initiatives are to be the standard in safety excellence worldwide. This pursuit begins with Group employees, starting with leaders. Safety is leadership led, and the Group's ambition is to progress the entire community towards full empowerment as defined in the SAFE First Human Factors training, Safety Culture Assessment and Leadership action plans ready for release in 2020 and deployment in the years to follow. This journey towards empowerment begins with the understanding that we, as humans, are prone to error. Schneider must provide enablers for its people to identify (get involved), report (get engaged), and resolve to protect themselves and colleagues from injury (be empowered). The next evolution of safety is one that will transform the global community throughout the supply chain and at every level of the organization including partners, contractors, and suppliers. The intent is to use technology and innovation to enable Schneider employees to be more empowered to detect and address unsafe conditions or behaviors. The future of safety at Schneider starts with acknowledging that safety is a value on which we will not compromise, and a belief shared by every employee, partner, contractor, and supplier.

SSI#10: 0.88 medical incident per million hours worked

Success for this program in 2019 is attributed to a number of factors including the launch of the SAFE First program, a 67% increase in Safety Employee Engagement, and the launch of the EHS Assessment program. Together with Leadership role-modeling, Schneider Electric continues to strive to have a deeply embedded SAFE First culture.

Medical incident rate in 2019

0.79

4.2.4 Well-being in our DNA

For Schneider Electric, well-being is a strategic priority with a strong impact on people engagement. It contributes to the core sustainability mission of the Company by driving well-being for employees so they can have a positive impact on their families, community, society and the planet.

The well-being ambition is to create an environment where employees are empowered to manage their unique life and work by making the most of their energy. The program has been co-designed in a fully participative way through a global crowdsourcing campaign, that ended with more than 6,000 ideas generated by employees to improve well-being.

The holistic view of well-being (physical, mental, emotional and social) and the joint effort between the Company, leaders and employees are key to the success of the program. The current strategy tackles two areas of impact:

1) **Empowering individuals** – through training and awareness actions to encourage well-being practices for managing self and teams.
2) **Enabling environment** – through policies and programs like Flexibility at Work, Global Family Leave, New and Smarter Ways of Working, Mindfulness at Work and Workplace of the Future.

The commitment to well-being is also reflected in the Schneider Sustainability Impact 2018-2020, where we pledged for a combined key indicator that 90% of our employees have access to a standard level of healthcare coverage and training to leverage their well-being (awareness). Since 2016, 60,000 employees have been trained in different topics such as New and Smarter Ways of Working, the upside of stress, mindfulness at work (training and practice sessions), "energizing our people to perform", using strengths to prevent burnout, etc.

SSI#11: 90% of employees have access to a comprehensive well-being at work program

France exemplifies how well-being is embedded in Schneider Electric´s DNA. In France:

1) 100% employees have access to a standard level of healthcare coverage
2) Integration of Well-Being in the 2019 French Essentials learnings:
   - 5,000+ employees trained on "how to manage their energy to be at their best";
   - 500+ managers trained on prevention of psycho-social risks at work;
   - 52% employees trained on how to manage their well-being.
3) Well-Being and New and Smarter Ways of Working practices part of the monthly onboarding day for newcomers
4) 3,800+ employees have taken advantage of remote working (32% of NDVC employees).

% global employees with access to a comprehensive well-being at work program in 2019

47%

The global ambition is reinforced through local events and activities (walking meetings, flexible working measures, running clubs, healthy food at the canteen and vending machines, yoga and meditation practice, etc.) promoting the program in employees' day-to-day experience of working for Schneider Electric.

In 2019, for the first time, Schneider raised awareness within the organization about the importance of mental health in the workplace, aligned with the World Mental Health Day, sponsored every year by the World Health Organization (WHO) on October 10.

Finally, 2019 closed with external recognition in the Middle East where Schneider was a finalist in four categories and awarded in two: "Social Well-being in the Workplace" and "The Daman Corporate Health and Wellness" at the Daman Corporate Health and Wellness Awards.

4.3 Talent and employee engagement

4.3.1 Description of risks and opportunities

Attracting and developing talent is crucial to the ongoing success of Schneider Electric. The Group is working to become the "best company" to work for, and constantly strives to provide the environment and motivation for its employees to take control of their own career progression, through access to learning and development and the latest job opportunities, and through readily available resources. Measures are in place to minimize the impact of employee turnover, performance and disengagement on company productivity and performance. See also Principal risks pages 63 to 81.

4.3.2 Group policy

Schneider Electric places a strong focus on the effective management of talent at all levels. There are two aspects to talent management for Schneider – for all employees and high potential talent.

The Group ensures all employees have the tools and processes in place to set clear goals and have a development plan to guide their performance, development and learning in their current role as well as for future potential roles. The process is enabled by an integrated HR information system called TalentLink. This system allows data management and analytics in the areas of strategic workforce planning and talent management; it also improves the matching of resources to demand regarding learning in the different parts of the Company. In 2019, a one-stop-shop career development platform called Open Talent Market was piloted to create an internal talent market leveraging Artificial Intelligence (AI) to match the supply and demand of talent throughout Schneider.

For high potential talent, an annual talent review process operates across the Company to help ensure that high potential individuals are identified and realize their full career potential. Structured succession planning for critical roles helps to accelerate individual career development while maintaining continuity for the organization. In selecting and developing talent, an important consideration is also to foster diversity such as gender and nationalities (new economies as well as mature economies). Towards the end of the talent review process across the entities, there is an aggregated review with the Executive Committee to discuss the overall health of the leadership pipeline and succession strength for top positions.

SSI#14: 90% of white collar employees have Individual Development Plans (IDP)

Schneider Electric's collective future success depends on the ability of each employee to perform, develop and grow their careers. Since 2017, the Group has set the ambition for all white collar employees to have at least one development discussion with their manager every year. To achieve the ambition, employee testimonials were shared, with supporting processes and toolkits developed to support the cultural change. In 2019, the performance and development processes have been integrated to enable employees and managers to have broader conversations on how their development plan can enable them to deliver higher performance. The number of white collar employees with an IDP has increased from 32% in 2017 to 79% in 2019.

% white collar employees with an IDP in 2019

79%

4.3.3 Due diligence and results

4.3.3.1 Employee engagement and OneVoice

Set up in 2009, the OneVoice internal survey was designed to measure employee satisfaction. The survey has evolved to include employee engagement as well as employee satisfaction to derive a more holistic view of employee sentiment on the ground.

The OneVoice survey in numbers at the end of 2019:

- 100% of employees surveyed once a year from 2018, including pulse surveys on targeted populations to move to a continuous listening strategy;
- One single platform for all Human Resources surveys;
- 89,000 emails sent, out of which 71,978 answered;
- 39,297 people reached via "kiosks" on 280 production sites;
- 3,749 managers receiving a dedicated report;
- More than 40,000 verbatim analyzed;
- A constantly improving participation rate from 62% in 2011 to 84% in 2019, which makes the feedback even more valuable.

Employees are asked to fill out a short questionnaire evaluating their engagement and measuring the drivers of engagement such as diversity, learning, well-being, etc. This process helps the Group identify key avenues for improving major employee engagement factors.

Analyzed by country, by site and by unit, the survey results help to steadily improve employees' commitment to processes and projects, the proper execution of which is crucial to both successfully implementing the Group's strategy and satisfying customers. A customer focus question was introduced in 2015 to measure if "at Schneider Electric we continuously seek ways to better serve our customers".

Because the workplace is a key enabler in engaged employees, and to leverage the workplace policy implementation, a new driver was added, "workplace", which scored 70% in 2019. To be aligned with Schneider People Vision, the notion of "inclusion" has also been included in the diversity driver, with the gender self-declaration and the question about learning modified.

Managers are also involved in this process: following communication of the results, managers, with the support of their HRBP, organize feedback sessions with their team to foster dialog and build relevant action plans, based on both qualitative and quantitative results.

A key performance indicator for the Group is the Employee Engagement Index, which is also registered in the Schneider Sustainability Impact. This index enables Schneider to compare itself with the best employers in the industry and the best employers in key regions of the world. In 2019, the Employee Engagement Index at Group level is 64% (-3 pts vs. 2018). In 2019, a Global Program Committee launched, in which all program directors and Customer Satisfaction Leaders are embedded, to make sure that relevant action plans are put in place based on both employees' and customers' voice. Human Resources business partners and managers also worked on local action plans and sharing best practices. More importantly, Schneider looks very closely to ensure action plans are seriously followed and recorded in the platform to ensure best practice can be shared across the organization. In 2019, 76% of employees answered that they were aware of an action plan implemented in their team (compared to 68% at the end of 2012, 79% in 2018). For this type of indicator that measures the engagement of employees, every point is important. For reference, the Group started the measurement of this indicator in 2012 at 55%.

SSI#9: 70% scored in our Employee Engagement Index

One of the most impressive increases observed in the Employee Engagement Index is in France Operations (+ 6 points), one of five regional organizations where survey results have remained stable for several years at a low score. To change this situation, the management team put engagement very high on the agenda while engaging and driving both efforts and actions at a territory and local level. The results of the survey and the areas for improvement, as well as top stories analyzed in the verbatim, were the foundation of the discussions with teams at a local level (site). Site managers and local team managers were included and empowered to lead feedback sessions and make sure adapted and relevant action plans were put in place.

% scored

64%

4.3.3.2 Employer branding

4.3.3.2.1 Our employee value proposition

The Group is also looking to establish a strong name as an employer and communicate around its Employee Value Proposition, which is our promise to current and future employees.

We believe that great people make Schneider Electric a great company. We are driven by our **meaningful** purpose, and continuously create an **inclusive** environment where employees are **empowered** to be at their best and innovate.

- **Meaningful:** we empower all to make the most of their energy and resources, ensuring Life Is On everywhere, for everyone, at every moment. Our mission is to provide energy and automated digital solutions for efficiency and sustainability. We adhere to the highest standards of governance and ethics.
- **Inclusive:** we want to be the most diverse, inclusive and equitable company, globally. We value differences and welcome people from all walks of life. We believe in equal opportunities for everyone, everywhere.
- **Empowered:** freedom breeds innovation. We believe that empowerment generates high performance, personal fulfilment and fun. We empower our people to use their judgment, do the best for our customers, and make the most of their energy.

Our Employee Value Proposition continues to evolve in step with the business. Making the emotional connection as to "Why Schneider Electric?" is fundamental in the ability to not only attract the best talent and be an "employer of choice", but also to have it resonate as authentic with employees as a form of encouragement, motivation and inspiration.

4.3.3.2.2 Flagship program: Schneider Go Green

Launched in 2011, Schneider Go Green is an annual global competition for business and STEM students around the world to find innovative solutions for energy management and automation – exposing students from all over the world to our employer brand. It is now established as a global initiative to attract female and male graduates for early career opportunities and/or ongoing talent fulfilment objectives. Over the years, the competition expanded its scope to become a great opportunity for students all over the world to not only share their bold ideas, but also to start their career at Schneider Electric.

Students are asked to present their bold idea on efficient energy solutions for a better and more sustainable future. Working in pairs with at least one female participant, students are required to propose creative (and viable) solutions for critical energy management and automation in different categories such as: sustainability and access to energy, buildings of the future, grids of the future and plants of the future.

In 2019, the global finalists made their final pitch at the Global Innovation Summit of Schneider for the first time, held in Barcelona. On October 3, 2019, the winning team was announced: Team Aloe e-Cell from Rajasthan Technical University in India. Schneider Electric also announced the launch of its tenth edition under the new name of 'Schneider Go Green'. Sixteen finalist students will be invited to the Innovation Summit Las Vegas in June 2020.

Over the past nine years, Schneider Go Green has had over 113,000 registrants and more than 18,800 students have submitted ideas from 165 countries. In 2019 alone, 23,000 students registered and over 3,000 students submitted their ideas, a new record for the competition, proving that Go Green has been developing a strong and increasing interest from students for this contest, especially from emerging economies.

4.3.3.2.3 University partnerships

Schneider Electric continues to focus on key relationships with a core selection of partner universities throughout the world. This enables a deep relationship to develop for the benefit of all. Relationships have primarily been developed with universities which offer specialization that aligns with the Group's business needs – most commonly in engineering, energy management, technology and business. Relationships with universities are maintained at a local and global level. A selection of initiatives is set out below:

- Sharing of Schneider's business acumen – for example competitions and guest lectures
- Sponsorship initiatives
- Collaboration on innovation projects and hackathons
- Office site and Innovation Summit tours
- On-campus recruitment events
- Digital and face-to-face speaking engagements and networking opportunities
- Mentoring relationships

We have a wide range of career paths available to students pursuing the start of their career at Schneider, including projects and services, industrial/manufacturing, general management, marketing and sales. This is supported by development programs around the world including graduate programs, internships, apprenticeships and co-ops.

This approach has enabled strong talent pipelines to be established to attract future talent with key target skills and create greater awareness of Schneider as an employer of choice.

4.3.3.2.4 Our employer brand, social media and recognition

Social media plays a central role in Schneider Electric's employer branding – enabling it to engage extensively with talent to showcase the Company as an employer and the diversity of its business. Schneider also greatly values the opportunity social media gives to have dialog and receive feedback.

Key achievements in 2019 can be found in this chapter, pages 106-107. In particular:

- The Financial Times recognized Schneider as Global Top 50 and #4 in its industry as a 'Leader in Diversity' in their 2020 ranking;
- Fortune recognized Schneider as one of the 'World's Most Admired Companies' and Top 5 within the Electronics Industry in 2019;
- Universum, university student specialized ranking, recognized Schneider as Top 50 'World's Most Diverse and Inclusive Employers 2019;'
- Forbes recognized Schneider Electric USA as some of 'America's Best Large Employers' in 2019;
- Fortune ranked Schneider #9 on their 'Change the World' list in 2019;
- Great Place to Work certified Schneider Electric in the US and in Brazil;
- Schneider Electric Chairman and CEO, Jean-Pascal Tricoire, was named in Harvard Business Review's ranking of 'The Best-Performing CEOs in the World, 2019' as well as 'Glassdoor Top CEOs' in the US;
- Schneider's Glassdoor rating is on a steady growth, up to 4.0 at the end of 2019, recognizing Schneider Electric France and USA as one of the Best Place to Work for 2020:
  - In 2016, Schneider's rating was at 3.5 and increased to 3.7 and 3.9 in subsequent years, leading to 4.0 at the end of 2019, out of a 5 point scale. The Glassdoor average is a 3.5.
  - Contributing to the overall Glassdoor rating, Schneider is rated as 4.1 in Culture & Values, 3.9 in Work/Life Balance, and 3.8 in Compensation & Benefits.

4.4 Learning and development

4.4.1 Description of risks and opportunities

The ongoing growth of Schneider Electric's businesses in markets around the world requires the development of leaders and innovators across all disciplines. Matrix organization structures and virtual teams place new demands on employees. Digitization and the Fourth Industrial Revolution are creating new fields and markets requiring rapidly changing skills. The Company program initiatives are also quickly changing and require ongoing adaptation and skills enhancement to be agile and innovative for employees and customers. For these reasons, learning and career development remain at the heart of Schneider's human resources policy.

4.4.2 Group policy

Learning at Schneider Electric has evolved from traditional classroom training and tracking the number of learning hours to 'Learn Every Day' as one of five core values in the people vision of the organization. The learning transformation journey continues with a focus on digital learning, driving partnerships with the business and our learners, fostering a learning culture where people learn for today and tomorrow.

The Group has defined its learning strategy around four components:

- Accelerate **learning culture** transformation and #whatdidyoulearntoday rituals to embed and unleash the value of learning every day;
- Accelerate **digital learning** strategy and mobile learning deployment; and
- **Learning paths for critical roles** to develop skills (technical and behavioral) for the future, with a focus on EcoStruxure learning, sales and technical learning paths. We also launched **Schneider Essentials** learning for all connected employees and **Business and Finance Essentials** for leaders.

The key indicator to track progress in this direction is the percentage of employees who express their satisfaction via the learning driver in the OneVoice employee survey in response to the question 'I can learn and grow personally and professionally at Schneider'. In addition, the Group also focuses on tracking the learning of its 'worker' population as part of the Schneider Sustainability Impact.

Our employees are curious and never stop learning.

4.4.3 Due diligence and results

4.4.3.1 Learning culture

4.4.3.1.1 Global Learning Days

In line with the core value of Learn Every Day, the Group organised two global Learning Days in 2019. The theme for the first day in July was 'All About Digital' and for the second day in November 'Customer First'. The intention of the learning days was to:

- reinforce learning for all as a key part of the Group's culture;
- experience different ways of learning, especially promoting learning from experience and exposure, powered by digital;
- engage employees to adopt new behaviors on digital and customer first to generate business impact.

Many activities were organized including global Live Talks, digital flash-mobs, leader stories of success and failure, virtual tours, 'a day in the life' job shadowing opportunities, open days, gameified learning, and photo and video contests on Yammer (company social network). Most activities were designed and delivered by employees. Results from the two days show over 90% respondents were satisfied with the day and with the quality of activities offered and over 80% learnt something new, explored different ways to develop themselves and reflect on how to apply their new learning at work.

Internal trainers: The Group actively promotes a learning and teaching culture by developing its internal trainer capability. There is a global community of internal trainers with targeted development opportunities and recognition. There are currently over 9,000 internal trainers identified globally who delivered over 140,000 hours of training in 2019.

4.4.3.1.2 Learning environment:

The Group is investing in promoting an environment where employees are able and equipped to Learn Every Day. As part of this, managers are encouraged to use learning rituals within their teams, are involved in facilitating and sponsoring learning programs and also role model learning themselves.

The Company aspires to create an inclusive environment for the development of its employees. Between 2014 and 2017, the focus was on providing at least one day of training for each employee and the Company has achieved over 80% for the past five years (82% in 2019). Over the last two years the focus has been on the inclusion of workers in factories and distribution centers, with two objectives:

- 100% of workers to receive at least 15% of training hours per year; and
- in parallel, 30% of worker training hours to be completed digitally.

Those two objectives form one indicator of the Schneider Sustainability Impact and require the possibility for workers to connect to the Schneider Electric network, either from a computer kiosk installed in the facility, or from their mobile phone via a secured authentication process. This also required the deployment of training content tailored for them both in terms of subject matter and languages.

SSI#13: 100% of workers received at least 15 hours of learning, and 30% of workers' learning hours are done digitally

In 2019, 122 digital learning corners were set up across the world. They enable factory and logistics centers' workers to have access to individual computers to browse digital learning offers.

% achieved in 2019

62%

4.4.3.2 Digital learning

The Bersin by Deloitte infographics on the Modern Learner (2018) show that the half-life of a skill today is between 3.5 and 5 years. Because Schneider Electric wants to achieve its business goals and stand out from the competition, it must invest in its people and prepare them for the future with the right set of skills, at the speed of change. The innovations conducted in the past three years in digital learning are solid steps in that direction.

To support the rapid changes in the Company, Schneider has implemented an open learning ecosystem comprised of:

- Learning experience platforms to provide easy access to consume, share and create formal and informal learning content on mobile and desktop;
- Learning Management System to administer instructor-led training, compliance and reporting; and
- Innovative content from shallow to deep and from videos to elaborated learning paths.

All those platforms are interconnected to provide a relevant, intuitive and effective one-stop shop experience powered by digital.

The Group progressed on its journey to transition towards a more digital learning catalog. Since 2014, the number of digital training hours available increased up to 39%, mainly through business-driven action plans like: deploy a large catalogue of e-Learning in 13 languages available without any approval to all Schneider employees; make Ted Talks videos directly in-line with transformation and business priorities available; integrate specialized learning providers for digital awareness, software and IT to cope with constant changes in that field, as well as dedicated digital libraries for Procurement and Finance functions.

This resulted in a 4pts increase in the digital hours consumed, from 40.3% in 2018 to 44.4% in 2019 (16% in 2014), while maintaining a high level of satisfaction from employees (4.2/5 rating on the digital learning offer – Source: My LearningLink).

4.4.3.2.1 My LearningLink

At the center of this ecosystem is My LearningLink, Schneider's global learning platform which integrates e-learning, webinars, social learning, classroom learning, assessments and full certification paths. It was progressively deployed in all countries in 2013 and took off in 2014. All academies and country-level courses are registered in My LearningLink.

- 200,000 sessions opened per month;
- more than 20,000 modules of learning content are available in up to 13 languages;
- more than 130,000 employees have access to the system; and
- 82% of employees followed at least one day's training (instructor-led training and digital learning).

No managerial approval is required for employees to register for online courses; employees are actively encouraged to take the responsibility for developing their skills and competencies. This platform is instrumental in developing the skills of the workforce at all levels, supporting business strategies by targeted learning activities as well as enabling them to become a stronger actor in their own development.

Since March 2018, a new homepage was launched for My LearningLink. Leveraging both top-down driven messages, as well as artificial intelligence machine-learning recommendations, it provides a more personalized, consumerized and mobile experience to employees. More than 41,000 employees visit My LearningLink every month. In November 2019, a learner survey answered by 1,200 employees revealed a satisfaction of 4.2 out of 5 for the learning experience at Schneider overall.

My LearningLink is also used to deliver online training content to Schneider partners. The mySchneider Partner Portal is deployed in 140 countries and provides a customized learning experience with targeted training content that is most relevant to the partner's business. As of 2019, the training portal is accessible to over 750,000 Schneider partners, with over 150,000 courses completed since its inception, in 2015.

4.4.3.2.2 Digital Citizenship

To accompany the immense shift that digital provokes in all parts of the organization, the Company has deployed an upskilling program called Digital Citizenship. Mostly based on a combination of the digital acumen library, a French start-up called Coorp Academy and self-developed videos and digital mindset assessments, the Digital Citizenship program enables employees to progress in either awareness on digital topics like blockchain or big data, up to being certified on agile scrum mastering or deep technical knowledge.

4.4.3.2.3 EdCast: learning on the go for leaders and digital populations

In 2017, a new way of learning was piloted with a platform called EdCast. Based on aggregated search and curation, it enables the academies and the learners themselves to easily connect several sources of content, bundle them in pathways, and curate them for a specific group. All this on an open and mobile-first app and desktop modality. The Group strongly believes that the success of learning is in its ability to provide the right knowledge at the right time, and EdCast really pushes this approach to a new level.

In 2018, a leadership program, was launched called "License to Lead" (See Leadership development section for more details). The Digital DNA program was also launched for all the employees of Schneider Digital department (3,000 people). The aim is to educate this population to become digital citizens, meaning mastering some of the fundamentals of the digital transformation of Schneider Electric's industry and ways of working. The Group also launched a specific program on Smart Factory transformation targeted to its plant staff in order to equip them with its EcoStruxure solution knowledge.

This is a first step towards a broader vision of learning that encompasses tacit knowledge and information creation and sharing, formal training, informal learning and a community aspect, all equally available on mobile and desktop.

In 2019, the monthly active users on EdCast were respectively 30% for License to Lead and 20% for Digital DNA, which are below our expectations. It demonstrates that providing a cutting edge learning platform is not enough to create a sustainable learning habit and improving this is a focus in 2020.

4.4.3.2.4 Klaxoon: gamified, mobile-first, agile

One of the most important outcomes to make learning stick is to fight the forgetting curb. To do so, one needs to activate the learning during the learning experience itself but also after. With Klaxoon, a French start-up twice awarded best innovative start-up in the world by the CES (2016 and 2017), the Group delivers on this promise by using on-the-fly activities to activate the content during training sessions (brainstorm during a workshop, live questions during a training) but also and above all, before and after learning. Creating mobile responsive gameified quizzes with the possibility to challenge others and re-take the quiz, activities can also be integrated in MyLearningLink to be embedded in existing curricula. In 2018 more than 150 experts and learning professionals were using Klaxoon to spread their expertise or reinforce knowledge. The plan has been extended to 500 internal trainers in 2019.

4.4.3.2.5 Yammer

In 2017 Schneider Electric deployed Microsoft Yammer as its social media platform. Today with more than 49,000 active users, Yammer provides a digital environment for sharing knowledge, experiences and exchange on different topics. It is an incubator for communities; 200 communities of practice are officially referenced in the Company, as part of the communities@work program. They promote a new way of working, with a strong culture of sharing, where members can learn from each other.

This ecosystem is interconnected *via* APIs (Application Programming Interfaces) enabling both reliable reporting and a better experience for the employees.

4.4.3.3 Learning paths and relevant offers to build great professionals

4.4.3.3.1 Onboarding

From a newcomer's perspective, Schneider Electric focuses on a systematic and consistent onboarding experience in the first 90 days. The program is articulated around a signature experience including seven hours of digital learning, complemented by local *ad hoc* sessions as well as exposure with executives for the Group's Vice-Presidents and above. In 2019, completion of the digital learning curricula went up from 71% to 90%.

4.4.3.3.2 Learning paths for key roles

To promote a culture of learning based on the 3E model (10% education, 90% informal exposure and experience), learning paths were created for a large majority of existing roles. 90% of the roles (job codes in the internal system of reference) are covered with recommendations of training of which 65% include exposure/experience actions. Those learning paths are widely used during the employee development process. It enables each employee, during the conversations with their managers, to get profiled recommendations based on their current role and explore development opportunities for a future one. In 2019, 33,000 employees used the employee development portal where the learning paths are available. The portal is being updated and improved for the 2019 campaign, enlarging the coverage of learning paths with exposure and experience propositions.

4.4.3.3.3 Leadership development

The ongoing development of leaders within Schneider Electric is a critical element of its future success as well as the ongoing Step Up transformation.

The past year has seen a significant acceleration in the cultural and business transformation of the Company, led by leaders, through the continued focus on leadership trainings and application led by the Global Leadership Academy.

2019 saw four major focus areas in particular. Firstly, deploying Core Values training and Leadership Expectations training to introduce all the leadership community to the People Vision and expected actions of leaders to drive the Company. In the course of the past 12 months, more than 85% leaders completed the Leadership Expectations training, providing a solid platform for the ways and means of leading through role modelling.

Second, continuing the accelerated development of high potential leaders by delivering a cohesive set of leadership programs called 'Transforming Schneider Leadership' (TSL). In 2019, this series of programs cascaded the key theme of 'Purposeful leadership for a Digital World' to five levels in the Company, with more than 1,000 leaders from Executive Vice President level to early career, high potential talent, identified *via* the annual talent management process. The programs are designed to fast-track capability building to address personal, team, organizational and strategic leadership alongside key business themes of digital transformation and innovation. Leaders demonstrated a return on their learning investment through an individual 'action lab' which addressed a specific and actionable work project.

Third, the Leadership Academy launched a new leadership program specifically designed for mid-career women leaders, called the 'Schneider Women Leaders Program'. In 2019, 120 women enrolled in this program from across the Company. The program uses virtual sessions, peer coaching and direct 1:1 coaching with qualified coaches to address development areas where women are typically challenged in their career. In 2020 this cohort of women will come together for a face to face summit event to complete their learning and have an opportunity to interact with, and be mentored by, select top leaders from across Schneider.

Fourth, the Academy continued to innovate through providing high quality digital learning for senior leaders to support personalized learning through the 'License to Lead' initiative. With 1,200 active users, it allows leaders to learn 'on the go' with any mobile device. The 'License to Lead' program covers critical learning topics on leadership and about Schneider Electric's business, industry and competitors. With an engagement score of 86%, thousands of modules completed and leaners generating and publishing and sharing their own curated content, the program is stepping up knowledge and learning across the top leadership community. The initiative was recently recognized externally by the Chief Learning Officer association, with an award for the most innovative digital learning initiative.

4.4.3.3.4 Academies to support business priorities

The academies' curricula are built using the outcome of workforce planning. Schneider Electric benefits from a network of learning solution internal consultants. They are in different geographies and support managers and HR Business Partners in identifying the relevant learning solution for the needs of their employees. For example:

Global Supply Chain (GSC): The Global Supply Chain Academy provides every employee from senior executives to factory workers within the GSC function with the opportunity to learn and develop their functional knowledge, capability and competencies in the seven areas of Safety and Environment, Customer Satisfaction and Quality, Purchasing, Manufacturing, Supply Chain Planning, Logistics and Industrialization. In 2019, the GSC Academy focused on delivering digital learning to approximately 48,000 employees located in plants and distribution centers to enable all workers to Learn Every Day in local languages;

Research & development: The Offer Creation Academy addresses the needs of the Offer Creation Process (OCP) to ensure the right competency levels of R&D employees globally. The range of learning options covers the entire OCP lifecycle, addressing skills such as project management, design and testing, R&D processes, software tools, etc.;

Sales to end users directly and through partners: The Sales Excellence Academy is set to prepare the global salesforce for the challenges of digital commercial transformation in line with business strategies. It develops training paths for sales leaders, account managers and sales specialists (about 16,000 employees) to impart knowledge, skills and behavior to sell through partners. The curriculum aims to cover both foundational skills for all sales people in contact with customers and advanced courses to address more complex sales environments and coaching and dynamic sales management skills. A key focus area is helping the salesforce address customer pain points and needs by proposing value adding solutions;

Account Management Excellence and end user segment Expertise: Solutions University offers a comprehensive learning portfolio including certifications for sales and account management and EcoStruxure for segment, tailored to the organization's needs and performance environments. The Solutions University's aim is to support the solutions, services and digital business growth with a special focus on strategic accounts. In 2019, Solutions University delivered 800 segment certificates to end-user sales and solutions architects;

Functional academies covering key functions: Finance, focusing especially on enabling the upskilling and reskilling of the function powered by digital both on controllership and business partnering; Human Resources, equipping HR employees with skills of the future; Digital and IT, with a focus on digital competencies, starting from basic application skills through to advanced expert level topics, including dedicated programs on Digital Awareness and Digital Citizenship for all employees; and finally the Marketing Academy focused on Customer Centricity and Digitization to Innovate, targeting 4,500 marketers but also all employees involved in Schneider Electric transformations.

4.4.3.3.5 Schneider Essentials

In 2019, for the first time, three courses were assigned to all connected employees of the Company. The aim was to create a strong culture of common "must-knows" on either compliance or cultural topics. The courses were:

- Our Principles of Responsibility: our ethical guidelines that were totally revamped in early 2019 to better reflect the reality of the world we live in (see details on page 112);
- Cybersecurity: a key stake that is everyone's responsibility to protect the Company; and
- Our Core Values: in 2018, Schneider launched a new People Vision with the five core values are at the center of it.

The courses were assigned to all employees *via* MyLearningLink and automated monthly emails were sent to remind people of the courses left to complete and also to managers so they would know which of their employees were still to complete some of the courses. At the due date of November 29, 2019, 97% of all employees had completed the three trainings. The Schneider Essentials approach will be carried out again in 2020.

4.5 Diversity & Inclusion

4.5.1 Description of risks and opportunities

In a world where change is the new norm and innovation is critical to ongoing business success, Schneider Electric recognizes that it is crucial to attract and retain a diverse workforce to build a high performing leadership pipeline. The Group's Diversity & Inclusion ambition is to offer equal opportunities to everyone everywhere. Schneider wants its employees — no matter who they are, or where in the world they live — to feel uniquely valued and safe to contribute their best. The Group believes that Diversity & Inclusion is a business imperative as greater engagement, performance, and innovation is generated through diversity of people and an environment of inclusion.

4.5.2 Group policy

The Group's overall aspiration to improve the lives of people everywhere in the world by developing sustainable energy solutions for its customers extends to its Diversity & Inclusion ambition. This ambition is to provide equal opportunities to everyone everywhere and to ensure all employees feel uniquely valued and safe to contribute their best.

At Schneider Electric, the first Group Diversity Policy was written in 2006 and broadened at the end of 2013. With the new People Vision launched in 2018, Schneider's global Diversity & Inclusion Policy follows two major commitments which incorporates the Group's ambition:

- Embrace different; and
- Build a culture of inclusion.

At the Group level, Diversity & Inclusion focuses on five areas of diversity:

- Gender;
- Nationality;
- Generation;
- LGBT+; and
- Disability.

While Diversity & Inclusion is increasingly driven by local and regional regulations, with which the Group complies, countries where Schneider operates are encouraged to tackle additional Diversity & Inclusion challenges specifically relevant to their markets and tailored to their local needs.

4.5.3 Governance

The Diversity & Inclusion board is a global group of top leaders from all markets and sponsored by the Executive Committee. The board acts as a sounding board for the global Diversity and Inclusion strategy as well as internal and external diversity and inclusion champions. Board members are nominated by the Executive Committee to serve a two to three-year term.

The Group's leaders are accountable for Diversity & Inclusion through the Schneider Sustainability Impact, the Group's transformation plan and steering tool for sustainability by 2020. The Schneider Sustainability Impact is also factored into every employee's short-term incentive plans.

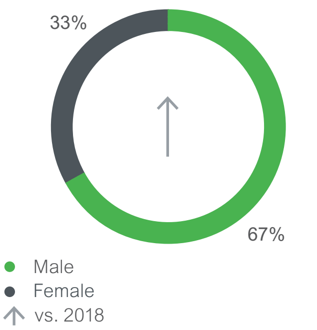
The Group has operations in over 100 countries, with employees representing over 150 nationalities. All Schneider Electric entities develop Diversity & Inclusion action plans while meeting local regulations and addressing country-specific situations. Diversity & Inclusion leaders have been appointed in more than 30 countries/zones and entities of the Group to lead these actions plans. This Diversity & Inclusion network convenes monthly to share best practices.

4.5.4 Due diligence and results

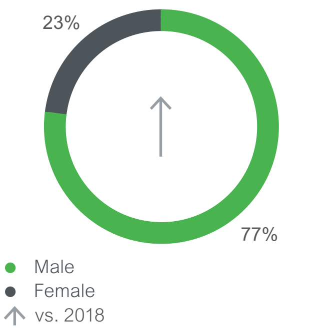
4.5.4.1 A strong focus on gender diversity

Schneider Electric's Diversity & Inclusion strategy places strong emphasis on gender diversity, based on the strong conviction that building a gender balanced company that is equally inclusive of men and women is both the right thing to do and critical to diversity of thought, to unleash innovation and deliver the best sustainable energy solutions to customers.

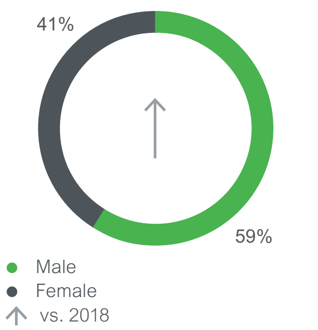
Overall Workforce



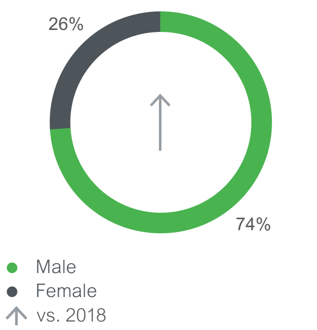
Women in leadership



Non-DVC hiring



Sales hiring



4.5.4.1.1 United Nations Partnerships

HeForShe is a United Nations Women solidarity movement for gender equality. It invites men and boys to build on the work of the women's movement as equal partners, crafting and implementing a shared vision of gender equality that will benefit all.

Since June 2015, Schneider Electric has been engaged as a HeForShe IMPACT 10x10x10 Champion and made three commitments to:

- Increase the representation of women across the pipeline – 40% at entry, and 30% in top positions by 2020;
- Implement a worldwide pay equity process reaching 95% of our global workforce by 2020; and
- Involve Group leaders and establish a dedicated executive-level governance body to drive gender equality across Schneider.

In addition to being involved in HeForShe, Schneider has also committed to the Women's Empowerment Principles. Launched in 2010 by UN Women and the UN Global Compact, the Women Empowerment Principles are a set of seven principles guiding businesses on how to empower women in the workplace, marketplace and community. In 2019, Schneider became the first multi-national company to achieve 100% commitment to the UN Women's Empowerment Principles (WEPs) across its global leadership team. In addition to the Group's Chairman and CEO, Jean-Pascal Tricoire, each of the country leaders have also personally signed the WEPs. This strong engagement from the Group's business leaders to act as change agents in their respective markets completes the Group CEO's personal commitment to transform Schneider towards gender equality.

In 2018, Jean-Pascal Tricoire's appointment to the Board of the United Nations Global Compact further demonstrated Schneider's commitment to the Sustainability Development Goals including SDG 5 – Gender equality, SDG 8 – Decent work and economic growth, and SDG 10 – Reduce inequalities, directly tying into Diversity & Inclusion.

4.5.4.1.2 Building a gender-balanced leadership pipeline

As of end of 2019, women make up 23% of managerial positions (defined as all employees with at least one direct report). To build a robust gender balanced leadership pipeline, the Group has engaged in several actions.

Because they are a key internal leadership talent pool, Schneider Electric has been focusing on hiring and including more women in sales and technical roles. As of end of 2019, women made up 22% of STEM roles with a hiring rate of 31%. Similarly, as of end of 2019, women made up 19% of the sales population with a hiring rate of 26%. Schneider's ambition is to increase the representation of women in sales to 25% by end 2020.

In 2019, the Company launched the Schneider Women Leaders' Program (SWLP), replacing the previous Women in Leadership initiative. Through SWLP, the Group supports its women talents' professional development through a virtual nine-month coaching program, ending with a three- day face-to-face global summit. The initial cohort included 120 women across all regions. As of the end of 2019, over 800 women have benefitted from this targeted leadership development.

Employee Resource Groups (ERGs) also play a large role in empowering women locally and helping drive efforts to advance women in leadership. As of the end of 2019, local ERGs have contributed to the Group's efforts towards gender equality and inclusion in more than 30 countries.

4.5.4.2 LGBT+ Inclusion

In March 2018, Schneider Electric committed to the UN Free and Equal Standards of Conduct for Business on Tackling Discrimination against Lesbian, Gay, Bi, Trans and Intersex People, standing up for equal rights and fair treatment for LGBT+ people everywhere.

By adopting these standards, the Group pledges to:

- Respect the human rights of LGBT+ workers, customers and members of the public;
- Eliminate workplace discrimination against LGBT+ employees;
- Support LGBT+ employees at work;
- Prevent discrimination and related abuses against LGBT+ customers, suppliers and distributors – and insist that suppliers do the same; and
- Stand up for the human rights of LGBT+ people in the communities where Schneider does business.

Schneider is 100% committed to inclusion and the Group's policies reflect this commitment: for example, all individuals and couples can benefit from Schneider's Global Family Leave Policy, whether they are welcoming a child in their home through natural birth, adoption, or surrogacy.

In addition to signing the UN Free and Equal Standards, across the globe, Schneider has also made public statements of support to advance LGBT+ inclusion: Schneider Brazil, Chile, Argentina, Colombia and France have all signed LGBT+ equality charters. Lastly, in June 2019, the Company announced the launch of a global LGBT+ Employee Resource Group (ERG): Schneider LGBT+ and Allies. The Group is open to all – LGBT+ people and allies alike – with an interest to further inclusion in the workplace.

4.5.4.3 Inclusive policies

Schneider Electric recognizes that diversity without inclusion does not work. Policies and practices have been developed and applied with an inclusive mindset so that everyone can feel that they are uniquely valued and belong.

4.5.4.3.1 Multi-hub business model

Schneider Electric wants everyone everywhere in the Company to have the same chance of success irrespective of their nationality or location. To deliver on this ambition, the Group created a multi-hub model and systematically relocated global jobs to three hubs across the world to have a truly global leadership. Instead of having a single global headquarters, Schneider has multiple hubs: Paris, Boston, Hong Kong. Not only has this model helped to attract and develop local talent, it has been instrumental in the expansion of the business with localized decision-making.

4.5.4.3.2 Gender pay equity

Equal pay for equal work is a core component of the Group's compensation philosophy. Since 2015, as part of its HeForShe commitments, Schneider Electric has developed and implemented a Pay Equity Framework. This is a common global methodology to identify gender pay gaps within comparable groups of employees and lead a country-driven approach to address gaps with appropriate corrective actions.

4. Committed to and on behalf of employees

The Group exceeded its ambition, which was to extend the Pay Equity Framework to 95% of its global workforce by the end of 2020: as of the end of 2019, the Framework has been implemented in all countries, covering 99% of Schneider's total workforce.

4.5.4.3.3 Global Family Leave Policy

With its industry-leading Global Family Leave Policy, Schneider Electric supports employees with personal time at critical life stages and empowers everyone to manage their 'unique life and work' so that they can be at their best.

While the Group's countries have flexibility to define eligibility and policy details per statutory/market requirements, the policy sets global minimum standards:

- Fully paid parental leave (primary parent – 12 weeks; secondary parent – 2 weeks);
- Care leave (for sick/elderly relatives – 1 week); and
- Bereavement leave (1 week).

As of the end of 2019, all countries had implemented the policy, covering 99% of benefit eligible employees. By 2020, all benefit eligible employees are required to be covered by this policy.

SSI#12: 100% Employees working in countries that have fully deployed the Global Family Leave Policy

Prior to the launch of the Global Family Leave Policy in 2017, employees in the US who needed time to care for their family had to use their vacation/paid time off or go on unpaid or partially paid leave. Thanks to the policy, they now have access to four types of paid family leave, to help them be present for life's most significant moments. Since its deployment in the US, almost 2,000 employees have benefited from the policy. Schneider Electric US has even gone beyond global requirements, offering unique services that support parents returning to work, including travelling nursing mothers.

% employees covered in 2019

99%

4.5.4.4 Tackling biases and discrimination

Schneider Electric has developed a comprehensive education approach on hidden bias to build inclusive teams and leaders at every level:

- Inclusion and hidden bias coaching session for senior management teams (N-1 & N-2 of Group Executive Committee);
- Leadership skills series on inclusive leadership (coaching and e-learnings) for all people managers; and
- Overcoming hidden bias e-workout for all employees.

The Company has also built in reminders to check hidden bias and mitigate them through inclusive tips into its major human resource programs, including performance and salary review processes.

In addition to raising awareness on hidden biases, in 2018, through the launch of a Global Anti-Harassment Policy, Schneider reinforced the Group's position on zero-tolerance on harassment, setting clear and consistent expectations of workplace conduct. The policy defines harassment, including sexual harassment, outlines the roles of employees, managers and witnesses in creating a workplace free of harassment, and highlights the different reporting channels available to all, while maintaining confidentiality and protection against retaliation. The policy defines a global minimum standard; where local legislations define additional standards beyond the global policy, Schneider entities comply with them.

In 2019, Schneider's new Principles of Responsibility were launched, in alignment with the Company's Global Anti-Harassment policy. Mandatory e-learning on the Principles was rolled out to all employees.

4.5.4.5 External recognition

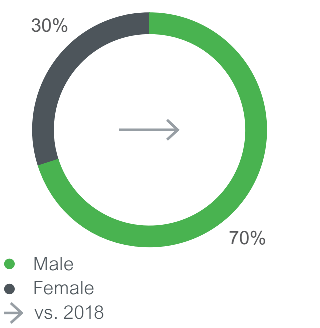
The Group's longstanding commitment to gender equality and inclusion was globally recognized multiple times in 2019 (see pages 106-107):

- Schneider was included in the 2020 Bloomberg Gender Equality Index, for the third year in a row.
- Schneider was ranked first in the industrial sector and 31st globally in the Equileap Gender Equality Global Report and ranking.
- Schneider was recognized by the Financial Times as one of the Top 50 Diversity Leaders 2020 on its first-of-its-kind ranking for Diversity & Inclusion in Europe.
- Schneider was selected as winner of the 2019 Catalyst award for Attracting and Retaining Women in Schneider Electric India, an initiative that is an integral part of the global Company's diversity & inclusion transformation.
- Schneider was ranked in the Top 50 for the Universum's Diversity & Inclusion Index, which recognizes the most diverse and inclusive employers of the world.

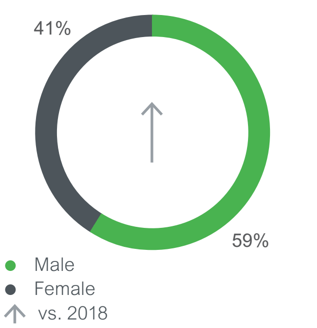
4.5.4.6 Focus on France

Gender diversity

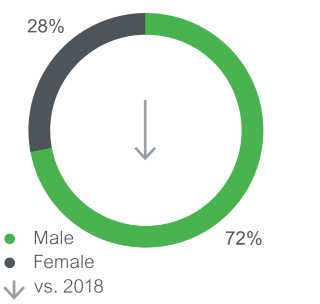
Overall workforce



Non-DVC hiring



Sales hiring



4.5.4.6.1 Gender diversity

In 2018, Schneider Electric Industries and France (SEI-SEF) signed a new collective agreement setting concrete ambitions and action plans to advance gender balance, combat gender stereotypes and close pay gaps within the organization. Thus, 2018 and 2019 marked a clear progression, especially in regard to women in sales. For example, two women were promoted to strategic VP positions in the French management committee, and in the residential market sales team, a specific learning program on gender diversity was deployed.

Schneider Electric has partnered with Elles Bougent (an association of women engineers), C Génial Foundation (a foundation promoting STEM jobs), and MEDEF (union of employers) to promote technical roles in schools, with a focus on gender diversity. As of the end of 2019, through this network, 100 Schneider Electric women in technical roles had exchanged with over 3,000 pupils at their school or on Schneider Electric sites.

Lastly, in 2019, a one-year mentoring program was launched with an initial group of 17 high potential women paired with senior leaders. The focus of this program is to increase both the promotion of female talents and their access to leadership positions.

4.5.4.6.2 LGBT+ inclusion

In June 2018, Schneider Electric France signed the LGBT+ Charter designed by *L'Autre Cercle* ("The Other Circle"), a non-profit advocating for LGBT+ inclusion in the workplace. Schneider Electric France's LGBT+ and Allies network was launched in 2018 and in 2019, the network nominated three major sponsors: two senior vice presidents from the business and one from human resources. To celebrate the 2019 World Day Against Homophobia, a five-day communication campaign was launched to sensitize employees to LGBT+ issues.

4.5.4.6.3 Disability inclusion

In 2018, Schneider Electric France signed a new three-year agreement with local unions (2019-2021) reinforcing its commitment on employment, inclusion and development of people with disabilities, and addressing digital accessibility. Overall, employees with disabilities account for 6.6% of the workforce, with: 3.6% in direct employment and 3% in undirect employment (mainly with subcontractors). As of end of 2019, Schneider Electric France employed approximately 800 employees with disabilities with 18 recruited as apprentices and nine as permanent workers.

In November 2019, Schneider Electric France participated in the Duoday initiative, sponsored by the French government. This action gives the opportunity to an employee from Schneider Electric to share one day at work with a person with disabilities, has so far attracted 65 volunteers.

4.5.4.6.4 Generational and socio-economic inclusion

As of the end of 2019, employees under the age of 30 made up 6% of the overall workforce in France and 42% of new hires. Schneider Electric France supports employment of students and young professionals from diverse social backgrounds:

- Schneider Electric France's association "100 chances – 100 jobs" offers personalized career opportunities to 18-30 year-olds without higher education qualifications or degrees. The ambition is to provide at least 60% of candidates with jobs and/or skills training opportunities. As of end 2019, 7100 young people have been supported. (see more details page 191);
- Partnering with Tous en Stages association ("Internships for all"), Schneider Electric France encourages its suppliers and vendors to empower high school students with internships. As of end 2019, 540 internships were offered under this program.

4.5.4.6.5 Inclusive policies

Schneider Electric France's Family Leave Policy exceeds the Group's minimums by providing up to 21-day secondary parental leave. In addition, the Company offers a six-month 80% part-time option (with 90% pay) upon return and 160 childcare spaces. Schneider Electric also supports employees' work-life balance through flexibility at work policies:

- 3,800 employees subscribed to teleworking;
- Flexibility for employees as caregivers (specific leave, donation of days between employees, support of internal social workers); and
- Voluntary Time Off per year for assignments within associations sponsored by the Schneider Electric Foundation.

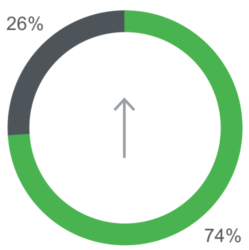
Schneider Electric France has raised awareness about the Global Anti-Harassment Policy and has committed to the government-led #StOpE initiative against sexual harassment, along with 30 other companies. In addition, in 2019, Schneider Electric France established a network of 50 referents to address sexism and sexual harassment cases. These individuals have been equipped and trained to be the first point of contact for employees who are victims of such behaviors. Also, awareness on domestic violence was addressed within the Company during a dedicated event jointly organized by the Schneider health team and local NGOs. The national domestic violence emergency number was communicated to employees on all sites.

4. Committed to and on behalf of employees

4.5.4.7 Focus on the United States

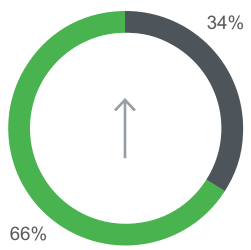
4.5.4.7.1. Gender diversity in the US

Overall workforce



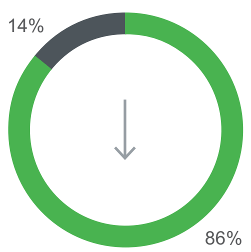
- Male
- Female
- vs. 2018

Non-DVC hiring



- Male
- Female
- vs. 2018

Sales hiring



- Male
- Female
- vs. 2018

4.5.4.7.2 Hiring, retaining and mentoring diverse teams

Schneider Electric has partnered with the Society of Women Engineers, the National Society of Black Engineers, Military MOJO and Navy Nukes to tap into a diversified talent pool. These partnerships support the Company at university level to engage with the most diverse generation to date in the US through a variety of actions, such as sponsoring Hackathons and engaging Schneider Electric's leaders in campus events.

Schneider Electric US also launched a Mentoring Program designed to further promote the mentoring and development culture in an inclusive way, by making opportunities available for everyone through a variety of options: a series of inspirational videos from leaders, sharing their perspectives and experiences on our leadership expectations; face-to-face mentoring circles organized by Employee Resource Groups; and a mentoring website with resources and materials to enable employees to seek a mentor on their own. Additionally, mentoring opportunities are available for all employees with the introduction of Open Talent Market, Schneider Electric's one-stop-shop career development and internal talent market, powered by Artificial Intelligence.

4.5.4.7.3 Inclusive benefits

Schneider Electric US is proud to offer inclusive family planning benefits as part of the heath care plans available for employees. As of January 2020, benefits include family planning support for infertility treatment, fertility support and benefits for adoption and surrogacy.

4.5.4.7.4 Employee Resource Groups

Beyond Schneider Electric US' policies and programs, seven dynamic Employee Resource Groups (ERGs) work hard as a community to spread awareness of inclusive behaviors through the execution of the D&I calendar. Their purpose this year was to focus to the national holidays that celebrate different minority groups throughout the year, which resulted in a more visible engagement of senior leaders, increased number of events and attendees, and increased social media engagement.

4.5.4.7.5 Diversity for business: Supplier Diversity program

Schneider Electric US' Supplier Diversity program strives to identify, include and engage qualified diverse suppliers to support the Company's goals and provide a level of excellence to all stakeholders. The program is in pursuit of qualified Small Business Enterprise (SBE), Veteran (VET), Minority-Owned Enterprise (MBE), Women-Owned Enterprise (WBE), and Historically Underutilized Business Zones (HUBZone) suppliers that provide quality products and services at competitive prices.

As of end 2019, 11.1% of Schneider Electric's US suppliers were diverse. In 2019, the Company's Supplier Diversity program was recognized at Intel's annual Preferred Supplier Event, making Schneider the first company in the energy sector in the US to receive that recognition.

4.5.4.7.6 External recognition

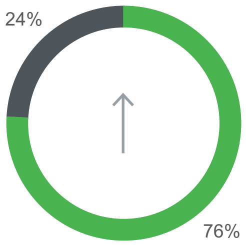
Schneider Electric US received different recognitions for building a diverse and inclusive culture:

- In 2019, listed amongst Forbes' Best Employer for ALL, Women, Diversity and New Graduates;
- Listed as a Military Friendly Company, empowering veterans, and being enriched by their experience;
- Certified as a Great Place to Work and a Fortune Best Workplace in Manufacturing & Production; and
- Listed as a Best Company for Women by Comparably.

4.5.4.8 Focus on Greater India (India, Bangladesh, Sri Lanka)

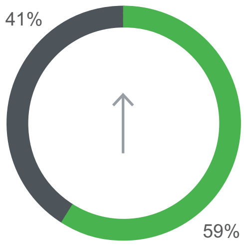
4.5.4.8.1 Gender Diversity

Overall workforce



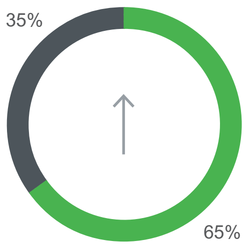
- Male
- Female
- vs. 2018

Non-DVC hiring



- Male
- Female
- vs. 2018

Sales hiring(1)



- Male
- Female
- vs. 2018

(1) International Operations, including Greater India Zone

4.5.4.8.2 Gender inclusion

Since 2015, Greater India has been implementing a successful holistic approach to build a gender-balanced leadership pipeline. This longstanding focus and multi-dimensional approach to gender diversity has been recognized globally by the 2019 Catalyst Award.

To accelerate gender diverse hiring at entry level, Schneider Electric India focuses on campus engagement by leading actions such as Schneider's leaders being guest lecturers, student onsite visits, and college visits and partnerships. For middle level roles, the Mid-Level Infusion project encourages hiring mid-level women from different industries in business roles. For senior level roles, systematic industry mapping ensures that the Group attracts potential women leaders.

In addition, through a program named Her Second Innings, Schneider Electric Greater India strives to leverage an untapped talent pool, by hiring women who are looking to re-enter the workforce after a career break.

Lastly, the leadership development program URJA (which translates to 'Energy' in English) is designed to harness the leadership skills of mid-career women employees identified as solid potentials. As of end 2019, more than 400 women have participated in the program.

4.5.4.8.3 LGBT+ and disability inclusion

As inclusion starts with awareness, Schneider Electric Greater India celebrated Pride month in June and the International Day of Persons with Disabilities in December. Over 600 employees from all parts of the organization took part in these events. Employees increased their awareness through engaging in the panel discussions, with community members and their allies, and in Yammer conversations on LGBT+ and disability inclusion.

4.5.4.8.4 Social impact

As part of the Schneider Electric Greater India President's personal commitment to the Women Empowerment Principles (WEPs), the organization introduced the Prerna Awards to promote gender equality beyond the workplace to society. As of end 2019, seven women entrepreneurs with small or medium-sized enterprises have been recognized for empowering women through creating new jobs or making their mark in a male dominated sector.

Schneider Electric Greater India has also developed the Jagriti initiative, which aims to educate school children on gender stereotyping. From 2016 to 2019, 10,000+ children in private schools have benefitted from the initiative. In 2019, the program was extended to 400 students from government schools in rural areas as well as to 250 Schneider Electric facilities staff.

4.5.4.8.5 Inclusive policies

As of end 2019, Schneider Electric Greater India was fully aligned with the Group's Global Family Leave Policy, and in some cases exceeding Group minimums. Employees are also provided with discounted day care centers near office locations.

Schneider Electric Greater India also supports employees through additional leave and flexibility at work policies:

- Advanced sick leave, in case of prolonged sickness;
- Sabbaticals, for family care at critical times;
- Voluntary time off, for community volunteering activities;
- Flexible work policy, with flexible timing for arrival and departure from the office, work from home in times of exigency and part-time options.

4.6 Compensation and benefits

4.6.1 Description of risks and opportunities

Immense changes are taking place – industry re-configuration, digital everywhere, a global and local world and a new diverse, multi-generational workforce. To support Schneider Electric's mission to create a great place to work and to cater for the diverse needs of its global existing and future workforce, the Company is committed to providing a competitive, inclusive compensation and benefits offering, which attracts, motivates and retains talent.

4.6.2 Group policy

At Schneider Electric, each employee has their unique life and work ambitions and that's why the Group provides a meaningful, inclusive and personalized reward portfolio to provide for the diverse needs of people and empower them to drive business results.

People are the most valuable asset. As a responsible employer, Schneider prioritizes pay equity and fairness, a culture of diversity & inclusion, and a healthy workplace where all employees can feel recognized and safe to bring their authentic self to work. Schneider ensures that all compensation and benefits decisions and policies are based on these principles and follow local statutory and collective agreements.

If Schneider Wins, We All Win. Employees are individually empowered and collectively driven to collaborate and beat the competition. Schneider Electric believes in rewarding, recognizing and differentiating fairly employees who contribute to the success and live the values of the Company. By putting recognition at the centre of a high-performance ambition, employees feel engaged and motivated to do more. Delivering high performance is rewarded by competitive market pay, incentive programs, employee shareholding and opportunities to grow careers within Schneider.

Benefits are an essential component of the Group's reward portfolio reflecting the diverse needs of its employees. Schneider offers a portfolio of benefits to care for employees' needs at each life stage. Its diverse and multigenerational workforce is provided with meaningful choices covering a holistic range of well-being, flexibility and financial protections to provide peace of mind to employees and their dependents.

4.6.3 Due diligence and results

4.6.3.1 Compensation

4.6.3.1.1 Our job architecture and compensation process

Schneider Electric has implemented a global job architecture to support HR processes and programs and to enable Schneider to engage, develop and move talents across different businesses and geographies. The job architecture provides alignment to market practice and organizational structure to ensure the reward package offered for a role is fair and competitive. This structure is also used to create transparency for career development and progression.

Leaders are equipped to make informed reward decisions throughout an employee's career by providing guidance, education and tools to make fair and equitable decisions.

Pay competitively and pay-for-performance

Schneider Electric's objective is to create a high-performance culture where employee rewards and Schneider performance are linked. In line with the Group's pay-for-performance philosophy, the compensation structure typically includes fixed and variable (incentive) elements. Compensation programs and decisions are based on individual performance and behaviors, Company performance and competitive market positioning.

Equal pay for equal work

Schneider Electric is committed to rewarding everyone for the skill set they possess and values their contribution on an equal basis. Since 2015, as part of its HeForShe commitments, the Group has implemented a systematic process to identify gender pay gaps within comparable groups of employees, address pay discrepancies across genders, and take corrective actions at global and country levels to reduce identified gaps.

In 2018 this process was digitized and incorporated into the global HRIS compensation tool 'Talentlink' enabling robust global reporting and analytics to track progress. At the end of 2019, a Pay Equity Framework has been implemented in all countries, covering 99% of Schneider's total workforce and already achieving its 2020 ambition.

SSI#15: 95% of employees are working in a country with commitment and processes in place to achieve gender pay equity

Schneider Electric has made significant progress in systematically identifying and addressing pay gaps. By the end of 2019, 99% of employees worldwide are working in a country with commitment and processes in place to achieve gender pay equity. Over the past two years, additional countries were added into the coverage, notably in the Middle East, Africa and South America. Today, the pay equity adjustment process is fully integrated into the annual global salary review. A range of communications and education materials have been developed with over 1,000 leaders and the HR community being trained to make fair and equitable compensation decisions in hiring, promotion and salary review.

% employees covered in 2019

99%

Living wage

In line with its Human Rights Policy and Principles of Responsibility, Schneider Electric believes earning a decent wage is a basic human right. Schneider is committed to paying employees in the lower salary ranges at or above the living wage to meet their families' basic needs. By basic needs, the Group considers food, housing, sanitation, education, healthcare plus discretionary income for a given local standard of living.

In 2018, Schneider started working with an independent advisor – Business for Social Responsibility (BSR) – to implement a living wage commitment. Schneider Electric has initiated a global process to analyze wage levels and employment practices against local living wage standards set by BSR. At the end of 2019, the analysis had covered 63 countries, reaching 99% of the Schneider footprint. This partnership and process will continue in 2020.

4.6.3.1.2 Short-term incentive

For employees to take a 'One Schneider Electric' approach, incentives are linked with overall Company performance and individual objectives. It is designed to encourage and motivate employees to deliver on collective ambitions through a sense of accountability and collaboration. To promote a superior sales culture, Schneider Electric offers levels of differentiated reward for sales people focusing on results.

With a strong sustainability component, annual short-term incentives for the Group's executives and over 60,000 eligible employees focus on what matters to Schneider Electric. Since 2011, sustainable development components have been added to incentive goals of the Executive Committee. They are directly linked to the Schneider Sustainability Impact targets.

In 2019, the weight of the Schneider Sustainability Impact criteria was increased from 6% to 20% in the collective part of the annual incentive to further highlight the importance of sustainability on Schneider Electric's business agenda. In France since 2012, the SSI has also been included in the profit-sharing incentive plan for the French entities Schneider Electric Industries and Schneider Electric France. The reduction in the occupational accidents severity rate is also considered in the profit-sharing incentive plans of 26 other French entities.

4.6.3.1.3 Long term incentive

Schneider Electric's long-term incentive plan offers share ownership opportunities to the Group's key talents and critical roles to align their rewards with the interests and experience of Schneider shareholders, encouraging them to Act Like Owners. Similar to the short-term incentive, a portion of the award under the long-term incentive plan is subject to the achievement of the Schneider Sustainability Impact targets.

4.6.3.1.4 Recognition is in our DNA

Every day, Schneider Electric employees are making important contributions to help the organization achieve its mission and key business results. The Global Recognition Portal "Step Up" gives employees a way to formally recognize and celebrate people who consistently demonstrate the Company's Core Values and go above and beyond. Schneider creates a culture where employees receive regular feedback and coaching from their managers and colleagues and encourages the recognition of small and big achievements by simply saying "Thank you".

Recognition is a top motivator and driver for employees, ranking in the top 5 of the OneVoice Employee Engagement Survey in 2019. Gratitude and appreciation have a high impact across the organization and are a key priority in driving engagement and high performance at Schneider Electric. Over 250,000 recognition moments were recorded in 2019 in the Step Up portal, acknowledging Schneider employees living the Core Values around the world.

4.6.3.2 Benefits

Company provided benefits represent a considerable business commitment by Schneider Electric everywhere in the world. Schneider ensures that all employee benefits are locally and globally compliant, as well as market relevant. Because employee benefit plans vary significantly between countries due to different levels of social, tax and legal regulations, Schneider's benefits portfolio is primarily country-driven and aims at providing similar benefits within a country territory.

4.6.3.2.1 Our global benefit standards

Schneider Electric regularly reviews compliance with its global benefit policies and principles to ensure that its inclusive global benefit standards are delivered for everyone, everywhere. These standards cover healthcare, family leave and life cover and are audited in the Schneider Sustainability Impact.

One of Schneider Electric's underlying benefit objectives is to ensure all its employees are equipped to manage their basic health and well-being and to provide adequate security to employees and their dependents. Health and well-being are embedded in the Schneider Electric strategic people priorities and contribute to its sustainability mission. The Company has a commitment to strive, at a minimum, that 90% of Schneider's employees have access to a comprehensive well-being at work program – translated into a dual standard of access to well-being programs and healthcare. Well-being training programs offered are detailed page 156. Access to inclusive and comprehensive standard of healthcare coverage is defined by local regulations and employment agreements. As outlined in the Global Family Leave Policy section (page 166), Schneider Electric also supports its employees with personal time off at critical life stages and this is fully deployed in 100% of countries. In addition, the Group commits to provide financial security to employee dependents, in the event of an employee's death, in the form of a minimum standard of life assurance coverage of at least a multiple equivalent to one year's salary.

4.6.3.2.2 Employee Share Ownership

Employees are expected to “Act Like Owners” of the Company, taking responsibility and ownership in everything they do. In line with this strong belief, since 1995, the Group has offered employees throughout the world the opportunity to become owners of the Company, at preferred conditions, thanks to the World Employee Share Ownership Plan (WESOP). It is one of the Group’s key annual reward programs and was recognized by the Global Equity Organization in April 2019 for best employee ownership plan effectiveness.

For the first time in 2019, more than 50% of WESOP eligible employees in 38 participating countries subscribed, representing more than 56,000 employees. This is the third consecutive year of unprecedented participation.

As of December 31, 2019, the employee shareholding represented 43.7% of Schneider Electric SE’s capital and 6.3% of the voting rights. 75% of the Group employee shareholders were located outside of France, of which 13% are in China and the US, and 11% in India. This also includes employee shareholding resulting from the long-term incentives grants.

4.7 Social dialog and relations

4.7.1 Description of risks and opportunities

Social dialog and freedom of association must be seen within the wider context of Ethics & Responsibility. As a global Company, Schneider Electric is convinced that its responsibility goes beyond compliance with local and international regulations and is committed to conducting its business ethically, sustainably and responsibly.

The Company is constantly interacting with all the stakeholders throughout the world: its borders are expanding, its environment is changing ever faster, its activities are becoming globalized and its social responsibilities are growing.

The challenge is to gain and maintain the highest confidence of its stakeholders. To support each employee in this approach, the Group emphasizes the importance of placing responsibility at the heart of its corporate governance.

The Group currently has around 135,000 employees worldwide. Following the Group's various acquisitions, it has been able to integrate this exceptional professional and cultural diversity.

4.7.2 Group policy

Schneider Electric considers freedom of association and collective bargaining as fundamental rights that must be respected everywhere and therefore in its Principles of Responsibility commits to complying with local laws in every country where it operates.

In its Human Rights Policy, Schneider confirms that it considers freedom of association as the basis of a regular dialog between a company and its employees. To that purpose, Schneider respects the individual right of its employees to freely join, participate in or quit labor organizations to assert and defend their interests. Subsequently, Schneider guarantees that any employee wishing to do so shall be protected against any internal measure limiting his or her freedom of association such as discrimination of any kind, pay loss or dismissal. Schneider also recognizes the importance of dialog with freely appointed employee representatives, employee representative bodies (such as Works Councils or employee forums) or organizations (like trade unions) and supports collective bargaining.

In addition, Schneider joined the Global Deal initiative in 2017. The Group is promoting social dialogue as a means to foster decent work, quality jobs, increased productivity and, by extension, greater equality and inclusive growth.

4.7.3 Due diligence and results

Social dialog is managed at country level by the HR leaders with the employee representative bodies and unions, and at transnational level with the European Works Council which covers most of geographical Europe. Social dialog is also taken into consideration by the Group's social reporting system, where local HR teams report on the presence of trade unions, works councils and Health and Safety Committee every year.

In 2014, while changing the corporate form of its parent company, Schneider Electric SA, into a European company (*Société européenne*), Schneider Electric negotiated an agreement with employee representatives of European countries about the involvement of these countries' employees in the Company's decision-making processes, thus reaffirming its commitment to promoting social dialog at international level.

4.7.3.1 European Works Council (EWC)

The changes that were made in 2014 to the European Works Council in the framework of Schneider Electric SA's transformation into a European Company significantly enhanced the intensity and the impact of social dialog at European level. This European channel for dialog aims at enabling management to make more efficient decisions by giving employee representatives the opportunity to be informed of such decisions and to understand their reasons, as well as to put forward proposals to supplement or improve them.

It has also fostered the emergence of a strong identity, combining different cultures and having the common aim of working towards social and economic progress within the companies in the Group at European level. The European Works Council covers all European Economic Area countries (hence all EU member states) and Switzerland, for a total of 43,000 employees.

Moreover, in respect of the spirit of European participation, signed in 2014, and agreed by a large majority of negotiators, a new European Works Council has been set out with extended powers and resources, and the participation of European employee representatives at board of directors' level has been introduced. It replaced the previous European Works Council.

In 2017, Schneider Electric and Industrial Europe signed an innovative Europe-wide agreement, the European agreement on the anticipation and development of competencies and employment with respect to the Schneider business strategy. This agreement is a great opportunity to create a governance for jobs and skills at the Company by anticipating impact and evolutions in business in line with current market trends and the Company's ambition. It sets clear objectives for boosting employees' employability, and for enriching the workforce by diversity and digital generation recruitment and reinforces constructive social dialog at European and local level within the Company.

In 2019, the European Works Council met five times, including four Core Council Meetings and one plenary session. During this plenary session we renewed 30% of seats and re-elected the core members and EWC secretary. This allowed active social dialog at European level throughout the year, as well as in-depth discussion on key topics. The June plenary session hosted presentations and discussions on the Company's strategy with Executive Committee members including Schneider Electric's CEO.

4.7.3.2 Group Works Council, France

Schneider Electric's French Group Works Council is a forum for economic, financial and social dialog between senior management and the representatives of employees from all French subsidiaries.

Several negotiations were launched during 2019 at the level of the Group in France, training, apprenticeship and some tools to manage the evolution of headcount and skills.

Due to the evolution of the law, Schneider has negotiated a new agreement about the functioning of the Group Work Council.

Schneider launched some new training for some trade union members (15 people – 18 days). In case of success, they will obtain a certificate (social dialog, economic and business skills, etc).

In order to better understand the Schneider Electric and its perspectives, the Group Works Council also visited NEWLOG (distribution center) and Beaumont-le-Roger (factory).

4.7.3.3 Social dialog in the United States

In the US and more generally in North America, regular communication takes place with both union and non-union employees on key business topics and trends affecting their jobs. Company officials meet with key international union leaders on an ongoing basis, and formally on an annual basis, to advise and discuss competitive issues impacting the Company's business, and to ensure alignment with the Company's business strategies/challenges. Local Company officials also meet with location union representatives regarding information targeted to local issues as related to safety and operational strategies.

4.7.3.4 Social dialog in Mexico

In Mexico, Schneider Electric leaders conduct regular communication with employees on topics related to their jobs: this communication takes place in different ways, including large communication meetings and small group conversations. There is also continuous communication with the union leaders and delegates of four national unions which represent unionized employees. Schneider Electric them informed of internal and external issues impacting the Company's results, listens to their concerns and looks for alignment with the Company strategy and challenges. Schneider and the unions review the collective contract every year.

In 2018, Schneider Electric Mexico was certified by CEMEFI as a Socially Responsible Company. The mission of CEMEFI is to foster and enhance the culture of philanthropy and social responsibility in Mexico and strengthen the organized and active participation of society in solving community problems. Different topics are evaluated during the certification process, including active labor relations points. In addition to this, each unit/plant leads proactively its own social actions, for example in 2018 the Plant on Tlaxcala state got the Gilberto Rincon Gallardo Inclusive Company Distinction from Federal Labor Authority, for applying a labor inclusion policy for people in vulnerable situations.

4.7.3.5 Social dialog in China

Schneider Electric has over 30 legal entities and over 100 sites in China, most of which have set up unions. Unions offer input in the review of local policies relating to employee remuneration and taking lead in renewing collective contracts and organization changes in 2019. Unions play a key role in leading employee events and activities including the set-up of Employee Caring Center in all branch offices, annual family day, bringing kids to work, etc. 2019 saw the initiation of Monday Energy Station which creates an opportunity for team gathering every Monday, further bonding team members and positively contributing to the overall well-being environment. Other achievements include the upgrade of the mother and baby rooms nationwide, providing staff books, running machines; promoting well-being courses, including energy management and traditional Chinese medicine health care courses. The Labor Union has organised more than 800 activities nationwide with a participation of more than 7,000 people.

4. Committed to and on behalf of employees

4.7.3.6 Social dialog in India

Schneider Electric India has a strong social dialog culture with both unionized and non-unionized employees. In 2019, Schneider Electric India maintained cordial industrial relations throughout its plants and establishments.

Industrial harmony has been achieved through a time-tested collective bargaining process involving unions or through worker representative committees. In some of the plants where there are no recognized unions, this bargaining process is conducted with elected employees on committees such as Welfare (Works Committee), Health & Safety, Canteen, Sports and Transport ,etc., including a special committee for women employees and a prevention of sexual harassment committee (fully compliant with the prevention of sexual harassment governance as per local laws), duly represented by employees and external women with specialist knowledge of the subject and with legal backgrounds. These committees provide a platform for employees to represent their concerns, collective grievances and workplace-related issues to the management. All employee engagement programs are run through these committees with the active participation of every employee.

The process of social dialog also includes monthly employee communication at plants level, as well as through Quarterly Town Hall communication on Company performance, strategy and challenges. This year, Schneider Electric India has signed a long-term agreement in one of its entities.

4.7.3.7 Social dialog in Turkey

2019 has been a fruitful and productive year for Schneider Electric Turkey where new policies were introduced as well as an employee support program to the benefit of employees.

The deployment of the Global Family Leave Policy has been completed. The policy is now in place and being actively used by all employees in the plants including blue collar employees. This implementation has received very good feedback from the employees and from the union. It has been recognized as a very good and progressive implementation, quite ahead of many employers in Turkey.

Schneider Electric Turkey has also completed the launch of the Employee Assistance Program (AVITA) with the full coverage of the country. This is a 24/7 consultancy and information service provided by experts in every field that the employee and/or their family might feel the need to research or seek for help. Finally, Schneider Electric Turkey has launched its Business Policy Against Domestic Violence. This policy provides support and help to any Schneider Electric employee to overcome the after-effects of physical, economic or psychological domestic violence.

5. Schneider Electric, an eco-citizen company

In this section:

Context and goals

Schneider Electric has always played an active role in the economic development of the communities in which it has a presence, in particularly on two topics: access to energy and energy poverty.

Recent data show the majority of EU countries have ‘moderately high’ to ‘extreme’ levels of energy poverty among low-income households.

Notable progress has been made on energy access in recent years, with the number of people living without electricity dropping to 840 million in 2017 from 1 billion in 2016(1). Decentralized renewable energy sector has emerged as a significant employer in emerging markets with the creation of more than 450,000 thousand jobs(2) by 2023.

Key targets and results

Schneider Sustainability Impact 2018-2020

Megatrends and SDGs	2018-2020 programs	2019 progress	2020 target
Development	19. Turnover of our Access to Energy program	**1.56** ▲	**x4**
	20. Underprivileged people trained in energy management	**246,268** ▲	**400,000**
	21. Volunteering days thanks to our VolunteerIn global platform	**11,421** ▲	**15,000**

▲ 2019 audited indicators.
The 2017 performance serves as a starting point value for the Schneider Sustainability Impact 2018-2020.
Please refer to pages 192 to 196 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 179-182 for indicator 19, 183-185 for indicator 20, and 188-189 for indicator 21).

2025

Schneider Electric has also defined objectives for 2025:

- Train 1 million underprivileged people;
- Support 10,000 entrepreneurs;
- Train 10,000 trainers;
- Help 50 million people gain access to energy thanks to the Group’s solutions.

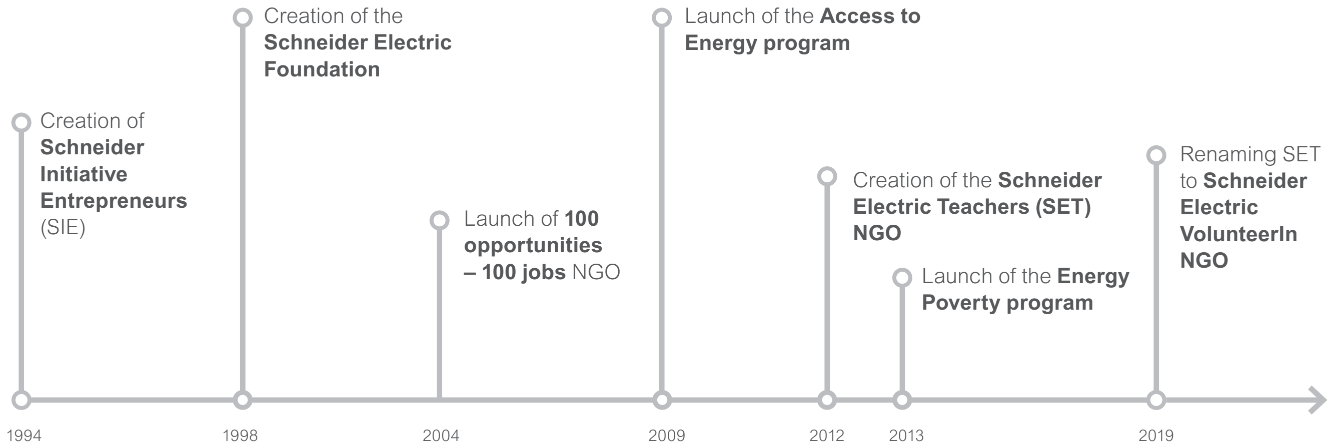
2030

Help 80 million people gain access to energy thanks to the Group’s solutions.

(1) Source: Tracking SDG7: The Energy Progress Report, produced by the International Energy Agency (IEA), the International Renewable Energy Agency (IRENA), the United Nations Statistics Division (UNSD), the World Bank and the World Health Organization (WHO).
(2) Source: Powering Jobs Census 2019: The Energy Access Workforce – Power for All in partnership with the Schneider Electric Foundation.

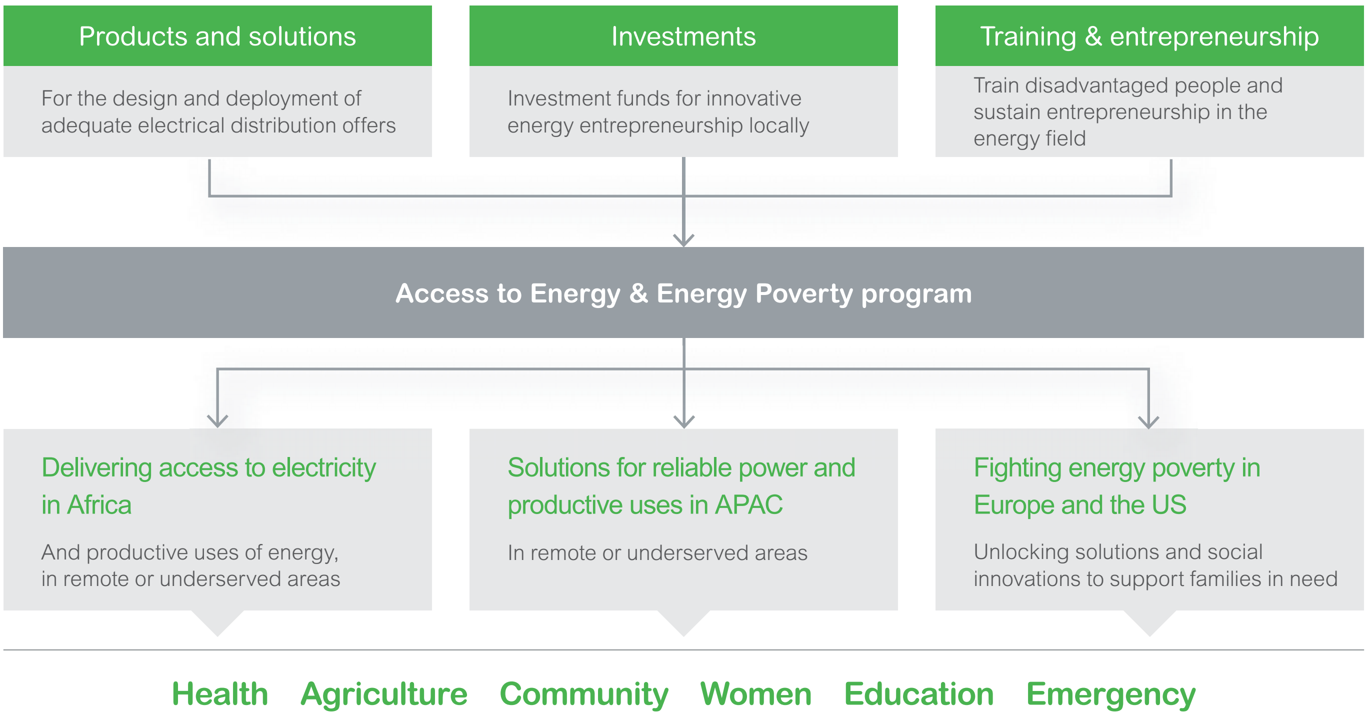
5.1 25 years of commitment to youth, skills development, and reducing the energy gap

For 25 years, Schneider Electric has led many initiatives to reinforce its impact as a responsible and social company.



Schneider Electric considers access to energy and digital as fundamental human rights. The Group wants all people on the planet to have access to modern energy – reliable, safe, efficient and sustainable – to access a better life through health, green agriculture, economic and community development, women's empowerment, education, and support in emergency situations, while fighting climate change. The Access to Energy & Energy Poverty program encompasses initiatives of the above timeline to serve three main objectives: deliver access to electricity, provide solutions for reliable power and productive uses, and fight energy poverty.

Overview of the Access to Energy & Energy Poverty program



5.2 Access to Energy program

Schneider Electric launched its Access to Energy program in 2009, with a unique approach combining three dimensions that enrich each other:

- **A training and entrepreneurship program** aimed at developing skills in the electricity trades and supporting entrepreneurs in this area, in particular women, as a necessary condition for sustainable and inclusive local development.
- **A social and inclusive business,** with products and solutions for rural electrification (collective and individual, such as solar lanterns, solar home systems including Pay As You Go feature, solar water pumping systems, microgrids including plug and play containerized solutions, etc.), creating local jobs in distribution, energy services, agriculture, etc., and promoting in particular women's empowerment.
- **Investment funds** for impact on energy access to further support local economies.

To date, Schneider Electric has provided energy access solutions to more than 27 million people, invested in 20 companies, trained more than 246,000 underprivileged people and supported more than 800 entrepreneurs. It targets enabling 80 million people access to electricity by 2030, and by 2025 1 million people trained, 10,000 trainers trained, 10,000 entrepreneurs supported.

5.2.1 Organization

5.2.1.1 Management

The program is managed by the Sustainability department; the program's management team is divided into equivalent numbers in France and India:

- An Access to Energy program strategy and performance manager;
- Two business development directors in charge of marketing of Access to Energy solutions, one for the Asia Pacific zone and one for the Africa, Middle East and South America zone. One of them is also supervising the emergency, post-conflict and refugee account manager;
- An offer creation director;
- An impact investment director, who manages or supervises the Schneider Electric Energy Access (SEEA) social welfare fund and the Schneider Electric Energy Access Asia (SEEA-Asia) fund;
- A training & entrepreneurship director; and
- Access to Energy correspondents in key countries (India, Myanmar, Indonesia, Senegal, Ivory Coast, DRC, Cameroon, Madagascar, Nigeria, Kenya, South Africa, Brazil, etc.). Their involvement may be part-time or full-time. They contribute their knowledge of the local context (organization of civil society, local authorities, the private sector, etc.) and guarantee that the project is aligned with local needs. Their presence is of crucial importance for the long-term oversight of projects in which Schneider Electric is involved.

5.2.1.2 Rollout

To achieve its goals, the Access to Energy program operates through its local presence in the countries concerned by energy access issues. With rare exceptions, all projects initiated benefit from monitoring by employees of Schneider Electric entities operating in the countries concerned. These employees constitute a network of key contact people for the design, management and monitoring of electrification projects.

5.2.2 Impact investments

In July 2009, Schneider Electric created a social impact investment structure in the form of a variable-capital SAS (simplified joint-stock company), Schneider Electric Energy Access (SEEA), with a minimum capital of EUR 3 million.

As at December 31, 2019, the following amounts were managed by SEEA:

- EUR 3,000,000 in capital invested by Schneider Electric;
- EUR 3,200,000 invested by Schneider Energie Sicav Solidaire (including EUR 500,000 in capital), a mutual fund managing the employee savings scheme for Schneider Electric employees in France; and
- EUR 200,000 in capital invested by *Phitrust Partenaires*.

Created with the support of *Crédit Coopératif*, the fund's mission is to support the development of entrepreneurial initiatives worldwide that will help the poorest populations obtain access to energy. It will invest in specific projects:

- Helping jobless individuals create businesses in the electricity sector;
- Developing businesses that fight against fuel poverty in Europe by promoting energy efficiency and offering efficient housing;
- Developing businesses that provide access to energy in rural or suburban areas in emerging countries; and
- Supporting the deployment of innovative energy access solutions that use renewable energies for disadvantaged people.

The SEEA fund brings together different stakeholders by encouraging Schneider Electric's employees and business partners around the world to play an active role in this commitment. At the end of August 2019, 5,806 Group employees in France showed their interest in the Access to Energy program by investing EUR 29.4 million.

The aim of the SEEA fund is to maximise social impact while protecting the assets under management. Accordingly, it has adopted strict management rules, such as:

- Always invest in partnerships with recognized players;
- Never take a majority stake; and
- Always provide efficient company support (help develop a business plan, technical advice, etc.) to deliver the optimum social impact while minimizing risk.

5.2.2.1 Investments in France

DORéMI is a social enterprise that aims to tackle energy poverty in France. DORéMI performs single step complete energy renovation of houses – less expensive and more efficient. As part of their solution, DORéMI trains craftsmen in complete renovation and encourages them to work in groups. To date, DORéMI carried out more than a hundred energy efficient renovations.

Envie Sud Est is a social integration company, which is a member of the ENVIE network. Its main activity is the collection and treatment of Waste Electrical and Electronic Equipment (WEEE). Studies are currently under way into partnerships with this company.

IncubEthic SAS is an approved social enterprise, which mainly provides energy efficiency advice services.

La Foncière Chênelet is a Chênelet Group employment opportunity company formed to fight against fuel poverty by creating energy-efficient social housing. Moreover, construction sites bring together employment opportunity companies and conventional firms to promote rehiring of the unemployed.

La Foncière du Possible is a real estate company initiated by *"Les toits de l'Espoir"*, member of *Emmaüs le Relais*. It aims at renovating unhealthy houses to create energy-efficient social housing. The renovated houses are lent to people facing energy poverty to favor social inclusion.

LVD Énergie (formerly Solasyst) is a company of the "La Varappe" employment opportunity group based in Aubagne, France. This company has developed a range of efficient and environmentally friendly buildings on the basis of recycled shipping containers. An initial project of housing units for people entering the workforce was exhibited in Versailles (France) at the *Solar Decathlon* event. Following this exhibition, the housing units for people leaving the streets were installed in Lyon by *Habitat et Humanisme*, other projects were implemented for the *Salvation Army* or ADOMA.

SIDI (International Cooperation for Development and Investment) is an investment fund that assigns priority to the impact on development rather than return. The fund is an important partner of SEEA and is particularly active in the microfinance sector.

SOLIHA BLI is a real estate company created in partnership between SOLIHA associations in the Loire region, aiming at developing efficient housing offers for people affected by energy poverty, in order to favor social inclusion and to dynamize smaller cities.

5.2.2.2 International investments

Amped Innovation, a company that designs optimized solar home systems and DC energy efficient appliances to meet the needs of distributors and users. Particular attention is paid to the optimization of costs and the flexibility of the equipment. This company is starting to generate revenue and carried out a capital increase in 2018.

OKRA, a company developing microgrids by interconnecting individual solar systems. This solution optimizes the use of solar systems and spreads in time required investments for the grid development. This company deploys its first pilots in Cambodia and the Philippines.

SunFunder is an innovative financing company specializing in companies seeking to increase energy access in sub-Saharan Africa and emerging countries. It has a range of unique and diverse funding offers. It has recognized expertise in monitoring and selecting projects based on a rigorous selection process and measurement of the social impact through an online platform.

5.2.2.3 Companies that exited the portfolio

Fenix International, a company that designs and distributes solar systems in Uganda, enables users to develop a cell phone charging business. This company has established distribution agreements with mobile operators and has developed a prepayment offering. This company was acquired by ENGIE Africa.

Simpa Networks, a company based in Bangalore (India) whose business is to make individual solar systems available to underprivileged people through a specifically developed prepayment system. Simpa relies on a network of partners such as Selco to distribute the systems. This company was acquired by ENGIE India.

5.2.2.4 Energy Access Venture funds

Schneider Electric initiated and supports the Energy Access Ventures (EAV), which manages EUR 75 million to be invested in companies transforming communities across Africa and stimulating economic development through energy access solutions. This fund is jointly backed by Schneider Electric, CDC group, on behalf of the UK department for International Development (DFID)), the European Investment Bank, FMO (Dutch development Bank), FISEA-PROPARCO, OFID and AFD-FFEM. To date, EAV has invested in 13 companies.

5.2.2.5 Schneider Electric Energy Access Asia fund

In December 2019, Schneider Electric, together with Norfund, EDFI ElectriFI and Amundi, launched, a third impact fund named Schneider Electric Energy Access Asia. This investment vehicle is targeting the 350 million people in South and South East Asia with limited access to energy. The operating team will be based in Singapore close to communities who are in need of access to safe and sustainable electricity. A total of EUR 20.9 million will be dedicated to investing in start-ups that work towards increasing quality of life and boosting economic development in Asia, thanks to access to clean and sustainable energy.

5.2.3 Products and solutions

Schneider Electric develops products and solutions to meet a range of both individual and community needs across the energy chain, from portable lamps and solar home systems to decentralized small power plants, water pumping systems and street lighting. These offerings also make it possible to maintain a sustainable economic and social activity and to include and involve local communities in projects.

5.2.3.1 Electricity for community

In 2013, Schneider Electric launched Mobiya TS120S, a portable solar light-emitting diode (LED) lamp that is both robust and affordable and offers up to 48 hours of lighting without recharging, as well as offering a charging solution for cell phones. In 2019, Schneider Electric extends the Mobiya range with Mobiya Lite and Mobiya Front, to offer new possibilities for individual lighting.

Access to Energy: products, solutions, training

Portable solutions

Mobiya
Mobiya Original,
Mobiya Lite
Solar powered portable LED lamp with mobile charger

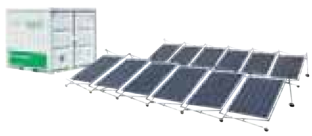
Mobiya Front
Head Lamp

Domestic electrification

Homaya
Homaya Family
Solar Home system including a solar panel and lamps

Homaya PAYG
Including Pay As You Go

Homaya Hybrid
AC and DC, Solar and Grid Home System



Collective electrification

Villaya
Villaya Microgrid
Solar microgrid to power off-grid sites

Villaya Community,
Villaya Emergency
Customized, packaged, containerized

Villaya Water
Solar Water Pumping System

Villaya Lighting
Solar Street Lighting

Villaya Recharge
Entrepreneur USB charging station

Including: EcoStruxure for Energy Access – remote Monitoring of Microgrids

Training

Didactical benches;
Course contents;
Training of electricians, installers, facility managers, entrepreneurs, trainers.

In 2018, the Solar Home Systems (SHS) range grew with the launch of Homaya Hybrid, designed to enable access to quality, affordable and especially uninterrupted power.

In 2019, Schneider Electric launched a pay-as-you-go solar home system that is fully compatible with all mobile payment platforms and does not require a mobile network connection: Homaya PAYG. Energy providers can lease these systems to households. The system allows households to gain the control over their energy bill, only paying for the energy they consume. Users buy energy credit and in return receive a code to activate their system via a keypad on the front of the device. The product is fully customizable and can be adapted to different solar panels or battery capacity.

Villaya Microgrids are solar-powered micro-grids configured to meet collective needs, both domestic and entrepreneurial, in remote sites. They are either 100% solar or hybrid, with no power limitation. In 2018, a new offering was launched with containerized solutions to facilitate the deployment and implementation of micro-grids in the most remote areas.

In April 2018, Schneider Electric unveiled EcoStruxure™ for Energy Access, an affordable, flexible and open platform that uses analytics to improve the profitability and efficiency of electricity micro-grids. Based on Villaya, EcoStruxure™ for Energy Access combines the software tools EcoStruxure™ Energy Access Advisor and EcoStruxure™ Energy Access Expert. This solution is used for real-time monitoring and analytics of site performance and household consumption, while proposing ways to improve operational efficiency and also to ensure the deployment and development of pico-grids, their scale-up with relevant offerings, as well as the customization of business models to fit the amount of energy available.

5.2.3.2 Electricity for emergency

Whether due to the geopolitical context, natural disasters or climate change, emergency situations continue to rise in an increasingly uncertain world. With more than 68 million forcibly displaced people in 2017, the United Nations High Commissioner for Refugees (UNHCR) has seen an unprecedented number of people uprooted by war, violence or persecution worldwide. According to the NGO Oxfam, an estimated 23.5 million were forced to leave their homes in 2016 due to extreme natural disasters. Since 2016, Schneider Electric has committed to offering energy access solutions in emergency situations and has been working closely with UNHCR to find solutions that are suited to the specific needs of refugees and displaced persons. In January 2018, Schneider and the UNHCR signed a memorandum of agreement to seal their commitment to provide refugees and displaced persons with sustainable and reliable access to clean energy. In 2019, Mobiya lamps were distributed to more than 100,000 families in the framework of this agreement. Schneider has provided camps of Jordan, Uganda, Kenya, Chad, Bangladesh, and soon Zimbabwe with modern energy systems and services. Such systems and services range from Mobiya lamps to microgrids – including with connection to EcoStruxure™ for Energy Access – energy dispensers, solar street lights, and training in electricity trades.

To provide access to energy solutions to persons in emergency situations (refugees, victims of natural disasters), Schneider has launched Villaya Emergency, a collective solar electrification solution that is easily deployed thanks to a system that combines the Group's most appropriate solutions with the expertise of innovative start-ups.

The system devised produces a minimum electrical power of 10 kWh – enough to provide electricity to a village, a health center or individual or collective spaces in refugee camps – thanks to a system of solar panels that are easy to deploy and move. The solution is installed in a standard container to facilitate multiple trips to any part of the world within the shortest possible time.

5.2.3.3 Electricity for women

In developing countries, women are the primary beneficiaries of access to electricity in their homes, relieving them of long and painful domestic activities. Access to electricity, especially with mini-grids, can significantly increase women's empowerment, particularly in female-dominated, labor-intensive agricultural and food-processing activities.

- In the Ivory Coast, Donvagne village, Schneider Electric has equipped the women cooperative with a 25kW solar mini-grid powering a mill, kneaders, and refrigerators. Cooperative members and entrepreneurs from the village have been trained by IECD.
- In India, "Energy for livelihoods" initiative is transforming lives of women farmers through innovative Villaya Agri-business solution. The project promotes sustainable livelihood activities like agriculture, agri-enterprises, food processing, livestock rearing, handicraft and other micro enterprises, implemented by mobilising women under SHG groups (Self-Help Groups).
- In Nigeria, Schneider partners with Solar Sister NGO, whose network of women entrepreneurs distributes Mobiya solar lanterns. These women entrepreneurs sell the lamps to vulnerable and underprivileged women.

5.2.3.4 Electricity for education

For Schneider Electric, professionals must be supported by training in energy management from educational institutions through to vocational and continuing education worldwide. In partnership with the Access to Energy Training & Entrepreneurship teams (see next section), an affordable range of Access to Energy education teaching models and teaching tools has been developed to meet the needs of training organizations, particularly in emerging countries. The training offering covers the management of high and low voltage electrical distribution, building management, global energy management and process and machine management.

SSI#19: x4 turnover of our Access to Energy program

In India, the project with the HCL Foundation is one of the largest groups of rural micro-grids in Asia-Pacific, which supplies electricity to more than 6,000 families (30,000 people), in homes and for street lighting, micro-enterprises, schools covering more than 10,000 students, and several clinics. The micro-grids are connected to the Schneider Electric EcoStruxure for Energy Access platform, a remote, cloud-based, real-time monitoring and control solution, used to manage the load and the income generated by micro-enterprises.

Turnover vs 2017

x1.56

5.2.4 Training & entrepreneurship

The key challenge of training in the energy sector is to provide disadvantaged people with the knowledge and skills to be able to carry out a trade in a safe and responsible way, providing them and their families with the means for satisfactory subsistence. It will also give them the ability, should they wish, to sell and maintain energy access offerings and to create their own small business in time. Furthermore, they are a vital and indispensable element for all responsible and sustainable rural electrification policies.

The strategy of Schneider Electric for training disadvantaged populations in the energy sector includes three key priorities:

- Basic training over a few months, which is free and accessible to many people and adapted as much as possible to the local situation. These training courses lead to the issuing of a certificate of competence by Schneider;
- Single or multi-year trainings leading to qualifications, in partnership with local Ministries of Education, or even under bilateral agreements; and
- The training of instructors to support the effective and quality rollout of training down the line.

Building on the results of its trainings, the Access to Energy Training & Entrepreneurship program decided to go further by supporting social and informal entrepreneurs in the energy sector. Job markets in emerging and developing economies are strongly influenced by the importance of the informal sector, sub-activity or multi-activity in order to accumulate sources of income. Training in the specific skills needed by the entrepreneur, start-up support, support and financing are key to creating sustainable activities. In particular, Schneider tries to support women's entrepreneurship in the energy sector, integrate them at every step of the energy access value chain and find the right partners to create a supportive ecosystem.

With the support of the Schneider Electric Foundation, these actions are always implemented in partnership with local players and/or national or international non-profit organizations (NGOs, governments, etc.). They systematically work with Schneider's local subsidiary. The actions may be accompanied by funding for investments in materials and missions of the volunteers of VolunteerIn, which, if the need arises, enables the transfer of expertise.

5.2.4.1 Examples of actions supporting women

As part of the EU project Women's Entrepreneurship in Renewable Energy. In Mali, Senegal and Niger, within the "Women's Entrepreneurship in Renewable Energy" EU project, Schneider Electric will provide technical training in solar energy and support for entrepreneurship to 4,650 women entrepreneurs in partnership with Plan International and Care.

In the Ivory Coast, Schneider trains 1,250 young people in solar and electrical trades, including 60% women, and supports entrepreneurs, in partnership with International Rescue Committee and Mastercard Foundation.

In Ghana, Schneider and its Foundation provide vocational training including 80% women in training centers that offer a creche and flexible hours to fit with women and young mothers' personal constraints, in partnership with Village Exchange Ghana.

5.2.4.2 Examples of actions towards Entrepreneurs

In 2018, Schneider Electric and Initiative France launched a program to support entrepreneurship in energy businesses in Burkina Faso. They will provide support to nearly 80 informal entrepreneurs in the energy sector between now and 2021. The program will include a training course to acquire the technical skills of the profession, financing solutions with the granting of interest-free honor loans, and the setting of a business creation financing system. Initiative France will draw on the 4 Initiative platforms in Burkina Faso to contribute to the financing and support of entrepreneurial creation or development projects in the country. Schneider and the partner training centers in Ouagadougou and Bobo Dioulasso will provide technical training for entrepreneurs. The Schneider Foundation will finance interest-free honor loans and support to entrepreneurs. As the honor loans are paid back, other entrepreneurs will take their place. In addition, a mentorship program may also be set up to support entrepreneurs in their strategic thinking.

5.2.4.3 Case study: The Franco-Argentinian Center of Excellence

In July 2019, the French Ministry of National Education, the Argentinian Ministry of Education, Culture, Science and Technology (MECCyT), the French Ministry of National Education and Youth, Minister of National Education and Youth, France Education International, Schneider Electric and the Schneider Electric Foundation signed an agreement to create The Franco-Argentinian Center of Excellence for training in renewable energy and energy efficiency skills and trades in Buenos Aires. The Center of Excellence will be equipped with the latest technical facilities for the professional training of trainers in the field of renewable energy and energy efficiency. A network of eight peripheral centers across Argentinian using the Center of Excellence for technical training in Buenos Aires as a model will be also created. The MECCyT plans to train 500 trainers in three years at the Buenos Aires Center of Excellence and 800 students per academic year.

Since starting the program in 2009, 246,268 people have been trained in more than 45 countries, giving hope for a decent standard of living for the young people being supported.

SSI#20: 400,000 underprivileged people trained in energy management

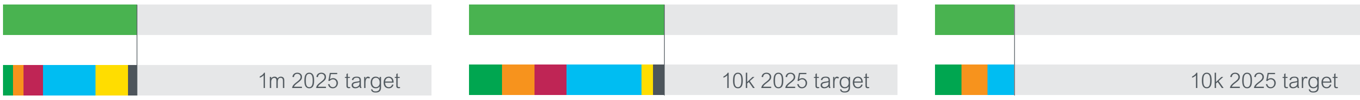
In Ivory Coast, Schneider Electric has joined forces with the International Rescue Committee (IRC) to train 1,250 young people in solar and electrical trades who have failed at school or in their jobs, including 60% women, and to support 750 young people towards entrepreneurship. Two new centers will be supported in 2020.

People trained worldwide since 2009

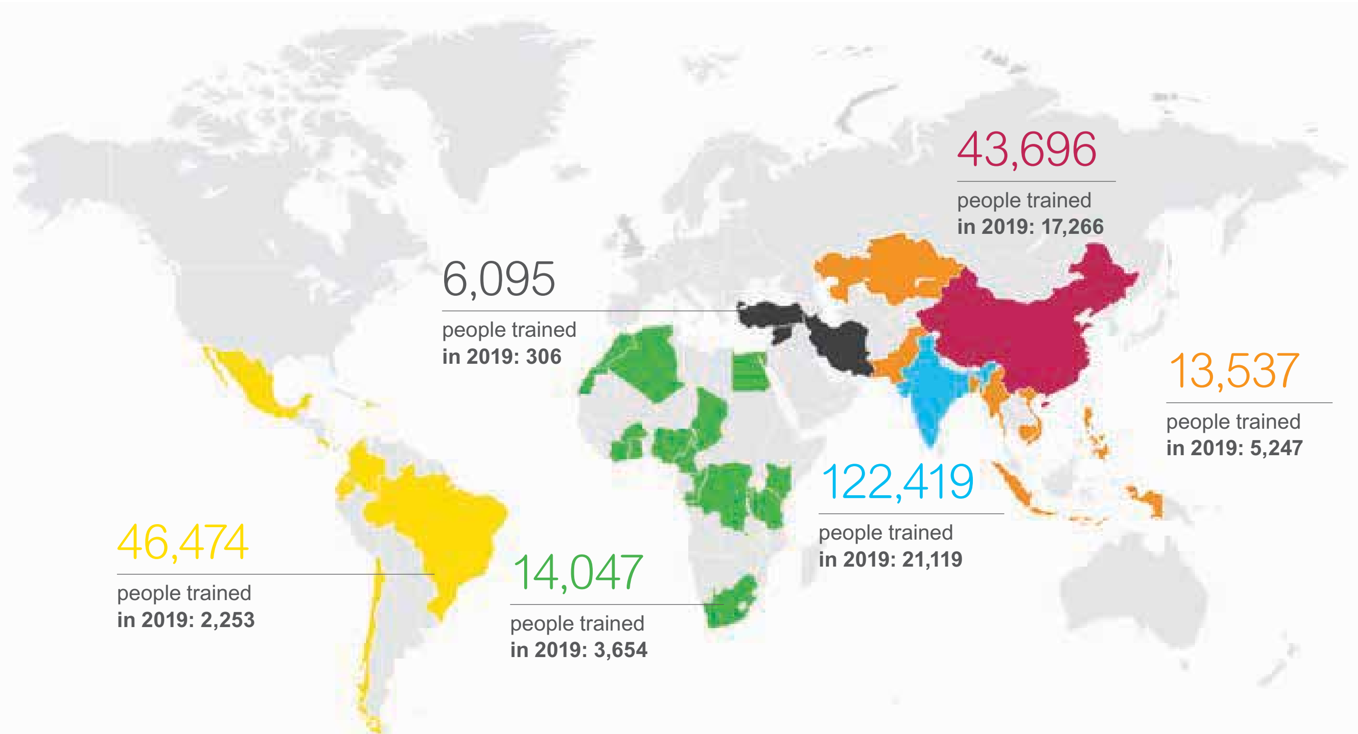
246,268

5. Schneider Electric, an eco-citizen company

People trained	Trainers trained	Entrepreneurs
246,268	4,680	833



Total number of people trained and number of people trained in 2019



5.2.4.4 Impact on people trained and on social and economic development

In October 2019, Schneider Electric launched Tomorrow Rising, a docu-series on four trainees building tomorrow's energy world each in their own way. Tomorrow Rising counts five episodes, which intertwines the lives of these four young people:

- Yéyé is the narrator and her ambition is to become a respected engineer. The documentary follows her from the beginning of her training in Lagos, Nigeria, to her diploma. She narrates the stories of her counterparts from around the world.
- Pierre, in Senegal, has been trained to be a teacher and is now fighting to improve the future of youth in his country.
- For Vitor, in Brazil, Schneider's training has been a genuine lifeline helping him build a career in electricity.
- Lastly, in India, Gurdeep, an ambitious young entrepreneur installs solar panels and employs young people, like him, benefitting from Schneider Electric training.

A virtual-reality version of the reportage is also available to offer a full immersion into the daily lives of the four students and to feel the impact of these trainings.

5.2.4.5 Impact assessment of training partners

In 2019 the Schneider Electric Foundation launched a global initiative to assess social impact for training actions in the energy sector. With its partner KiMSO, the Group built a guidebook intending to support its local partners in assessing, in a standardized way, the social impact of their training activities. KiMSO is a social impact assessment consulting firm who helps charities, NGOs and Foundations to understand, measure and value their impact on key stakeholders.

The project covers both social impact assessment and results chain analysis.

Social impact: consists of the direct or indirect, intended or unintended, effects of an organization's actions on its stakeholders (i.e. beneficiaries, users, volunteers, partners, etc.), and on society in general.

Social impact assessment refers to the process of monitoring, analyzing and managing those social consequences, which can be both positive and negative. This is an evaluative process aiming at answering the following key question: what changes thanks to us?

A results chain establishes causal relationships from the resources used to conduct a program to the long-term effects following the end of the program. It sets out a logical and plausible outline of how a sequence of inputs and outputs interacts with individuals' behavior and conditions to generate outcomes.

5.2.4.6 Outlook

The large-scale expansion of the training projects initiated in 2013 will continue, with the objective of training 1 million people, providing support to 10,000 entrepreneurs and training 10,000 instructors by 2025.

To achieve this ambition, in 2018 the Group contacted Power for All to create and circulate an appeal in favor of vocational training as well as a global campaign to promote decentralized renewable energy. The two players, joined by UN Women, the International Labor Organization, AMDA, CLASP, IRENA, launched the Powering Jobs campaign in September 2018, aimed at making skills and training a core focus, rather than a marginal one, of national and international energy access development policies. The players of the coalition are convinced that a higher level of commitment by donors, governments and the private sector is needed to create the millions of jobs that the development of decentralized renewable energy solutions could generate.

Through its Foundation, Schneider Electric is co-financing the Powering Jobs campaign alongside, notably, the Rockefeller Foundation.

In 2019, Power for All publishes the Job Census report.

5.3 The Schneider Electric Foundation

Schneider Electric philanthropic activities are deployed in close coherence and in support of the Company's sustainability avenues:

- Considering access to energy as a fundamental right;
- Investing in education and more specifically in youth vocational training and professional integration.

Philanthropy at Schneider is not just about providing funds, equipment or working hours, but also about co-creating innovative solutions to face society's challenges. Schneider believes that support and alliance are the cornerstone of strong and successful engagement. In mature economies, millions of people have difficulties to pay their energy and/or to benefit from the right comfort they deserve in their homes. In emerging countries, 840 million people have no access to energy[(3)]. Schneider's philanthropic action is driven by these two challenges and contributes directly to the achievement of the sustainable development goals (SDGs) more specifically SDGs 1, 4, 7, 8, 10, 11, 13 and 17.

In a world where social and environmental challenges are more widespread and more urgent than ever, the Schneider Electric Foundation, under the aegis of the *Fondation de France*, supports innovative and forward-looking initiatives to give as many people as possible the energy they need to succeed. It is this pioneering spirit that the Schneider Electric Foundation is seeking to advance. The role of the Foundation is a catalyst for technological, social and entrepreneurial innovation helping to close the energy gap and striving for a more equitable energy transition around the world.

Ever optimistic, the Schneider Electric Foundation's aim is to help build a fairer, lower-carbon society to give future generations the keys to transform the world.

What does the Foundation do?

- **Education:** Ambitious vocational training programs in the electricity sector for underprivileged communities, providing access to energy in emerging countries.
- **Social innovation:** Impactful projects supporting low-income families, combating household energy poverty in Europe.
- **Awareness:** Digitally driven, future-thinking and inclusive initiatives led by youth, raising awareness about the challenges of climate change.

How does the Foundation do it?

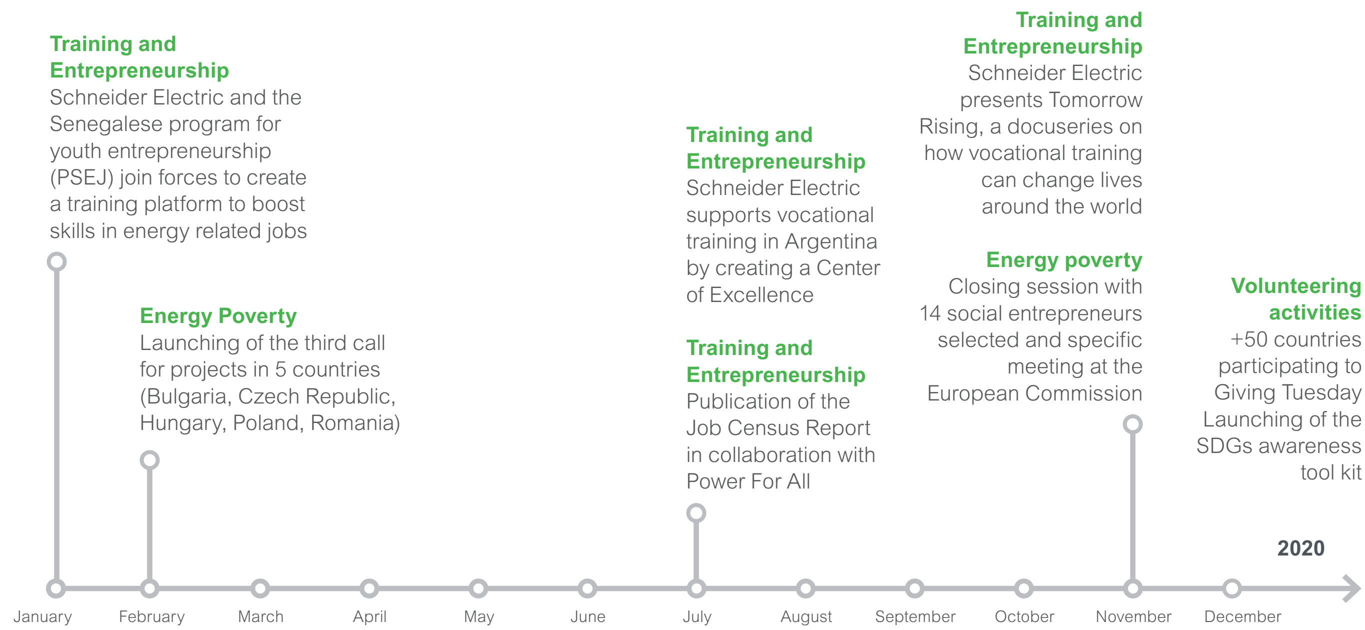
- **Meaningful actions:** Local communities of volunteers to ensure that the initiatives take shape in over 80 countries.
- **Cooperation:** Partnerships with businesses, associations, collectives, and state authorities to develop initiatives and create synergies.
- **Advocacy:** Initiatives driving impactful change to help close energy gaps.

In 2019, there were more than 100 projects, 50,106 young people receiving support and 5,730 days of volunteering.

With an annual budget of EUR 4 million, the Schneider Electric Foundation contributes to the partnerships by giving more than EUR 15.5 million in support from Schneider Electric's entities; employees are also involved in these partnerships. In total, almost EUR 20 million has been invested to help local communities.

(3) in Tracking SDG7 report, 2019.

2019 Schneider Electric Foundation Highlights



5.3.1 Organization

5.3.1.1 A legal connection with the *Fondation de France*

The Schneider Electric Foundation was created in 1998 under the aegis of the *Fondation de France*.

The *Fondation de France* is a non-profit organization that, since its creation in 1969, has been the bridge between donors, founders, and field structures in order to support projects in a range of general-interest areas. The *Fondation de France* supports almost 10,000 projects annually with the donations it receives. In addition, it supports other foundations (888 in 2019), whose operations are governed separately from the *Fondation de France* but that are legally part of it. It is responsible for ensuring that their actions comply with its by-laws and the legal framework of the sponsorship. The Schneider Electric Foundation has an Executive Committee that determines the major focus areas of its actions and the projects it supports. The committee then informs the *Fondation de France* of its decisions, and the *Fondation de France* verifies the projects' compliance and implements them (by approving and signing all agreements with partners, by paying funds to beneficiaries after checking documents that prove the proper functioning of their organizations and their eligibility for the sponsorship, by checking communication tools of the Schneider Electric Foundation, etc.).

5.3.1.2 The executive committee

The Schneider Electric Foundation is made up of members of Schneider Electric, employee representatives and other qualified individuals.

The composition of the Schneider Electric Foundation's executive committee has been renewed in 2019 as followed:

- Chairman: Jean-Pascal Tricoire;
- Members: Monique Barbut (external expert), Agnès Bouffard (employee representative, Schneider Electric), Bénédicte Faivre-Tavignot (external expert), Christel Heydemann (Schneider Electric), Yoann Kassi-Vivier (external expert), David Lechat (employee representative, Schneider Electric), Pierre-François Mourier (external expert), Philippe Pelletier (external expert), Luc Rémont (Schneider Electric),

Its missions are the following:

- Define the strategic directions of the Foundation;
- Validate the activity report and financial report;
- Decide on the allocation of budgets by program;
- Validate commitments exceeding EUR 200,000.

One to two executive committee meetings are organized each year.

5.3.1.3 Zone/cluster foundation committee

The Schneider Electric Foundation governance has been reinforced with the creation of the zone/cluster foundation committee. This new body was validated in June 2019 and put in place with its first meeting held in September 2019.

This committee gathers the zone/cluster President and aims to:

- Share a quarterly activity report;
- Validate the commitments/Partners to join;
- Specify the respective contribution levels (financial donations, in kind, skills); and
- Follow up on projects.

This committee will meet three times a year.

5.3.1.4 An operational team and a selection committee

The members of the operational team are: Gilles Vermot Desroches, General Delegate; Patricia Benchenna, Director of Programs; Brigitte Antoine, Employee Engagement and Morgane Lasserre, Administrative Assistant. The selection committee is made up of three members: the Foundation's General Delegate, the Foundation's Program Director and the Director of the Access to Energy Training & Entrepreneurship Program.

5.3.1.5 The international network of Foundation delegates

The Schneider Electric Foundation strongly focuses on the involvement of Company employees in all the actions it implements. It carries out its work through a network of 130 employee volunteers, known as delegates. These volunteers, covering 80 countries, have a mission to identify local partnerships in the areas of vocational training in the energy trades, entrepreneurship, tackling fuel poverty, and sustainability awareness; to present them to employees in their units and then to the Foundation; and to monitor projects after their launch. Each project proposed is subject to a review process based on administrative and financial data by the Schneider Electric Foundation and by the *Fondation de France* before funds are released.

The Foundation's network structure is an original and very powerful means for engaging local, human and lasting sponsorship. It also reinforces the energy of the people involved. For each site, the choice of delegates is made based on precious volunteering experience and advocacy potential. The nomination is formalized with a letter of engagement signed by the site manager and the Foundation, and the term lasts for two years.

The delegates also organize local events adapted to the country's culture, to contribute to a better workplace and inform them of the Foundation's activities on their site.

They also manage a digital platform that groups together all the missions proposed by the Foundation locally and internationally: VolunteerIn. Developed in eight languages, it can be accessed from anywhere in the world and enables employees to apply for volunteer assignments for the benefit of the Foundation's partners and their beneficiaries, around the topics of vocational training in the energy trades, support for families in energy poverty, awareness raising of sustainability issues and social entrepreneurship.

Finally, the delegates coordinate the organization of the Schneider Electric Foundation's campaigns for international mobilization. This showcases local initiatives to a global audience. They also engage in campaigns organized following natural disasters.

Each year, around 35,000 employees in 50 countries take part in these campaigns.

5.3.2 Programs

5.3.2.1 Vocational training in energy trades and entrepreneurship

Since 2009, the Foundation has been supporting the Access to Energy program to improve energy access in new economies through the development of vocational training in energy management trades for the most disadvantaged.

To facilitate the integration and professional training of these young adults, the Schneider Electric Foundation continuously encourages and supports structures that accompany young people and help them enter the workforce. This includes associations and electrical profession or educational institutions. This training and integration program captures 51% of the funding allocated by the Foundation. All of these actions are monitored and measured on a quarterly basis within the scope of the Schneider Sustainability Impact through indicators.

Since 2009, 246,268 underprivileged people have been trained in energy management professions in more than 45 countries. The goal is to train 400,000 people by 2020 and 1 million by 2025.

5.3.2.2 Tackling energy poverty

In 2015, the Schneider Electric Foundation stepped up its commitment to contribute to the fight against energy poverty in mature economies by supporting the implementation of information and awareness campaigns and supporting actions targeting households facing this type of poverty:

- Multiparty programs that make it possible to better understand the phenomenon of energy poverty, to bring about solutions, and to connect players;
- Projects to support families affected by energy poverty; and
- Projects that seek to develop social innovations and social entrepreneurship.

One of the objectives of this program is also to identify projects that could benefit from the investment of Schneider Electric energy access. One investment has already been made in Doremi. Another one will be closed in 2020.

5.3.2.3 Spotlight on the European partnership with Ashoka

Ashoka and the Schneider Electric Foundation are convinced that the best way to contribute to the fight against energy poverty is to invest and to involve social entrepreneurs who propose innovative solutions that contribute to changing the system.

Under a partnership launched in 2015, Ashoka and the Schneider Electric Foundation, under the aegis of the Fondation de France, launched a third call for projects related to the *Social innovation to tackle energy poverty* program. While continuing to support innovators selected in 2015 and in 2017, the 2019 program has been expanded to new European countries: Bulgaria, Czech Republic, Hungary, Poland, and Romania, … Out of 60 applications, 14 projects were given support in various areas through over 300 hours of mentoring, and benefited from inspirational meetings within a European network of peers and increased visibility throughout the program. Schneider Electric's employees have also contributed their skills to the projects through the Schneider Electric VolunteerIn NGO.

Up to now, the program has supported around 40 projects from 13 different European countries across three editions. After three editions, the Foundation and Ashoka decided it was time to evaluate the impact of the program and entrusted KiMSO, a research and consulting agency specialised in social impact evaluation, to carry out this task.

The study had three objectives:

1. Give an overview of the general perception of the program;
2. Highlight the added value of the program for social entrepreneurs; and
3. Identify optimization paths for the future.

Who was interviewed?

- Extended interviews with 15 social entrepreneurs;
- Extended interviews with five experts working on energy poverty;
- Online questionnaire answered by 21 social entrepreneurs; and
- Short interviews with seven Foundation delegates.

Social entrepreneurs report having a positive experience during the program, particularly highlighting the range of skills they developed during the process. The entrepreneurs also made some recommendations for the future, notably on the stage/type of project, and what happens after the program. Social entrepreneurs also expressed their need to have more formal interactions with other participants, more information about energy poverty, and introductions to key contacts, notably investors.

Experts found the program relevant for identifying projects, building up various skills, and networking. The experts were also focused on how to have a larger collective impact through more collaboration and find ways to replicate some projects in other European countries. Foundation delegates felt that energy poverty is a major social issue for Schneider Electric and its employees. The program is in line with the Company's vision for society and its contribution to it. Foundation delegates also highlighted the lack of visibility of the program, suggested some changes to the overall management, and expressed the desire to have more support for the program overall.

5.3.3 Raising awareness about sustainability

Energy and climate change are at the heart of the issues facing our planet. By supporting innovative projects, the Schneider Electric Foundation voluntarily helps raise awareness among different stakeholders participating in the challenges of climate change. The Company invests in emblematic and international programs by making its knowledge, notably in energy systems management, available through donations in resources and/or knowledge. Through its projects and the commitment of its employees, the Schneider Electric Foundation wants to emphasize:

- The desire to contribute and provide solutions;
- The ability to build together, to break down barriers; and
- Setting an example for employees, but also for the wider community.

As a partner of the first zero emission polar scientific research station and the Low Tech Lab, the Schneider Electric Foundation is monitoring progress and serving as a liaison between the corporate sector and civil society. In this way, it is making a full contribution to Schneider Electric's sustainability commitment.

5.3.3.1 Spotlight on Solar Impulse

Solutions already exist for accelerating the necessary ecological transition, but to find and implement them remains a challenge. The Schneider Electric Foundation, under the aegis of the *Fondation de France*, has entered a four-year partnership with the Solar Impulse Foundation, which is selecting 1,000 solutions that protect the environment in a profitable way and awarding them the Solar Impulse Efficient Solution label. This label promotes solutions, assessed by independent experts, that combine technical innovation, profitability and environmental protection, demonstrating that solutions to fight climate change do exist and should not be regarded as expensive fixes but tremendous opportunities for clean growth.

Through this partnership, Schneider Electric is helping accelerate the ecological transition and promote viable solutions to help achieve at least five of the 17 United Nations Sustainable Development Goals, and in particular:

- Clean, accessible water for all;
- Affordable and clean energy;
- Industry, innovation and infrastructure;
- Sustainable cities and communities; and
- Responsible consumption and production.

The aim of the Solar Impulse Foundation is to select and endorse 1,000 solutions that contribute to achieving at least one of these five goals and meet the following criteria: technical feasibility, environmental benefits and profitability. Bertrand Piccard, Chairman of the Solar Impulse Foundation, will then promote this portfolio of solutions to corporate and political leaders worldwide. At end 2019, 335 solutions have already received the Solar Impulse Efficient Solution label, including biodegradable packaging made from milk protein, a solar-powered water purification plant, an enzyme-based plastic recycling technology and a zero-waste construction process.

5.3.4 Schneider Electric VolunteerIn NGO

Since the Schneider Electric Foundation was created in 1998, it has placed Group employee involvement at the heart of its work. Whether they are Foundation delegates or employee volunteers, they are the link between the Company, the Foundation and the supported organizations. In 2012, the Schneider Electric Teachers NGO was created to organize volunteering missions benefiting the Foundation's partners. Schneider Electric and its Foundation wish to go even further to support the voluntary participation of Schneider employees.

In 2019, the decision was made to enlarge the vocation of the NGO Schneider Electric Teachers. The new name for this organization is now Schneider Electric VolunteerIn. This organization is Schneider Electric's employee engagement program, coordinated by the Schneider Electric Foundation. Wherever the Company is based, Schneider Electric VolunteerIn empowers people to be actors and ambassadors of societal commitments in the fields of education, access to energy, and more. In line with the Schneider Electric value proposition, this program inspires and spreads employees' energy and will across its projects. Through a flexible and comprehensive approach, from training or supporting to influencing, VolunteerIn fulfils aspirations and commitments to give back to the communities and civil society.

Schneider and its Foundation offer an ambitious global engagement strategy in order to better support its partners. The Company, through this initiative, carries out advocacy actions to promote its development worldwide.

SSI#21: 15,000 Volunteering days thanks to our VolunteerIn global platform

More than 40 countries participated in the second edition of Giving Tuesday, and several initiatives were highlighted by and proposed to Schneider Electric employees all over the world. The Foundation delegates played a key role this year, boosting the connection rate on the VolunteerIn platform by 25%, resulting in 7,100 inscriptions by the end of December 2019. The countries with the most missions proposed by the employees on the VolunteerIn platform were Brazil, Mexico, the US and France.

Volunteering days since 2018

11,421

5.3.4.1 Governance

The Schneider Electric VolunteerIn association lodged its by-laws with the *prefecture* in France in February 2012. Its board is composed of Schneider Electric leaders and members of the Sustainability department involved in the Access to Energy program. The members are: Olivier Blum (President, Chief Human Resources Officer), Michel Crochon (Vice-President), François Milioni (Secretary, head of Training Program), Christophe Poline (Treasurer, head of SEEA Social Welfare Investment Fund), Emir Boumediene (member, representing volunteers), Gilles Vermot Desroches (member, Chief Sustainability Officer). The board met three times in 2019.

5.3.4.2 Operations and players

This is a shared contribution between the Foundation, Schneider Electric entities and employees for the benefit of non-profit structures that are partners of the Foundation:

- Employees volunteer their time and make their skills available;
- Partners look for skills to support their activities, specify their needs and support volunteers in carrying out their mission;
- The Schneider VolunteerIn association as well as the Foundation delegates coordinate, connect and organize the process and cover costs related to carrying out missions; and
- The Schneider Electric entities host the volunteers when the mission takes place outside their country of residence.

For more information consult http://www.se.com/ww/en/about-us/sustainability/foundation/ and https://volunteerin.schneider-electric.com

5.3.5 Initiatives in North America

The Schneider Electric North America Foundation develops programs that support employees' strong commitment to their community. To achieve this, the Foundation offers the programs below:

- Matching Gift provides a dollar match on employee donations to the non-profit of their choice;
- Dollars for Does provides financial grants to organizations where our employees volunteer their time;
- Grants provide financial and product donations to sponsor events, capital projects and employee missions;
- New Hire Program provides new employees with a gift to donate to a non-profit of their choice as a welcome to our organization; and
- Schneider Scholarships are available for children of employees.

In 2019, the North America Foundation contributed over USD 6.5 million in cash and product to various charitable organizations.

5.3.6 Initiatives in India

Schneider Electric India is committed to promoting development among underprivileged people through various projects. In 2008 Schneider Electric India created a Foundation to carry out all corporate social responsibility activities in the country. The Schneider Electric India Foundation devotes itself to the following areas as a priority.

5.3.6.1 Electrician training program

During 2019 the Schneider Electric India Foundation (SEIF) provided vocational training in the field of electricity to 21,119 unemployed youth from financially disadvantaged backgrounds. Women represented 1,315 candidates trained as electricians. In order to improve the quality of vocational training, 144 trainers were engaged in the program. Toolkits were given to 500 trainees.

5.3.6.2 Energy for impact

In 2019, the Schneider Electric India Foundation had an impact on 9,937 families in remote rural villages and slums through various energy interventions. Through the slum lighting program, SEIF provided Solar Lighting Systems to 622 families living in huts in slum areas of Bangalore. These systems are equipped to provide lighting and mobile charging.

5.3.6.3 Conserve My Planet Program 2019

The program was deployed in 55 schools across five cities in India. Amongst the participants were 6,534 students and 110 teachers, who were trained as 'Green Ambassadors' to save energy and conserve the environment.

5.3.6.4 Jagriti Yatra 2019

In 2019, the Schneider Electric Foundation and the Schneider Electric India Foundation participated in Jagriti Yatra. Jagriti Yatra is a program that consists of a 15-day train journey to inspire the youth of the country, especially from smaller towns and villages, to become entrepreneurs. The 15-day long train journey that takes its participants, called Yatris (meaning passengers in Hindi), 8,000 kilometers across the length and breadth of India, providing them with the opportunity to interact with people who have created iconic institutions and/or have engineered social changes.

Schneider Electric's partnership with Jagriti Yatra was a step to encourage the entrepreneurial spirit at grassroots level for our Access to Energy program, which is the manifestation of Schneider Electric's vision of everyone having access to reliable, safe, efficient, and sustainable energy. Through the Entrepreneur Development Program, Schneider Electric aims to provide that critical hand holding that a budding energy entrepreneur requires in the initial phase of his/her entrepreneurial journey. The Group believes that the collaboration with Jagriti Yatra and the complete entrepreneurial ecosystem through Jagriti Yatra, will result in the development of innovative and sustainable solutions in the field of Access to Energy and help millions of people across the world to meet this formidable challenge.

5.4 Territorial positioning and local impact on economic and social development

Wherever it operates, Schneider Electric makes a strong commitment to community partners and civil society through positioning itself in a way that is indispensable for a global enterprise that wants to keep in touch with the labor markets of its industrial locations. Numerous projects underway and on the drawing board demonstrate Schneider Electric's desire to be engaged, notably in the area of employment, and to contribute fully to local economic development.

5.4.1 Business creation and takeover support in France

For more than 25 years now, Schneider Electric in France has supported employee projects to create businesses or business takeovers through Schneider Initiatives Entrepreneurs (SIE), through a dedicated structure (*Pass Créations*) demonstrating the Group's commitment to its local labor markets: promoting actions to support local economic development, proposing and supporting volunteer employees in reliable career paths that are external to the Group. It comes resolutely within the development of a spirit of entrepreneurship.

SIE provides support for Schneider Electric employees at all stages of business creation, as well as afterwards, with a follow-up period of three years. Sustainability rates at three years remain above 85%.

SIE's dedicated team of seasoned managers and young work/study participants is responsible for reviewing the financial, legal, technical and commercial aspects of business creation or company purchase projects to ensure they are viable and sustainable.

More than 2,000 project owners have been supported, and 1,330 of them have resulted in the creation or takeover of a business: these include electricians, bakers, consultants, graphic designers, asset managers, florists, etc., creating more than 3,600 jobs. Specific support is offered for energy-related projects. These accounted for almost 20% of all supported projects in 2019.

The SIE structure is represented directly or indirectly in local business networks and enhances the quality of services offered through partnerships with associations such as *Réseaux Entreprendre*, France Initiative and other local structures.

Thanks to SIE's expertise in entrepreneurship, it is regularly called upon to develop training courses in this field. SIE is highly active in the promotion of spin-offs (business creation and takeover support for employees), in particular through the DIESE association made up of other major groups.

Since 2008, SEI teams have showcased and rewarded the six most creative projects for company creation or takeover by employees of the Group through the *Vivez l'Aventure* competition. This competition and the prize-giving bring together many managers from the Group as well as political and economic figures. This event is an opportunity to reaffirm the important role this scheme plays in the Group's values and strategy.

5.4.2 Economic development of territories

The SIE teams manage many actions to contribute to local economic development, for example:

- Specific missions within the fabric of the local SMEs (small and medium enterprises) carried out by Schneider Electric senior experts or missions in the framework of skills-based sponsorship (*Alizé* system);
- *Pass Compétences*, which allows experienced managers to take long-term assignments with SMEs. These experts invest in structuring and strategic development projects for SMEs;
- Support for organizations dedicated to the creation of activities and companies (*Réseau Entreprendre*, France Initiative, etc.); and
- A club of companies that brings together the main French industrials (CIADEL) to support actions in favor of the local economy by their combined means and shared experiences.

Other organizations such as ADIE (Association for the Right to Economic Initiative) are also financially supported.

5.4.3 Giving support to associations and NGOs

SIE supports employees who want a career path external to the Group within the framework of a skills-based sponsorship system called Pass Associations. This system enables employees to work on defining projects with partner associations or NGOs for one or two years. It encompasses all types of professions, and there are some 30 effective assignments each year.

These specific systems are valued and taken into account in human resources processes and management in France.

5.4.4 Revitalization of local employment pools in France

The pilot SIE structure was used to implement the revitalization actions put in place during the industrial development of certain local labor markets. The involvement of teams in local economic networks optimizes the allocation of resources where they are most needed under these agreements.

5.4.5 Social interogation of disadvantaged young adults in France

Diversity of backgrounds, cultures, profiles and experience is always a source of wealth, sharing, new ideas and innovation. In priority urban areas, there is a huge amount of talent that is eager to grow. Recognizing this, Schneider Electric believes that companies have a role to play. It is their duty to act, particularly in the heart of the markets in which they operate.

Convinced of the need to better support young people entering the workforce, Schneider Electric is involved in different ways: training, work/study programs for young adults from disadvantaged backgrounds entering the workforce, partnerships with schools and associations, financial support for young students, and participation in technical or general training courses. Such is the scope of the initiatives implemented by the Schneider Electric Foundation. These actions complement the partnerships established within the framework of the Schneider Electric Foundation.

The General Interest Association "100 opportunities – 100 jobs" created by Schneider Electric supports young adults from 18 to 30 years of age who have few qualifications or diplomas and are likely to encounter discrimination. They come primarily from certain disadvantaged areas from the Priority Neighbourhoods of the City policy (QPV) and are ready to embark on a path of professional integration.

The objective is to facilitate access to long-term employment thanks to a personalized course of qualification with the help of a number of associated companies managed by one or two pilot companies.

This joint management with a player on the employment scene, most often the youth employment center, *Mission Locale*, results in a very rich public and private partnership that is of great benefit to the young people.

Government support and in particular the support of its decentralized services guarantees the success of this initiative.

The goal is to attain a positive outcome of 60%, with participants obtaining a fixed-term or temporary contract of more than six months, a permanent contract or a skills-qualification or diploma training, of which more than 50% are work/study programs.

The "100 opportunities – 100 jobs" system was implemented for the first time in Chalon-sur-Saône in 2005, and by the end of 2019 more than 7,100 young people had been involved with 67% of positive exits, fixed-term contracts or interim longer than six months, permanent, or qualifying or diploma training of which more than 50% through an internship.

In 2019 a first deployment in rural area (Montmorillon 86) and in prison (Vivonne 86) was born.

Schneider Electric works to help inhabitants of the disadvantaged neighborhoods identified in the City Policy (QPV) and is naturally in line with the paQte (Pact with Neighborhoods for all Companies) with respect to the four pillars of Raise Awareness/Train/Recruit and Buy.

For example, it has implemented specific actions to take in 540 junior secondary students who have to carry out a one-week placement, in partnership with the association *Tous en Stages*; to take apprentice students with more than 150 apprentices; to challenge service providers by including integration clauses in contracts and to encourage suppliers to become committed to an approach of vocational integration of persons who are outside the job circuit. With the help of employment agencies, Schneider Electric industrial establishments in France have therefore put in place temporary occupational integration contracts (CIPI) and interim open-ended employment contracts (CDI-I), which accompany the unemployed towards long-term employment and encourage temporary work that integrates people.

Finally, Schneider Electric has partnered with many other structures or associations: *École de la deuxième chance*, *les Entreprises pour la Cité*, FACE, *Télémaque*, *Fondation de la 2ème Chance*, EPA, *La Cravate Solidaire*, *la Varappe*, etc.

5.4.6 Ecole Schneider Electric

In 1929, Schneider Electric founded its own school – Paul-Louis Merlin – in Grenoble, to face the difficulty of recruiting skilled labour in the energy industry and help young people in precarious situations to access promising jobs. Today, it still focuses on vocational training in Schneider Electric areas of expertise, with innovative training approaches and close tie-in with actual industry practices. The students leave with qualifications enabling them to continue in higher education or take employment in innovation-rich energy-sector fields such as renewable energies, home automation and smart buildings as well as energy management.

In 2019, to reinforce the link with the Group, the school changed its name to *École Schneider Electric* and a new vocational training has been added in the frame of the creation of its CFA.

6. Methodology and audit of indicators

In this section:

6.1 Methodology elements on the published indicators

In the absence of any recognized and meaningful benchmark for companies involved in manufacturing and assembling electronic components, Schneider Electric has drawn up a frame of reference with reporting methods for Schneider Sustainability Impact's (SSI) indicators and for Human Resources, safety and environmental data.

This frame of reference includes the scope, collection and consolidation procedures and definitions of this information. As it is engaged in a process of constant improvement, Schneider Electric is gradually supplementing this work to adapt its frame of reference for sustainable development indicators to changes in the Group. This document is updated every year.

In keeping with its commitment to continuous improvement, Schneider Electric asked Ernst & Young to conduct a review in order to obtain a "limited" level of assurance for certain Human Resources, safety and environmental data indicators, and all of the key performance indicators from the SSI (see Independent verifier's report on pages 199-200). The audit work builds on that conducted since 2006.

6.1.1 Human Resources, safety and environment indicators

The Human Resources, safety and environmental data comes from several dedicated reporting tools, primarily: Human Resources Analytics for the Human Resources data and GlobES (Global Environment and Safety) for the safety and environment data. Its consolidation is placed respectively under the Global Human Resources and the Global Supply Chain functions. Energy is managed with the Group's own solutions, Resource Advisor. Data reliability checks are conducted at the time of consolidation (review of variations, inter-site comparison, etc.).

The safety data of the sites are included in the Group metrics after one complete calendar year following their creation or acquisition. A site joining the Group in year n will be included in the metrics on January 1, n+2, except in exceptional circumstances when an agreement stipulates that the safety data will not be included for two years.

Breakdown of workforce data (by gender, category, age and seniority), sites declaring employee representation and the number of collective agreements cover 92% of the total workforce. Performance interviews have taken place with 98% of the eligible workforce. Training programs cover 99% of the workforce (MyLearningLink).

This data is consolidated over all fully integrated companies within the scope of financial consolidation, including joint ventures over which the Group exercises exclusive control.

Units that belong to Group companies which are fully consolidated are included in reporting on a 100% basis. Companies accounted for by the equity method are not included in the reporting.

The scope of environmental reporting is that of ISO 14001-certified sites, and certain non-certified sites on a voluntary basis and without interruption in time. All production and logistics sites with 50 or more FTE employees must obtain ISO 14001 certification before the end of the third full calendar year of operation or membership of the Group. Administrative, R&D and sales sites with 500 FTE employees or more also have to obtain ISO 14001 certification. Other sites may seek certification and/or report on a voluntary basis. A difference can be thus recorded with respect to the scope of financial consolidation.

6.1.2 Indicators from the Schneider Sustainability Impact

SSI#1 80% renewable electricity

This indicator measures the share of renewable electricity in Schneider Electric electricity supply, on the scope of environmental reporting (industrial sites >50 employees and tertiary sites >500 employees certified ISO 14001). Five different types of renewable sourcing are taken into account: renewable electricity produced onsite and consumed onsite, renewable electricity produced onsite and sold to a third party, renewable power purchase agreements (PPAs), green tariffs and renewable certificates (depending on the country, REC, iREC, GO, etc.).

Electricity purchased with no specific renewable electricity claim is not taken into account, even if the electricity mix of the supplier includes a share of renewable power.

This indicator was audited by Ernst & Young.

SSI#2 10% CO_2 savings in transportation

This indicator includes emissions from the transport of goods purchased by Schneider Electric, covering 75% of the Group's total transport costs.

The measurement of CO_2 equivalents combines the impact of the following greenhouse gases: CO_2, CH4, N2O, HFCs, SF6, PFCs, NOx and water vapor.

Two methods, developed in partnership with a specialized firm, are used by carriers to measure CO_2 equivalent emissions: energy-based method (calculation based on fuel combustion – preferred method) and activity-based method (calculation based on the mileage and the quantity of transported goods – accepted method).

Current year data are corrected based on carbon intensity of previous year, so that gains in carbon efficiency take into account changes in business activity. 2018 is the first year of the 2018-2020 triennial strategic plan.

The target by the end of the program is to reduce our CO_2 emissions by 10% in 2020 compared to 2017 baseline.

Calculation methodology and reporting in the SSI of the transport CO_2 KPI:

- In 2018: 2018 reduction vs 2017
- In 2019: 2019 reduction vs 2017
- In 2020: 2020 reduction vs 2017

This indicator was audited by Ernst & Young.

SSI#3 120 million metric tons CO_2 saved on our customers' end thanks to our EcoStruxure offers

This indicator measures CO_2 savings delivered by Schneider Electric offers to customers. CO_2 savings are calculated for sales of the reporting year and cumulated over the offers' lifetime. Emissions are calculated as the difference between emissions with Schneider Electric's offer and emissions in the reference situation.

The ambition for this indicator has been increased in 2019, former target was 100 million metric tons CO_2 saved due to the extension of the methodology to new offers.

The methodology distinguishes "saved" and "avoided" emissions: saved CO_2 emissions correspond to brownfield sales that enable reduction of global CO_2 emissions compared to previous years, and avoided CO_2 emissions correspond to greenfield sales that enable a limitation of the increase of global emissions. Brownfield sales correspond to the situation where the offer sold replaces or upgrades an existing system, leading to a change of GHG emissions of installed infrastructure versus the previous year. For "saved" emissions, the "brownfield reference situation" is defined as the situation before the new solution is sold and installed at the customer's site. Only "saved" CO_2 emissions are published in this indicator but both "saved" and "avoided" emissions can be calculated with the methodology.

The calculation of CO_2 impact of offers over their lifetime is based on sales data per product range. Market data and expert assumptions are used to determine the use-case scenario of offers and the associated CO_2 impact. This methodology is associated to typical uncertainties of CO_2 corporate accounting methodologies, and conservative assumptions are preferred.

More methodological details can be found in https://go.schneider-electric.com/WW_201905_Sustainability-As-Good-Business_MF-LP.html?source=Advertising-Online&sDetail=Sustainability-As-Good-Business_WW& that has been made public in 2019.

This indicator was audited by Ernst & Young.

SSI#4 25% increase in turnover for our Energy & Sustainability Services

Energy and Sustainability Services (ESS) is a global Division of Schneider Electric and has its own node in the Group reporting system (see Active Energy Management section pages 109 to 110).

Every year all Group entities perform a restatement of their outside Group Sales in order to neutralize all the changes of perimeters (internal and external). Thanks to this exercise, the year on year growth of the sales is at constant perimeter and is also at constant rate.

The measurement is taken directly from the Group reporting system.

This indicator was audited by Ernst & Young.

SSI#5 75% of sales under our new Green Premium program

A product is declared Green Premium™ when it meets all the following conditions:

- It complies with the European RoHS Directive;
- It has information available concerning the presence of Substances of Very High Concern (SVHC) under the European REACH regulation and refers to the two most recent lists;
- It does not contain any REACH SVHCs past the sunset date;
- It has a Life Cycle Analysis (ISO 14044) with an Environmental Disclosure available for customers (ISO 14025 Type III or ISO 14021 Type II) providing a material assessment, a recyclability rate and the calculation of environmental impacts including the consumption of raw materials and energy, the carbon footprint and damage to the ozone layer;
- It has a guide that identifies and locates the sub-assemblies or components that require a particular recycling process, referred to as the circularity profile; and
- It complies with a minimum of two performance claims or one external label, as listed in the Green Premium Playbook.

The indicator measures the share of sales made with a Green Premium™ offer from sales figures for 2018.

The Green Premium™ eligible scope for 2018-2020 covers all Schneider Electric businesses: Energy Management, Industrial Automation and Services, except Video Products, Residential and Thermal Control and Low Voltage Equipment.

The Green Premium program was expanded in early 2018 to include additional environmental performance claims, the deployment is phased for 2018-2020, starting with product offers only.

The total eligible turnover for 2019, obtained from our product sales consolidated at Product Reference, has been extended in 2019 to include Services & Software. It amounts to EUR 17.86 billion.

This indicator was audited by Ernst & Young.

SSI#6 200 sites labeled Towards Zero Waste to Landfill

A site achieves Towards Zero Waste to Landfill, if it recovers, by weight of its annual waste production, more than 99% of its metal waste and more than 97% of its non-metallic waste, as well as 100% proper handling and treatment of hazardous waste. Proper handling and treatment of hazardous waste means that hazardous waste shall be handled as per Schneider Electric's requirements and local regulations, whichever is the most restrictive.

6. Methodology and audit of indicators

Waste is considered as recovered if it is sent to a waste provider for recycling or disposal in any manner except landfill and incineration without energy recovery. Waste composting and energy recovery systems qualify as recovered.

This indicator relates to all sites included in the environment reporting perimeter. In 2019, the calculation of this indicator changed since 2018. The amounts of reduced/avoided waste declared by sites are now considered in the calculation of the waste recovery ratios. Reduced waste is a new indicator which was optionally reported by sites in GlobES in 2019.

This indicator was audited by Ernst & Young.

SSI#7 100% cardboard and pallets for transport packing from recycled or certified sources

The objective is that, from 2018 to 2020, cardboard and pallets purchased by Schneider Electric for transportation, progressively increase to being 100% from recycled materials or certified sources.

The scope includes tier-one strategic suppliers until 2020 with a direct purchase of cardboard and pallets in the Schneider Electric procurement system. Geographically, all regions under the global supply chain will be covered.

Every reporting period, the spend on cardboard and pallets is extracted from the system and each element is classified as recycled, certified or none. Verification is done for recycled and certified declarations on the definitions already provided as well as certificates and other documentary evidence from suppliers. The list of eligible certificates/documents is continually updated to make it exhaustive and to cover countries' specificities.

A global campaign is being run in all global supply chain regions to progressively move the spend to recycled or certified sources with sponsorship from top management.

This indicator was audited by Ernst & Young.

SSI#8 120,000 metric tons of avoided primary resource consumption through ECOFIT™, recycling and take-back programs

This indicator quantifies all industrial activities that contribute to the Circular Economy model, such as repair, reuse, refurbish and recycling, thus avoiding waste, material and energy consumption, CO_2 emissions and/or water depletion.

The scope includes worldwide activities across all businesses (Energy Management, Industry, Services) and relevant product families (LV/MV Equipment, Transformers, UPS-es, Inverters, protection relays, PLCs etc), with offers like ECOFIT™, take-back programs and recycling.

The indicator is calculated as the sum of primary resources consumption avoided by each activity, with calculation method varying per activity. When available, exact weights are reported. Otherwise, average weight for each category of device is used for calculations.

Each activity reports quarterly, half-yearly or annually, depending upon the activity. The verification is done based on ERP/logistics systems extracts, sales datasheets or third-party certificates.

The ambition for this indicator was increased in 2019, former target was 100,000 metric tons of avoided primary resources consumption.

This indicator was audited by Ernst & Young.

SSI#9 70% scored in our Employee Engagement Index

During the OneVoice satisfaction surveys, Schneider Electric employees are asked a series of questions; six of them are used to generate the Employee Engagement Index (EEI). The EEI is a standard international index.

Employees have been surveyed once a year since 2018, to free up HRBPs and Managers' energy and gain more time to deep dive into the results and build specific action plans. All employees are surveyed; Open-Ended Contracts and Fixed-Term Contracts with an active status in our HR system (excluding trainees and interim employees). Employees are surveyed via email, for those who have a professional mailbox, or via kiosks installed in the plants (or via an IT room), for other employees. The survey is administered by an external party.

This indicator was audited by Ernst & Young.

SSI#10 0.88 medical incident per million hours worked

The Medical Incident Rate (MIR) is the number of work incidents requiring medical treatment per million hours worked (i.e. average hours of 500 employees working for one calendar year), including injuries and occupational illnesses. Incidents may or may not have resulted in a day off.

All incidents reported on Schneider Electric sites are counted (including therefore incidents affecting Schneider Electric employees and other employees working under the supervision of Schneider Electric, i.e. temporary workers). All Schneider Electric sites are taken into account. Medical incidents do not include: visits to a physician or other licensed healthcare professional solely for observation or counseling; the conduct of diagnostic procedures, such as x-rays and blood tests, including the administration of prescription medications used solely for diagnostic purposes (e.g. eye drops to dilate pupils); or first aid.

The focus of the Medical Incident Rate (MIR) is on the identification and evaluation of workplace hazards. The resulting corrective actions assist in the elimination of recurring incidents and the prevention of injury. The Group has used the MIR as a key performance indicator on a global basis since 2010.

The ambition for this indicator was increased in 2019 (former target was 1 medical incident per million hours worked).

This indicator was audited by Ernst & Young.

SSI#11 90% of employees have access to a comprehensive well-being at work program

This indicator measures the number of employees having access to our combined commitment for a well-being at work program.

The first pillar of the program is the access to medical coverage. Schneider Electric ensures that it provides its employees with access to a standard level of healthcare coverage, irrespective of level, and provides access to healthcare coverage for their eligible dependents. Access to cover is defined by local regulations and employment agreements, i.e. collective and/or labor agreements. Cost of the standard level of healthcare cover may be borne by the Company and/or the employee.

The second pillar is the awareness and training piece. Empowering Schneider Electric's employees to manage their unique life and work by making the most of their energy through learning and practice. At Schneider Electric there is a holistic approach to Well-Being which comprises of: Physical, Emotional, Mental, and Social well-being. Employees have access to trainings provided by the Global Well-Being team, and/or local training that has been reviewed and approved by Global Well-Being.

The indicator covers all countries where Schneider has active Open End Contract employees under Schneider compensation and benefit frameworks, including DVC and NDVC. Also including China Fixed Term Contract active Schneider employees.

Third party contractors, joint venture and recent acquisition are excluded.

This indicator was audited by Ernst & Young.

SSI#12 100% of employees are working in countries that have fully deployed our Family Leave Policy

This indicator measures the percentage of employees who work in countries that have fully deployed our Family Leave Policy.

Under the Family Leave Policy, countries must meet the global minimum standards of the policy, which includes fully paid leave for primary parental leave (12 weeks) for both natural birth and adoption, secondary parental leave (2 weeks) for natural birth and adoption, care leave for immediate family members that require elder care or care for a serious health condition (1 week) and bereavement leave (1 week).

All permanent employees globally and fixed-term contracts in China are included. Interim workers, other fixed-term contracts, trainees, and apprentices are excluded.

This indicator was audited by Ernst & Young.

SSI#13 100% of workers received at least 15 hours of learning, and 30% of workers' learning hours are done digitally

Schneider Electric workers – shop floor employees in plants and distribution centers – need to get connected to digital tools and digital training resources in order to develop themselves, grow in the Company and develop their career. Eligible worker scope represents 97% of Schneider total workers population (interim staff and interns as well as people joining after January 31 of the year are excluded).

For this, the ambition is that each worker will do a minimum of 15 hours learning each year, and also, 30% of all workers' learning hours will be done digitally, using resources provided to all in the digital learning corners that Schneider Electric is setting in all its plants and distribution center.

The ambition for this indicator was increased in 2019 (former target was 12 hours learning).

The indicator is the average of the completion of the two ambitions.

This indicator was audited by Ernst & Young.

SSI#14 90% of white collars have individual development plans

All white-collar employees are required to participate in an annual development discussion with their manager that is linked to the annual performance review. This should result in the updating or creating of an individual development plan. During 2019, 79% of white collar employees created or updated an individual development plan with at least one specific development goal.

This indicator was audited by Ernst & Young.

SSI#15 95% of employees are working in a country with commitment and processes in place to achieve gender pay equity

This indicator measures the percentage of employees who work in countries where there is an operating gender pay equity plan, i.e. measurement of pay equity and, if pay gaps, corrective actions in place.

Schneider Electric uses a common global standard methodology to identify gender pay gaps within comparable groups of employees and uses a country driven approach to address gaps with appropriate corrective actions.

All permanent employees globally and fixed-term contracts in China are included. Supplementary workers, other fixed-term contracts, trainees and apprentices are excluded.

This indicator was audited by Ernst & Young.

SSI#16 5.5 pts/100 increase in average score of ISO 26000 assessment for our strategic suppliers

The objective is to motivate strategic Group suppliers to roll out and monitor improvement plans conforming to ISO 26000 guidelines. An assessment of stategic suppliers is carried out by a third party. The assessments are monitored during business reviews with Schneider Electric buyers, with a view to continuous improvement according to the guidelines of ISO 26000.

The Group has set to engage all its strategic suppliers in a process of continuous improvement on this pillar. At the end of 2019, strategic suppliers represent c. 60% of Schneider Electric's purchases volume. Strategic suppliers who have passed the third-party evaluation process cover more than 70% of total strategic purchasing volume. Sustainable development has become one of the seven pillars used to measure supplier performance since 2011, allowing the highest-performing suppliers to become strategic suppliers.

The ambition for this indicator was increased in 2019 (former target was a 5 pts/100 increase).

This indicator was audited by Ernst & Young.

SSI#17 350 suppliers under Human Rights and Environment vigilance received specific on-site assessment

This indicator measures the number of on-site audits performed, regarding Environment, Health & Safety, Labor (human rights) and Management System pillars. The targeted suppliers are defined leveraging a third party methodology and the audit referential is from recognized best industry practices RBA alliance (Responsible Business Alliance, previously EICC).

The ambition for this indicator was increased in 2019 (former target was 300 on-site assessments).

This indicator was audited by Ernst & Young.

6. Methodology and audit of indicators

SSI#18 100% of sales, procurement, and finance employees trained every year on anti-corruption

An anti-corruption e-learning was launched in April 2018. It lasts 25 minutes, is available in several languages (including French and English) and covers all aspects of the anti-corruption compliance program of the Group.

In May 2019, Schneider Electric launched a new campaign and extended the obligation to all employees with corresponding job codes potentially at risk of corruption, doubling their number compared to 2018. All concerned colleagues will have to take this training annually.

The training has been developed by the Compliance Team which is responsible for modifying it every year to keep it up to date. The HR Learning Team validates the media and ensures the deployment and monitoring via *MyLearningLink*.

To ensure that the messages delivered during the training are well understood, systematic quiz knowledge is checked. A minimum grade is required to complete the training.

This training must be done every year and within 90 days of being assigned. As such, a new version of the training is assigned. In addition, all new sales, procurement and finance employees must complete this training upon their arrival and within 90 days of being assigned.

This indicator was audited by Ernst & Young.

SSI#19 x4 turnover of our Access to Energy program

This indicator tracks the growth rate of the Access to Energy program's annual turnover, based on the actual 2017 turnover.

It covers the sales in Africa and The Middle East, Asia and South America of all products and solutions which contribute to providing access to modern energy for populations living in rural and peri-urban areas: individual lighting, individual and collective electrification, energy services and training equipment and training contracts. Sales are aggregated every quarter based on invoicing data from operational entities.

This indicator was audited by Ernst & Young.

SSI#20 400,000 underprivileged people trained in energy management

The deployment of professional training programs in energy management dedicated to underprivileged people enable these people to acquire skills to pursue a career that offers them, as well as their families, the means for a decent standard of living. These courses are defined according to a local reference and justifiable by the partner.

In partnership with local and international NGOs and local authorities, the Schneider Electric Foundation and the Company's local entities provide direct and indirect contributions to professional training centers. The objective is to help them improve the level of vocational training courses with diploma or certification in energy management. The minimum duration of these courses is three months (or totaling 100 hours).

Contributions may be (cumulative possible):

- funding of electrical and didactic equipments, donation of request equipment, first generation, for practical work;
- knowledge transfer through trainer training, and support for future entrepreneur training.

As a technical partner, Schneider Electric does not pay operating expenses.

The ambition for this indicator was increased in 2019 (former target was 350,000 people trained).

This indicator is audited annually by Ernst & Young.

SSI#21 15,000 volunteering days thanks to our VolunteerIn global platform

Schneider Electric employees' volunteering activities mainly take place in vocational training organizations in the energy field (vocational and technical training, schools, universities, etc.), NGOs committed to tackling fuel poverty and companies supported by the Schneider Electric Access to Energy Fund and more globally in all organizations referenced by the Schneider Electric Foundation delegates in their countries. They principally benefit children/young adults or underprivileged families and are organized depending on the personal or professional skills of the volunteers and the needs identified by the supported organizations (specialized or non-specialized needs).

To give employees a better overview of possible commitments and to support the development of its actions, the Schneider Electric Foundation has set up a new digital tool called VolunteerIn. This multilingual platform enables Group employees to apply for volunteer missions among the Foundation's partners.

One day of volunteering is counted when a staff member dedicates five hours of their time to one of these partner organizations. The indicator also includes the training missions organized abroad for a period of five days minimum.

The ambition for this indicator was increased in 2019 (former target was 12,000 volunteering days).

This indicator was audited by Ernst & Young.

6.2 Concordance of indicators with the French Non-Financial Performance Declaration themes

The table below indicates the page numbers of the report in which the various indicators are mentioned.

General disclosure	Pages
Business model	10-11
Description of the key non-financial risks	88-93
Description of policies in place to prevent, identify and mitigate the key non-financial risks, as well as their results and key performance indicators	88-93
1 Social information	Pages
a) Employment	
Total workforce and breakdown of employees by gender, age and region	205-206
Hiring and layoffs	206-208
Remuneration and its development	171-173; 352
b) Organization of work	
Organization of working time	209
Absenteeism	208-209
c) Social relations	
Organization of social dialog – particularly information and personnel consultation and negotiation procedures	174-176; 209
List of collective agreements	174-176; 209
d) Health and safety	
Health and safety conditions in the workplace	153-155; 208-209
List of agreements signed with unions or employee representatives regarding health and safety in the workplace	209
Work accidents, particularly their frequency and their severity	208-209
… as well as Occupational illnesses	208-209
e) Training	
Training policies implemented	160-163
Total number of training hours	209
f) Equality of in the workforce	
Measures taken towards gender equality	164-170
Measures taken towards employment and involvement of persons with disabilities	164-170
Anti-discrimination policy	164-170
g) Promotion and respect of the provisions of the International Labor Organization's fundamental agreements relating to:	
• respect of the freedom of association and the right to collective bargaining;	112-114; 174-176
• eradication of discrimination in employment and profession;	112-114; 164-170
• eradication of forced or obligatory labor;	112-114
• effective abolition of child labor.	112-114

6. Methodology and audit of indicators

2 Environmental information	Pages
a) General environmental policy	
Organization of the Company to take into account environmental questions and, when necessary, environmental evaluation or certification approaches	129-131; 137-142
Employee training and information actions regarding environmental protection	112; 131
Environmental risk and pollution prevention means	138-139
Amount of provisions and cover for environmental risks except if this is likely to cause serious harm to the Company in a pending litigation	68; 345
b) Pollution	
Measures for prevention, reduction or repair of emissions in the air, water and ground with serious environmental effects	142
Consideration of any form of pollution specific to an activity, particularly noise and light pollution	142
c) Circular economy	
Waste prevention and management	145
Measures for prevention, recycling, reuse, other forms of recovery and removal of waste	143-146
Actions to combat food waste and food insecurity, to respect animal welfare and responsible, fair and sustainable food	Not material
Sustainable use of resources	143-146
Water consumption and supply according to local constraints	142; 202
Raw material consumption and measures taken to improve the efficiency of their use	147-150; 351
Energy consumption and measures taken to improve energy efficiency and the use of renewable energies	137-141; 202-203
Land use	Not material
d) Climate change	
Significant sources of greenhouse gas emissions generated as a result of the Company's activities, particularly through the use of the goods and services it produces	132-136; 202-203
Measures taken to adapt to the consequences of climate change	132-142
Reduction targets set voluntarily in the medium and long term to reduce GHG emissions and means implemented for this purpose	132-136
e) Biodiversity protection	
Measures taken to preserve or develop biodiversity	100; 112; 130

3 Information relating to societal commitments in sustainable development	
a) Territorial, economic and social impact of the Company's activities	
Regarding employment and regional development	178-191
On neighboring or local populations	178-191
b) Relations with the persons or organizations involved in the Company's activities, particularly involvement organizations, teaching establishments, environmental defense organizations, consumer associations and neighboring populations	
Conditions of dialog with these persons or organizations	174-176
Partnership or sponsorship actions	183-191
c) Subcontracting and suppliers	
Consideration within the Company's purchasing policy of social and environmental issues	121-127
Consideration within relations with subcontractors and suppliers of their social and environmental responsibility	121-127
d) Loyalty of practices	
Anti-corruption actions taken	118-119
Measures taken towards consumer health and safety	147-150
Actions taken against tax evasion	120
e) Other actions taken related to human rights, within the scope of this third indicator	113-114

6.3 Independent third party's report on the consolidated non-financial statement presented in the management report

Year ended on 31 12 2019

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the General Assembly,

In our quality as an independent verifier, accredited by the COFRAC under the number n° 3-1681 (scope of accreditation available on the website www.cofrac.fr), and as a member of the network of one of the statutory auditors of your company (hereafter "entity"), we present our report on the consolidated non-financial statement established for the year ended on the 31st of December 2019 (hereafter referred to as the "Statement"), included in the management report pursuant to the requirements of articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (Code de commerce).

The entity's responsibility

The Board of Directors is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and available on request from the entity's head office.

Independence and quality control

Our independence is defined by the requirements of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (Code de déontologie) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

Responsibility of the independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225 105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax avoidance legislation nor on the compliance of products and services with the applicable regulations.

Nature and scope of the work

The work described below was performed in accordance with the provisions of articles A. 225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements and with ISAE 3000199[(1)].

- we obtained an understanding of all the consolidated entities' activities and the description of the principal risks associated;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225 102 1 III as well as information regarding compliance with human rights and anti corruption and tax avoidance legislation;
- we verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- we verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix 1; concerning certain risks (exemple : anti corruption), our work was carried out on the consolidating entity, for the others risks, our work was carried out on the consolidating entity and on a selection of entities : the production sites Gagret LTI 1 (India), Luminous Inverter-Baddi (India), Universal Enclosures Capellades (Spain), SAREL (France), SEF Beaumont le Roger (France), Montbonnot (France) and the Schneider Electric regional headquarters in India and Spain for HR and safety information;
- we verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial;
- we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

6. Methodology and audit of indicators

- for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix 1 , we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - concerning the 21 indicators of the Schneider Sustainability Impact (SSI), tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. Depending on the indicators, the selected sample ranges between 10 % and 100 % of the consolidated data;
  - concerning the other environmental and social indicators, tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities and covers between 7.4% and 15.7% of the consolidated data relating to the key performance indicators and outcomes selected for these tests (15.7% of the headcount, 7.4% of the energy consumption);
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources
Our verification work mobilized the skills of five people and took place between October 2019 and February 2020 on a total duration of intervention of about fourteen weeks.

We conducted several interviews with the persons responsible for the preparation of the Statement.

Conclusion
Based on the procedures performed, nothing has come to our attention that causes us to believe that the consolidated non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Comments
Without modifying our conclusion and in accordance with article A. 225-3 of the French Commercial Code, we have the following comments:

Outcomes of the policies, including key performance indicators:

- Sites have different understandings of the calculation methodology for the indicator "Total employees" (environmental indicator), which affects significantly the homogeneity of the information reported, but does not affect the year on year evolutions observed. The following indicators are affected: "Total waste produced per employee", "Water consumption per employee", "VOC per employee", "Energy consumption per employee", "CO_2 linked to energy consumption per employee".

Paris-La Défense, March 10, 2020
French original signed by:
Independent third party
EY & Associés

Eric Mugnier
Partner, Sustainable Development

Jean-François Bélorgey
Partner

7. Indicators

7.1 Environmental indicators

The indicators below have a Group scope. They illustrate our industrial and logistics sites' environmental consumption, emissions and waste in addition to certain major tertiary sites. The scope of environmental reporting is that of ISO 14001 certified sites, and certain non-certified sites on a voluntary basis and without interruption in time. All of the industrial and logistics sites with more than 50 people and the major tertiary sites with more than 500 people must be ISO 14001 certified within two years of their acquisition or creation. A difference can, therefore, be noted with respect to the scope of financial consolidation. The perimeter for environmental data publications is 100% of the Group's energy consumption, 100% of CO_2e emissions (Scope 1 and 2), and more than 90% regarding water consumption, waste generation and VOC emissions.

Schneider Electric provides readers with two pieces of information so that environmental performance can be compared from one year to the next:

- the publication of indicators on a constant basis;
- the publication of indicators per employee to correct the changes in activities of the sites. The sites' workforce includes Schneider Electric employees (fixed-term, permanent and work/study participants), temporary staff and on-site subcontractors.

Comments on the indicators are included in the corresponding chapters.

7.1.1 Key performance indicators from the Schneider Sustainability Impact

Key targets and results

Schneider Sustainability Impact 2018-2020

Megatrends and SDGs		2018-2020 programs	2019 progress		2020 target
Climate	1.	Renewable electricity	**50%**	▲	**80%**
	2.	CO_2 efficiency in transportation	**4.1%**	▲	**10%**
	3.	Million metric tons CO_2 saved on our customers' end thanks to EcoStruxure offers	**89**	▲	**120**
	4.	Increase in turnover for our EcoStruxure Energy and Sustainability Services	**23.8%**	▲	**25%**
Circular economy	5.	Sales under our new Green Premium™ program	**55.2%**	▲	**75%**
	6.	Sites labeled Towards Zero Waste To Landfill	**193**	▲	**200**
	7.	Cardboard and pallets for transport packing from recycled or certified sources	**96%**	▲	**100%**
	8.	Metric tons of avoided primary resource consumption through ECOFIT™, recycling, and take-back programs	**97,439**	▲	**120,000**

▲ 2019 audited indicators.
The 2017 performance serves as a starting value for the Schneider Sustainability Impact 2018-2020.
Please refer to pages 192 to 196 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 140-141 for indicator 1, 141-142 for indicator 2, 135-136 for indicator 3, 109-110 for indicator 4, 147-149 for indicator 5, and 143-145 for indicators 6, 7 and 8).

7.1.2 ISO 14001 certification of sites

Indicators	2019	2018	2017
Number of ISO 14001 certified sites	**241**	253	263
Industrial and logistics sites	**220**	230	238
Tertiary sites	**21**	23	25
New sites certified this year	**2**	0	3
Certified sites that have closed or consolidated this year	**14**	10	10

7.1.3 Group site consumption, emissions and waste

GRI	Indicators	Current scope 2019	Current scope 2018	Current scope 2017	Constant scope 2019	Constant scope 2018
	Number of participating sites	**268**	269	282	**261**	261
	Total employees[1]	**114,967 ▲**	118,460	117,042	**107,603**	112,777
306-2	Non-hazardous waste produced (in t)	**143,149 ▲**	145,391	150,377	**136,039**	140,289
306-2	Non-hazardous waste recovered (in t)	**136,316 ▲**	137,500	141,333	**129,546**	134,544
306-2	Share of non-hazardous waste recovered	**95% ▲**	94%	94%	**95%**	96%
	of which metal waste recovered	**99.97% ▲**	99.90%	99.60%	**99.97%**	99.96%
306-2	Hazardous waste produced (in t)	**9,022 ▲**	9,549	10,383	**8,614**	8,520
	Hazardous waste channeled according to Schneider Electric expectations (in t)	**8,727 ▲**	9,239	9,745	**8,319**	8,222
306-2	Total waste produced per employee (in t/p)	**1.3**	1.3	1.4	**1.3**	1.3
306-2	Total waste produced/Turnover (t/EUR)	**0.0000056**	0.0000060	0.0000065	**0.0000053**	0.0000058
303-1	Water withdrawn for consumption (m^3)	**2,554,428 ▲**	2,700,619	2,671,587	**2,427,225**	2,600,565
	of which public water (m^3)	**2,021,168 ▲**	2,163,276	2,163,212	**1,921,292**	2,074,557
	of which ground water (m^3)	**501,163 ▲**	490,563	461,780	**476,048**	481,282
	of which surface water (m^3)	**17,074 ▲**	17,993	18,750	**17,074**	17,993
	of which other sources (m^3)	**15,023 ▲**	28,842	31,150	**12,811**	26,733
303-1	Water consumption/employee (m^3/p)	**22.2**	22.8	22.8	**22.6**	23.1
303-1	Water consumption/Turnover (m^3/EUR)	**0.000094**	0.000105	0.000108	**0.000089**	0.000101
303-1	Water withdrawn for cooling restituted w/o impact (m^3)	**880,276 ▲**	1,376,335	1,460,663	**880,276**	1,376,335
305-7	VOC emissions (kg) (estimates)	**653,502 ▲**	664,352	708,295	**650,403**	645,860
305-7	VOC/employee (kg/p) (estimates)	**5.7**	5.6	6.1	**6.0**	5.7
305-7	VOC/Turnover (kg/EUR) (estimates)	**0.000024**	0.000026	0.000029	**0.000024**	0.000025
302-1, 302-4	Energy consumption (MWh)	**1,192,508 ▲**	1,258,081	1,264,640	**1,158,001**	1,249,736
	Grid Electricity (MWh)	**406,200 ▲**	584,721	837,028	**386,132**	581,035
	Renewable electricity (MWh)**	**402,363 ▲**	257,356	16,895	**402,363**	257,356
	District heating (MWh)	**75,253 ▲**	84,263	78,269	**75,253**	84,263
	Fuel oil (MWh)	**8,595 ▲**	9,672	8,451	**8,595**	9,661
	Gas (MWh)	**298,319 ▲**	320,153	323,941	**283,880**	315,506
	Coal (MWh)	**0 ▲**	0	0	**0**	0
	Other renewable energy (MWh)	**1,778 ▲**	1,916	56	**1,778**	1,916
302-1, 302-4	Energy consumption per employee (MWh)	**10.4 ▲**	10.6	10.8	**10.8**	11.1
302-1, 302-4	Energy consumption/Turnover (MWh/EUR)	**0.000044**	0.000049	0.000051	**0.000043**	0.000049
305-1, 305-2, 305-5	CO_2 emissions linked to energy consumption (in tCO_2e)[2]	**237,419 ▲**	370,993	501,241	**225,265**	368,498
305-2	Grid Electricity (tCO_2e, indirect emission, market-based)	**134,122 ▲**	258,975	392,713	**124,929**	257,073
305-2	Renewable Electricity (tCO_2e, indirect emission, market-based)	**795 ▲**	219	0	**795**	219
305-2	District heating (tCO_2e, indirect emission)	**35,020 ▲**	39,541	36,125	**35,020**	39,541
305-1	Fuel oil (tCO_2e, direct emission)	**5,748 ▲**	6,626	5,605	**5,748**	6,454
305-1	Gas (tCO_2e, direct emission)	**61,733 ▲**	65,631	66,798	**58,773**	65,211
305-1	Coal (tCO_2e, direct emission)	**0 ▲**	0	0	**0**	0
305-1	Other renewable energy (tCO_2e, direct emission)	**0 ▲**	0	0	**0**	0
305-1	Vehicle fleet (direct emission,in tCO_2e)	**91,169 ▲**	94,287	91,035	**91,169**	94,287

GRI	Indicators	Current scope 2019	Current scope 2018	Current scope 2017	Constant scope 2019	Constant scope 2018
305-1	SF6 emissions (direct emissions, in tCO_2e)[3]	**12,684 ▲**	12,132	12,688	**12,684**	12,132
	SF6 leakage rate	**0.24%**	0.26%	0.29%	**0.24%**	0.26%
	Target SF6 leakage rate	**0.25%**	0.25%	0.25%	**0.25%**	0.25%
	Summary of CO_2e emissions of reporting perimeter					
305-1	Total scope 1 CO_2 emissions (direct energy consumption, SF6 emissions and vehicle fleet in tCO_2e) of reporting perimeter	**171,335 ▲**	178,676	176,126	**168,375**	178,085
305-2	Total scope 2 CO_2 emissions (indirect energy consumption in tCO_2e) of reporting perimeter (market- based)	**169,937 ▲**	298,736	428,838	**160,744**	297,581
305-2	Total scope 2 CO_2 emissions (indirect energy consumption in tCO_2e) of reporting perimeter (location-based)[4]	**373,323 ▲**	392,873	423,301	**364,130**	362,194
305-1, 305-2	A Total scopes 1 and 2 CO_2 emissions (in tCO_2e) of reporting perimeter, market-based	**341,272 ▲**	477,412	604,964	**329,119**	475,666
	Estimated energy consumption and CO_2e emissions out of reporting perimeter					
302-1 302-4	Energy consumption for sites out of reporting perimeter (MWh)	**250,333**	282,750	UP	**UP**	UP
305-1, 305-5	B Total scope 1 and 2 CO_2 emissions (energy consumption in tCO_2e) of sites out of reporting perimeter (market-based)[4]	**95,104 ▲**	92,141	93,198	**UP**	–
	Summary of CO_2e emissions extended to the full perimeter					
305-1, 305-2	A+B Total scopes 1 and 2 CO_2 emissions (energy, vehicle fleet and SF6 emissions in tCO_2e, market-based) of full perimeter	**436,376 ▲**	569,553	698,162	**UP**	–
305-5	Total scopes 1 and 2/Turnover (tCO_2e/EUR)	**0.000016**	0.000022	0.000028	**UP**	–
305-5	Total scopes 1 and 2 / Employee (tCO_2e/ employee, incl. supplementary personnel)	**3.8**	4.8	6.0	**UP**	–

▲ 2019 audited indicators. UP = Unpublished.
* Constant scope emissions are not corrected for activity level.
** Renewable electricity reported here includes renewable electricity purchased through Power Purchasing Agreements, renewable electricity produced on-site and electricity covered by Energy Attributes Certificates (EAC). The EAC account for 67% of total renewable electricity reported.

(1) For the indicator "Total employees" and the resulting ratios, some sites calculate full-time equivalents and others report headcounts at the end of each month. Since this situation has been considered recurrent for several years, the evolution of these indicators is considered representative.
(2) The CO_2 emissions linked to energy consumption are considered estimates, because the indirect emissions are calculated on the conversion factors per country. Scope 1 and 2 CO_2 emissions from energy consumption are quantified using energy reporting data, in MWh of energy per energy source. Scope 2 emissions are quantified with the market-based methodology and the location-based methodology, following GHG Protocol scope 2 guidance. Location-based scope 2 electricity emissions on energy reporting perimeter are equal to 338,303 tCO_2e (audited value). Total scope 1 and 2 (location-based) CO_2 emissions (energy, vehicles, and SF6 emissions in tCO_2e) on full perimeter are equal to 641,254 tCO_2e (audited value).
Electricity emissions calculated with market-based and location-based methodologies should not be added. Market-based electricity emissions are calculated using residual electricity emissions factors (source AIB, 2017) for European countries, and average country emission factors for other countries (IEA, 2017). 2017 CO_2 emissions from electricity were recalculated in 2018 following this methodology.
(3) 14 sites in 2019; 16 sites in 2017, 2018.
(4) CO_2 emissions for sites not included in the energy reporting perimeter are estimated based on site surface in real estate databases and average CO_2 intensity of sites per region from our energy reporting. Overall coverage of emissions due to energy consumption is 100%, based on site surface occupied by Schneider Electric worldwide. Using location-based methodology, total scope 2 emissions are equal to 461,419 tCO_2e.

In addition, biogenic CO_2 emissions are due to the consumption of renewable electricity from biomass, and are not reported in scope 2 emissions following GHG protocol guidance. These emissions are of 19,525 tCO_2b in 2019.

CO_2 emissions in transportation (scope 3)

GRI	Indicator	2019	2018	2017
305-3	CO_2e emissions on transportation paid by the Group (in tCO_2 equivalent)	**628,665 ▲**	681,776	658,404

▲ 2019 audited indicators.
Calculation based on an estimated coverage of 75% (2017 and 2018) and 72% (2019) extrapolated to 100%.

7.2 Social indicators

The indicators below have a Group scope.

The safety data of the sites are included in the Group metrics after one complete calendar year following their creation or acquisition. A site joining the Group in year n will be included in the metrics on January 1 n+2, except in exceptional circumstances when an agreement stipulates that the safety data will not be included for two years.

HR data cover 99% of the workforce from integrated companies (excluding AVEVA). The precisions on the variations of scope are contributed at the end of the tables below and indicated by footnotes.

The calculation methodology of the absenteeism rate varying from one country to another, in this domain Schneider Electric communicates at Group level the number of lost days and the number of hours worked (safety data).

The comments on the indicators are given in the corresponding chapters and indicated in the tables below.

Key targets and results

Schneider Sustainability Impact 2018-2020

Megatrends and SDGs	2018-2020 programs	2019 progress	2020 target
Health & equity	9. Scored in our Employee Engagement Index	64% ▲	70%
	10. Medical incidents per million hours worked	0.79 ▲	0.88
	11. Employees have access to a comprehensive well-being at work program	47% ▲	90%
	12. Employees are working in countries that have fully deployed our Family Leave Policy	99% ▲	100%
	13. Workers received at least 15 hours of learning, and 30% of workers' learning hours are done digitally	62% ▲	100%
	14. White-collar workers have individual development plans	79% ▲	90%
	15. Employees are working in a country with commitment and processes in place to achieve gender pay equity	99% ▲	95%

▲ 2019 audited indicators.
The 2017 performance serves as a starting value for the Schneider Sustainability Impact 2018-2020.
Please refer to pages 192 to 196 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 157-158 for indicator 9, 154-155 for indicator 10, 156 for indicator 11, 166 for indicator 12, 160-161 for indicator 13, 157 for indicator 14, 171 for indicator 15).

7.2.2 Workforce

GRI	Indicators	2019	2018	2017
102-8	Average workforce including supplementary personnel	**146,406 ▲**	152,058	153,124
	Blue collar (DVC)	**77,392 ▲**	80,703	80,895
	White collar (non-DVC)	**69,014 ▲**	71,355	72,229
	Share of DVC (Direct Variable Cost)	**52.9%**	53.1%	52.8%
	Share of non-DVC	**47.1%**	46.9%	47.2%
102-8	Average supplementary workforce**	**13,246 ▲**	13,409	13,630
102-8	Spot workforce at year-end excluding supplementary personnel(1)	**135,307 ▲**	137,534	142,013
	Open-ended contract	**87.3%**	87.2%	87.3%
	Fixed-term contract	**12.7%**	12.8%	12.7%
102-8	Share of temporary personnel (fixed-term contracts and supplementary personnel)(2)	**21.6%**	20.6%	20.8%
102-8	Spot workforce at year-end excluding supplementary personnel (FTE)(3)	**134,291**	136,624	141,503
102-8	Organization of working time(4)			
	Full-time	**98%**	98%	98%
	Part-time	**2%**	2%	2%
401-1	Hires(5)	**25,131 ▲**	23,228	20,861
	Departures(5)	**23,381 ▲**	24,036	24,871
	Layoffs	**8,190 ▲**	7,680	6,664
	Resignations	**10,600 ▲**	11,595	11,526
	Other (retirement, end of contract, etc.)	**4,591 ▲**	4,761	6,681
	Voluntary turnover	**8.0% ▲**	8.4%	8.2%
401-1	Breakdown of workforce by region(2)			
102-8	Asia-Pacific	**35%**	32%	31%
	Western Europe	**26%**	27%	27%
	North America	**20%**	22%	22%
	Rest of the world	**19%**	20%	20%
	Breakdown of workforce by country (the most significant countries)(2)			
102-8	France	**11%**	11%	12%
	United States	**13%**	13%	13%
	China	**10%**	10%	10%
	India	**10%**	10%	10%
	Mexico	**7%**	7%	7%
	Russia	**6%**	6%	6%
	Spain	**3%**	3%	3%
	Brazil	**2%**	2%	2%
	Germany	**3%**	3%	3%
	Australia	**2%**	2%	2%
	Indonesia	**3%**	3%	3%
	United Kingdom	**3%**	3%	3%
	Annual change in workforce by country (the most significant countries)(2)			
102-8	France	**-2%**	-7%	-3%
	United States	**-4%**	-3%	1%
	China	**-2%**	0%	-2%
	India	**0%**	-3%	0%

7. Indicators

GRI	Indicators	2019	2018	2017
	Mexico	**1%**	-4%	12%
	Russia	**-5%**	-10%	-7%
	Spain	**2%**	1%	1%
	Germany	**-1%**	-3%	4%
	Brazil	**-6%**	-7%	-12%
	Australia	**-5%**	-10%	-9%
	Indonesia	**-7%**	0%	7%
	United Kingdom	**-2%**	-1%	1%
	Breakdown of workforce by gender(2)(4)			
102-8	Men	**67% ▲**	68%	68%
	Women	**33% ▲**	32%	32%
	Breakdown of workforce by gender and by category(2)			
102-8	White collar	**51%**	51%	51%
	Men	**67%**	68%	68%
	Women	**33%**	32%	32%
	Blue collar	**49%**	49%	49%
	Men	**68%**	68%	68%
	Women	**32%**	32%	32%
	Breakdown of workforce by age(2)			
102-8	14/24 years	**7%**	7%	7%
	25/34 years	**27%**	28%	29%
	35/44 years	**31%**	31%	30%
	45/54 years	**21%**	21%	21%
	55/64 years	**13%**	12%	12%
	> 64 years	**1%**	1%	1%
	Breakdown of workforce by seniority(2)			
102-8	< 5 years	**46%**	44%	44%
	5/14 years	**33%**	36%	35%
	15/24 years	**13%**	12%	12%
	25/34 years	**6%**	6%	6%
	> 34 years	**2%**	2%	3%
	Breakdown of workforce by function(2)			
102-8	Marketing	**4%**	3%	3%
	Sales	**13%**	12%	12%
	Services and projects	**19%**	19%	18%
	Support	**30%**	28%	26%
	Technical	**6%**	6%	6%
	Industrial	**28%**	32%	35%

Hires(5)

GRI	Indicators	2019	2018	2017
401-1	Breakdown by type of contract			
	Permanent contract	**70%**	63%	60%
	Fixed-term contract	**30%**	37%	40%
401-1	Breakdown by category			
	White collar	**37%**	39%	35%
	Blue collar	**63%**	61%	65%

GRI	Indicators	2019	2018	2017
	Breakdown by gender			
	Men	**60%**	62%	58%
	Women	**40%**	38%	42%
	Breakdown by age			
	14/24 years	**39%**	35%	34%
	25/34 years	**37%**	39%	37%
	35/44 years	**16%**	17%	17%
	45/54 years	**6%**	7%	8%
	55/64 years	**2%**	2%	3%
	> 64 years	**0%**	0%	1%
401-1	Breakdown by region			
	Asia-Pacific	**44%**	35%	38%
	Western Europe	**12%**	16%	16%
	North America	**29%**	33%	28%
	Rest of the world	**15%**	16%	18%

Layoffs[5]

GRI	Indicators	2019	2018	2017
401-1	Breakdown by type of contract			
	Open-ended contract	**79%**	80%	80%
	Fixed-term contract	**21%**	20%	20%
401-1	Breakdown by category			
	White collar	**33%**	35%	40%
	Blue collar	**67%**	65%	60%
401-1	Breakdown by Region			
	Asia-Pacific	**30%**	23%	28%
	Western Europe	**8%**	10%	14%
	North America	**44%**	42%	34%
	Rest of the world	**18%**	24%	24%

Resignations[5]

GRI	Indicators	2019	2018	2017
401-1	Breakdown by seniority			
	< 1 year	**40%**	39%	41%
	1/4 years	**34%**	37%	35%
	5/14 years	**17%**	20%	20%
	15/24 years	**5%**	3%	3%
	25/34 years	**2%**	1%	1%
	> 34 years	**2%**	0%	0%

Departures[5]

GRI	Indicators	2019	2018	2017
401-1	Breakdown by gender			
	Men	**62%**	61%	62%
	Women	**38%**	39%	38%

7. Indicators

GRI	Indicators	2019	2018	2017
401-1	Breakdown by age			
	14/24 years	**26%**	26%	23%
	25/34 years	**32%**	33%	33%
	35/44 years	**21%**	20%	22%
	45/54 years	**11%**	10%	11%
	55/64 years	**8%**	9%	9%
	> 64 years	**2%**	2%	2%
401-1	Breakdown by region			
	Asia-Pacific	**34%**	33%	32%
	Western Europe	**15%**	16%	17%
	North America	**35%**	34%	30%
	Rest of the world	**16%**	18%	21%

Average supplementary workforce

GRI	Indicators	2019	2018	2017
102-8	Breakdown by category			
	White collar	**11%**	7%	15%
	Blue collar	**89%**	93%	85%
102-8	Breakdown by region			
	Asia-Pacific	**64%**	62%	64%
	Western Europe	**16%**	18%	17%
	North America	**7%**	8%	9%
	Rest of the world	**13%**	11%	10%

7.2.3 Health and safety of employees and subcontractors

GRI	Indicators	2019	2018	2017
403-2	Number of medical incidents(6)	**233 ▲**	277	330
	of which Schneider Electric employees	**193 ▲**	225	274
	of which temporary workers	**40 ▲**	52	56
403-2	Number of lost-time accident(6)	**116 ▲**	136	178
	of which Schneider Electric employees	**94 ▲**	105	147
	of which temporary workers	**22 ▲**	31	31
403-2	Number of fatal accidents	**1**	1	1
	of which Schneider Electric employees	**1**	1	1
	of which temporary workers	**0**	0	0
403-2	Medical Incident Rate(7)	**0.79 ▲**	0.94	1.15
	of which Schneider Electric employees	**0.77 ▲**	0.90	1.11
	of which temporary workers	**0.91 ▲**	1.10	1.38
403-2	Lost-Time Injury Rate (LTIR)(7)	**0.39 ▲**	0.46	0.62
	of which Schneider Electric employees	**0.38 ▲**	0.42	0.6
	of which temporary workers	**0.50 ▲**	0.66	0.76
403-2	Lost-Time Day Rate (LTDR)(7)	**16.69 ▲**	13.69	20.67
	of which Schneider Electric employees	**17.69 ▲**	14.39	22.63
	of which temporary workers	**10.96 ▲**	9.54	8.86
403-2	Number of lost days	**4,909 ▲**	4,025	5,907
	of which Schneider Electric employees	**4,427 ▲**	3,579	5,547
	of which temporary workers	**482 ▲**	446	360

GRI	Indicators	2019	2018	2017
403-2	Number of hours worked	**294,202,028 ▲**	294,001,927	285,796,584
	of which Schneider Electric employees	**250,235,482 ▲**	248,633,265	245,147,419
	of which temporary workers	**43,966,546 ▲**	45,368,662	40,649,165
403-2	Occupational Illness Frequency Rate (OIFR)	**0.014 ▲**	0.020	0.042
	of which Schneider Electric employees	**0.016 ▲**	0.024	0.049
	of which temporary workers	**0.000 ▲**	0.000	0.000

7.2.4 Dialog and social relations

GRI	Indicators	2019	2018	2017
102-41	Employees represented by(8)			
	Unions	**64%**	67%	66%
	Works Council	**68%**	68%	60%
403-1	Health and Safety Committee	**86%**	86%	89%
102-41	Number of collective agreements(8)	**81**	138	114
102-41	Employees covered by collective bargaining agreements	**70%**	75%	83%

7.2.5 Talent development and training

GRI	Indicators	2019	2018	2017
404-1	Number of training hours(9)	**3,117,348 ▲**	3,283,492	3,402,700
404-1	Average hours of training per person(9)	**25.0**	27.5	29
	White collar	**27.1**	30.5	25.2
	Blue collar	**22.9**	24.1	32.4
	Average hours of training per person(9)			
	Men	**25.6**	28.3	30
	Women	**23.7**	25.6	28
404-1	Breakdown of hours by category(2)			
	White collar	**54%**	58%	59%
	Blue collar	**46%**	42%	41%
404-2	Employees taking one day training (7 hours or more)	**81%**	86%	92%
	Breakdown by country			
	France	**71%**	76%	87%
	United States	**78%**	82%	89%
	China	**86%**	89%	96%
	India	**84%**	97%	98%
	Mexico	**87%**	93%	95%
	Spain	**83%**	88%	92%
	Brazil	**92%**	90%	88%
	Germany	**80%**	86%	91%
	Australia	**78%**	81%	84%
	Indonesia	**76%**	80%	91%
	United Kingdom	**69%**	80%	86%
	Russia	**93%**	95%	95%
	Breakdown of hours by training type(2)			
	Health, safety and environment	**22%**	20%	4%
	Technical	**5%**	5%	13%
	Languages	**5%**	1%	2%
	IT	**8%**	10%	5%

7. Indicators

GRI	Indicators	2019	2018	2017
	Products, Solutions and Services	**13%**	24%	11%
	Management and Leadership	**6%**	5%	7%
	Personal Development	**8%**	16%	3%
	Functional	**27%**	14%	UP
	Mandatory/ Compliance	**6%**	3%	UP
	Total Learning & Development spend (million EUR)(10)	**52.3**	UP	UP
	Learning & Development cost per employee (EUR)	**387**	UP	UP
	Breakdown of costs by category(2)			
	White collar	**68%**	72%	62%
	Blue collar	**32%**	28%	38%
	Breakdown of costs by category(2)			
	Products, Solutions and Services	**28%**	21%	UP
	Personal Development	**5%**	19%	UP
	Health, safety and environment	**9%**	15%	UP
	Management and Leadership	**18%**	14%	UP
	Functional	**12%**	11%	UP
	Technical	**4%**	6%	UP
	IT	**11%**	3%	UP
	Languages	**13%**	3%	UP
	Mandatory/ Compliance	**0%**	0%	UP
404-3	Employees having had a performance review(11)	**98%**	96%	97%
404-3	Breakdown by category			
	White collar	**76%**	76%	75%
	Blue collar	**24%**	24%	26%
404-3	Breakdown by gender			
	Men	**72%**	73%	74%
	Women	**28%**	27%	26%

▲ 2019 audited indicators. UP = Unpublished.
(1) Schneider Electric fixed-term contract and open-ended contract personnel.
(2) Based on spot workforce at year-end.
(3) Based on Full Time Equivalents (FTE) numbers of Schneider Electric fixed-term contract and open-ended contract personnel.
(4) The data relates to 87% of the Group's workforce at 12/31/2018 (TalentLink).
(5) Acquisitions/disposals and supplementary staff are not taken into account in the calculation.
(6) Includes business travel, excludes home/workplace travel.
(7) LTIR = Number of incidents with lost days x 1,000,000/number of hours worked. International standard indicator comparable to the accident frequency rate. LTDR = Number of lost days x 1,000,000/number of hours worked. International standard indicator comparable to the accident severity rate (the latter, however, is calculated per thousand hours worked). MIR = Number of accidents requiring medical treatment x 1,000,000/number of hours worked. Occupational Illness Frequency Rate (OIFR) is based on 1million hours worked (The number of Occupational illness X 1,000,000 Hours / Total Hours Worked). Note that the Medical Incident Rate (MIR) consists of both medical incidents + Occupational Illnesses and is based on 1million hours worked.
(8) The data relates to 90% of the Group's workforce at the end of December 2018 (annual survey).
(9) The data covers 99% of the Group's workforce (MyLearningLink).
(10) Includes Learning and development teams, travel and expenses as well as vendors costs – Sources: Schneider Electric TalentLink Employee data and Procurement tracking system – Excludes training sold to customers
(11) The data relates to the eligible workforce for Performance interview at 12/31/2018 (TalentLink).

7.3 Societal indicators

Indicators are published on the basis of declarative information submitted by Foundation delegates. It covers 80% of Schneider Electric employees and highlights the importance of Company and employee participation in the Foundation's approach to involvement towards local communities. With EUR20 million in 2019, the amount of budget for the Foundation's actions includes the Foundation's intervention budget, the amount of the donations from entities, employees and partners, and the amount of donations in kind.

Breakdown of the Foundation's financial commitments

	2019
FOUNDATION'S INTERVENTION BUDGET	**4,000,000**
Breakdown by program (in %)	
Training and entrepreneurship	**51%**
Energy poverty	**28%**
Raising awareness about sustainable development	**17%**
Employees' volunteering/skills-based sponsorship	**4%**
Breakdown by region (in %)	
Africa & Middle East	**31%**
America	**6%**
Asia & Pacific	**11%**
Europe	**44%**
Cross countries	**8%**

Breakdown of contributions from employees and Schneider Electric entities to the Foundation's actions

	2019
TOTAL FINANCIAL CONTRIBUTION (IN EUROS)	**7,715,663**
From employees	**827,682**
From the Schneider Electric entity	**6,659,701**
From partners	**228,280**

Breakdown of total contributions (employees, Schneider Electric entities and Schneider Electric Foundation) to the Foundation's actions

	2019
BREAKDOWN BY REGION (IN %)	
Africa & Middle East	**11%**
America	**38%**
Asia & Pacific	**21%**
Europe	**30%**
DONATIONS IN PRODUCTS OR SERVICES FOR A PARTNER/PROJECT OF THE FOUNDATION (IN EUROS)	**8,062,248**
Number of employees involved in the Foundation's actions	**35,000**

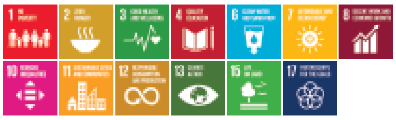
Total budget for the Foundation's actions

FOUNDATION BUDGET, FINANCIAL CONTRIBUTIONS AND DONATIONS IN KIND (IN EUROS)	**19,777,911**

7. Indicators

Key targets and results

Schneider Sustainability Impact 2018-2020

Megatrends and SDGs	2018-2020 programs		2019 progress	2020 target
Development 	19.	Turnover of our Access to Energy program	**1.56** ▲	**x4**
	20.	Underprivileged people trained in energy management	**246,268** ▲	**400,000**
	21.	Volunteering days thanks to our VolunteerIn global platform	**11,421** ▲	**15,000**

▲ 2019 audited indicators.
The 2017 performance serves as a starting value for the Schneider Sustainability Impact 2018-2020.
Please refer to pages 192-196 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 179-182 for indicator 19, 183-185 for indicator 20, and 188-189 for indicator 21).

For more information:

- http://www.schneider-electric.com/ww/en/ (> About us > Sustainability)
- https://volunteerin.schneider-electric.com/en/

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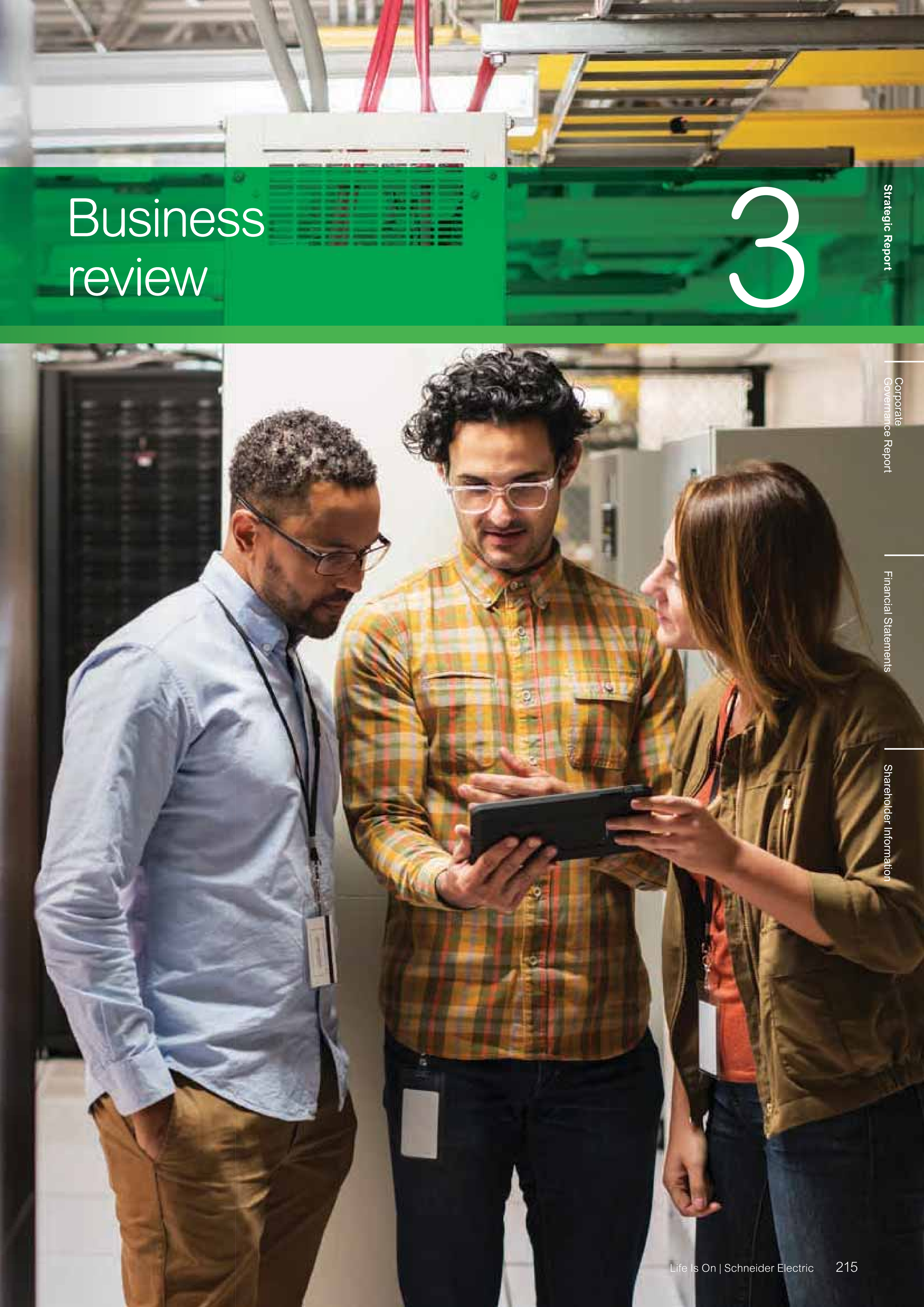


Business review

3

1. Trends in Schneider Electric's core markets

1.1 Construction

In Europe, the residential market grew in Spain, Portugal, the United Kingdom and Central Europe. Emerging economies saw growth, while Sweden and Finland saw declines amid declining housing prices and oversupply. In the non-residential market, growth remained positive across all regions, except for the United Kingdom. Uncertainties over the Brexit dragged down industrial, office, and commercial sectors, while austerity measures hit public health and education sectors.

In the United States, residential market gradually improved during the second half of 2019. Growth was amplified by the roll out of regulations related to the adoption of dual-function circuit breakers. Non-residential construction slowed down, due to a decline in the retail segment.

In China, the construction market continued to grow at a solid pace. In the residential market, property market sentiment improvement, Hukou relaxation (system of population registration), and increased availability of mortgages underpinned the expansion. Non-residential market growth was led by office buildings.

In Australia, residential market slowed down following several years of strong growth. Tighter credit conditions and falling property prices curbed activity.

In India, residential market growth was moderated in high and medium-end segments in major cities. Non-residential market continued its strong expansion, driven by urbanization and tax cut stimulus.

1.2 Industry and machine manufacturers

The industry market slowed down in 2019, mainly driven by US-China trade tensions. A business climate deterioration, amid elevated uncertainties, increasing tariffs and global trade slow down, led companies to delay some investments. However, easing trade tensions during the last quarter reduced recession risks and provided traction for a market stabilization.

In the US, the slow down in 2019 was aggravated by fading contribution from tax stimuli.

In China, weaker export growth, impacted by tariffs, amid an uncertain trade environment, dragged down corporate profits and firms' confidence. However, the market improved in Q4, amid resumption of trade talks and further fiscal easing.

The European market was also impacted by uncertainties over Brexit.

In East Asia and Japan, markets slow down was driven by lower demand from China, a weaker business climate, and cyclical downturn in the semiconductor industry.

1.3 Data Center and Networks

The Data Center market continued its strong expansion in 2019, boosting demand for Secure Power and Medium Voltage/Low Voltage systems technologies. Enterprises continued their digital transformation journey and leveraged a hybrid environment for their computing load. The result is a shift of their computing load to off-premise facilities, while modernizing their own on-premise data centers for select core applications. Enterprises continued to leverage leased space in collocation, where they host their own IT equipment, or to Internet Giants, where they are renting platforms, infrastructure and services. Adding to this shift, the growth of social media and e-commerce has generated even more demand within the off-premise market. Companies continue to maintain hybrid environments on both installations on existing sites, and off-premise markets, through collocation services suppliers.

Over the course of their digital transformation, enterprises are developing a new customer experience or process applications that are increasingly bandwidth intensive. Video, social media, augmented reality and the increasing adoption of the Internet of Things are driving the need for computing and storage at the edge of the network. These applications are not limited to traditional IT environments. There is a growing opportunity within Commercial and Industrial markets as Industrial IoT continues to gain momentum. Schneider Electric is the leader in distributed IT environments and with its modular systems, coupled with its EcoStruxure IT software, is in a strong position to capture this next wave of Edge Computing.

1.4 Oil & Gas & Petrochemicals

This year has shown continuity with regards to 2018 in many aspects. The Brent oil barrel price has experienced ups and downs, oscillating between USD55 and USD75 over the year. These price levels were enough to ensure profitability for most projects, thanks to a recurrent improvement in operations and project design and execution by all players across the value chain. Schneider Electric contributes to these improvements with the newly launched EcoStruxure Power & Process architecture for Oil & Gas.

The OPEC group together with Russia have maintained their curtailment measures on crude oil pricing which has keep oil prices largely stable. The Strait of Hormuz and general Iran tensions have so far not generated major price upsurge. These two elements have somewhat compensated the global and Chinese GDP slow downs and its historic impact on oil prices.

The general feeling of confidence in the industry was reflected in rig count growth, significant LNG projects and FPSO launches, sustained investment in Petrochemicals projects, as well as in the record levels reached by Saudi Aramco's partial IPO in 2019.

We nevertheless could witness a major evolution in 2020. The whole industry now realizes that it is confronted to a potential slow down in its growth and a likely plateau and decline that may happen in 10 to 20 years. Developing more sustainable operations in the Oil & Gas industry is now key to its social and financial license to operate. Schneider Electric is in a unique position to help the industry move forward in energy efficiency and on the path to the electrical future of Oil & Gas.

1.5 Electricity Companies

The power industry is at the heart of the battle for greenhouse gas reduction. Global electricity generation has grown by 4% in 2019, led by China, with 68% of new capacity in renewables.

To tackle the challenges brought about by the new energy landscape, transmission and distribution grid operators are investing in digital technologies to improve their operations, experimenting with artificial intelligence for grid balancing, enabling and accelerating the integration of all decarbonization solutions, such as DER, storage, and electric vehicles.

China will focus on digitalization of grid operations and services in the coming years, whereas in the USA investments are mostly directed toward improving grid reliability. In Europe, high rates of distributed energy resources will lead to investment in new infrastructures to reinforce grid capacity and to develop systems to manage a more dynamic grid. Decreasing electricity losses will also drive further investment in grid infrastructure and better network management mainly in India, Latin America, and Southeast Asia.

Along with deploying grid digitalization technologies to cope with their challenges, utilities are facing increasing cyber threats. Many major utilities around the world have deployed processes to manage cyber risks, but will need to adapt them to new regulations to come and face the challenges of their legacy installation base. As cheaper batteries, government incentives, and support policies are driving electric car sales, its adoption is expected to rise in the mid-2020s. Some geographies are expected to move faster due to charging infrastructure investments.

2. Comments on the consolidated financial statements

2.1 Review of business and consolidated statement of income

Acquisitions & disposals of the period

Acquisitions

No significant acquisition occurred during 2019.

Disposals

On March 25, 2019, the Group announced having entered exclusive negotiations with Transom Capital Group regarding the sale of its Pelco business. On May 24, 2019, the sale of Pelco, which previously reported within the *Energy Management* segment, was finalized.

On December 5, 2019, the Group announced having signed an agreement with Vinci Energies regarding the sale of Converse Energy Projects GmbH, which reported within the *Energy Management* segment. On December 30, 2019, the sale was finalized.

Follow-up on acquisitions and divestments occurred in 2018 with significant effect in 2019

Acquisitions

AVEVA

On February 28, 2018, the Group finalized a transaction with AVEVA Group PLC to combine AVEVA and Schneider Electric Software business, and create a global leader in engineering and industrial software. Following the issue of ordinary shares in the capital of AVEVA to Schneider Electric, the Group owns 60 % of the enlarged AVEVA Group, on a fully diluted basis. AVEVA is fully consolidated in the *Industrial Automation* business since March 1, 2018. The consideration paid amounted EUR 1,994 million, of which EUR 577 million paid in cash (net of acquired cash).

As of June 30, 2019, the Group has finalized the purchase price allocation and recognized intangible assets for an amount of EUR 482 million (trademark, patents and customer relationship), and an amount of goodwill of EUR 1,434 million.

The impact on non-controlling interests reflects 40 % of the AVEVA total consideration combined with the carrying value of the Schneider Electric Software business evaluated at the time of the acquisition of INVENSYS Group by Schneider Electric.

IGE+XAO

On January 25, 2018, after the successful public tender offer for the shares of IGE+XAO, the Group announced that it had taken the control of the company.

IGE+XAO, is fully consolidated in the *Energy Management* business since February 1, 2018. The consideration paid amounts EUR 86 million (net of acquired cash).

As of June 30, 2019, the Group has finalized the purchase price allocation and recognized intangible assets for an amount of EUR 49 million (trademarks, technologies and customer relationships) and an amount of goodwill of EUR 100 million.

As of December 31, 2019 the Group owns 67.89 % of the share capital of IGE+XAO.

Disposals

No significant disposals occurred during 2018.

Application of IFRS 5 – *Non-current assets held for sale and discontinued operations*

On April 20, 2017, the Group announced the disposal of its "Solar" activity, and started implementing the necessary measures and procedures to formalize this transaction. The initial plan has been reoriented, part of the business being sold or restructured, and part of it still being considered as discontinued operations. This activity used to be reported within the *Energy Management* business segment of Schneider Electric. Solar activity net loss of EUR 3 million has been reclassified to discontinued operations in the Group consolidated financial statements.

On October 24, 2019, the Group agreed to establish a Joint Venture with the Russian Direct Investment Fund (RDIF), to further strengthen the long-term outlook for the Group's Electroshield Samara business, which is currently consolidated under the *Energy Management* segment and generated revenues of EUR 168 million in 2019. The related assets and liabilities have been reclassified at fair value in the lines "Assets and liabilities held for sale" in the balance sheet.

2.2 Changes in foreign exchange rate

Fluctuations in the Euro exchange rate had a positive impact over the year, increasing the consolidated revenue by EUR 495 million and the adjusted EBITA by EUR 35 million, due mainly to the positive effect of the US Dollar compared to the Euro.

2.3 Revenue

Consolidated revenue totaled EUR 27,158 million for the period ended December 31, 2019, up 5.6% on a current structure and currency basis, compared with last year.

Organic growth was positive for 4.2%, acquisitions and disposals accounted for (0.6)% and the currency effect for 2.0% due mainly to the positive effect of the US dollar compared to the Euro.

2.4 Changes in revenue by reporting segment

Energy Management generated revenues of EUR 20,847 million, equivalent to 77% of the consolidated total revenue. This represents an increase of 6.8% on a reported basis, and an increase of 5.2% on a like-for-like basis, with growth across all regions. Residential & small building offers sustained mid-single digit for the year. EcoStruxure architecture for Commercial & Industrial Buildings continued to deliver growth. *Energy Management* systems saw good growth across end-markets, notably in Data Center, both in large and small installations. The Group experienced a mixed picture in Industry & Infrastructure, where OEM softness has limited pull-through of Energy Management, while Infrastructure remains positively oriented. The recent ASCO and IGE+XAO acquisitions showed strong growth. Services posted a high-single digit growth.

Industrial Automation generated revenues of EUR 6,311 million, equivalent to 23% of the consolidated total revenue. This represents an increase of 1.8% on a reported basis, and an increase of 0.8% on a like-for-like basis. There was resilient growth across the industrial automation coming from the Group's balanced portfolio across the cycle. Process & hybrid offers (c. 50% of *Industrial Automation* revenue) grew mid-single digit, with strong growth in orders. Offers for discrete industries (c. 50% of Industrial Automation revenue) showed a slowdown in most regions due to market softness. U.S. Panels activity was sold during the second quarter of the year. The Group made good progress on developing joint value proposition with AVEVA, with good trends in industrial software. Services showed double-digit growth.

2.5 Gross margin

Gross margin was up 5.5% organically with a Gross margin rate improving by +50bps organically to 39.5% in 2019 mainly driven by net price and productivity.

2.6 Support Function costs: Research and development and selling, general and administrative expenses

Research and development expenses, net of capitalized development costs and excluding research and development costs booked in costs of sales, increased by 10.1%, from EUR 597 million for 2018 to EUR 657 million for year 2019. As a percentage of revenues, the net cost of research and development is increasing slightly to 2.4% of revenues for 2019 (2.3% for 2018).

Total research and development expense, including capitalized development costs and development costs reported as cost of sales (see Note 4 to the Consolidated Financial Statements) increased by 5.3% from EUR 1,299 million for 2018 to EUR 1,368 million for 2019. As a percentage of revenues, total research and development expenses decreased slightly to 5.0% for 2019 (5.1% for 2018).

In 2019, the net effect of capitalized development costs and amortization of capitalized development costs amounts to EUR 60 million on the operating income (EUR 61 million in 2018).

Selling, general and administrative expenses increased by 4.8%, to EUR 5,840 million in 2019 (EUR 5,572 million in 2018). As a percentage of revenues, selling, general and administrative expenses decreased slightly to 21.5% for 2019 (21.7% for 2018).

Combined, total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR 6,497 million in 2019, compared to EUR 6,169 million in 2018, an increase of 5.3%. As a result, the support functions costs to sales ratio remains stable at 24%.

2.7 Other operating income and expenses

For the year 2019, other operating income and expenses amounted to a net expense of EUR 411 million, mainly due to losses on disposal and impairment of assets for EUR 289 million (mostly due to the disposals of Pelco and Converse Energy Projects GmbH as well as the fair value adjustment Electroshield Samara business) as well as costs of acquisition of EUR 98 million.

2.8 Restructuring costs

For the period ended December 31, 2019, restructuring costs amounted to EUR 255 million compared to EUR 198 million for 2018, attributed mainly to Support Function Cost improvement initiatives.

2.9 EBITA and Adjusted EBITA

We define EBITA as earnings before interest, taxes and amortization of purchase accounting intangibles. EBITA comprises operating profit before amortization and impairment of purchase accounting intangible assets and before goodwill impairment. We define adjusted EBITA as EBITA before restructuring costs and before other operating income and expenses, which includes acquisition, integration and separation costs.

Adjusted EBITA reached EUR 4,238 million in 2019, compared to EUR 3,874 million for 2018, increasing organically by 8.7%. Adjusted EBITA margin improved by 70 bps organically to 15.6%.

EBITA stabilized at EUR 3,572 in 2019, from EUR 3,573 million in 2018. As a percentage of revenue, EBITA decreased to 13.2% for 2019 (13.9% for the year 2018).

2.10 Adjusted EBITA by reporting segment

The following table sets out EBITA and adjusted EBITA by reporting segment:

Full Year 2019

(in millions of euros)	Energy Management	Industrial Automation	Central functions & digital costs	Total
Backlog	6,399	1,705		**8,104**
Revenue	20,847	6,311		**27,158**
Adjusted EBITA*	3,842	1,141	(745)	**4,238**
Adjusted EBITA (%)	*18.4%*	*18.1%*		**15.6%**

* Adjusted EBITA (Earnings Before Interest, Taxes, Amortization of Purchase Accounting Intangibles). Adjusted EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets, before goodwill impairment, other operating income and expenses and restructuring costs.

As of December 31, 2019, the amount of backlog to be executed over one year amounts to EUR 663 million.

Full Year 2018

(in millions of euros)	Energy Management	Industrial Automation	Central functions & digital costs	Total
Backlog	5,988	1,471		**7,459**
Revenue	19,520	6,200		**25,720**
Adjusted EBITA*	3,479	1,118	(723)	**3,874**
Adjusted EBITA (%)	*17.8%*	*18.0%*		**15.1%**

* Adjusted EBITA (Earnings Before Interest, Taxes, Amortization of Purchase Accounting Intangibles). Adjusted EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets, before goodwill impairment, other operating income and expenses and restructuring costs.

As of December 31, 2018, the amount of backlog to be executed over one year amounted to EUR 350 million.

Energy Management generated an adjusted EBITA, for the year 2019, of EUR 3,842 million, equivalent to 18.4% of revenue, up circa +80 bps organic (up +60 bps reported) thanks to strong growth in volume, improved pricing and continued productivity gains.

Industrial Automation generated an adjusted EBITA of EUR 1,141 million, equivalent to 18.1% of revenue, up circa +30 bps organic, (and +10 bps reported), thanks to positive pricing and a continued focus on costs at a time where positive topline growth is moderated by the high base of comparison from 2018, and with a softening market environment for discrete automation.

Central functions & Digital costs in 2019 amounted to EUR 745 million, slightly reducing its shares of Group revenue to 2.7% (2.8% of Group revenue in 2018). Approximately 50% of these costs are transversal investments supporting the development of the two reporting segments, including I.T, Digital Infrastructure and Marketing. A further c. 20% of these costs are due to Performance Shares. The remaining c.30% of costs represent the underlying corporate costs of around 0.8% of Group revenue, which have been stable in the recent years.

2.11 Operating income (EBIT)

Operating income or EBIT (Earnings Before Interest and Taxes), is stable, with a slight variation of 0.1%, from EUR 3,396 million in 2018 to 3,399 million in 2019 and is following EBITA trend.

2.12 Net financial income/loss

Net financial loss amounted to EUR 261 million in 2019, compared to EUR 310 million for 2018.

This decrease is explained both by the decrease of cost of net financial debt to EUR 129 million in 2019, compared to EUR 182 million in 2018, partially compensated by the impact of the first application of IFRS 16 – *Leases* for EUR 39 million in 2019.

2.13 Tax

The effective tax rate was 22.0% for 2019, compared to 22.5% for 2018. The corresponding income tax expense decreased from EUR 693 million for 2018 to EUR 690 million for 2019.

2.14 Share of profit/(losses) of associates

The share of associates was a EUR 78-million profit in 2019, compared to a EUR 61-million profit for the year 2018.

2.15 Non-controlling interests

Minority interests in net income for the year 2019, totaled EUR 110 million, compared to EUR 97 million for year 2018. AVEVA was the main contributor in 2019.

2.16 Profit for the period (to owners of the parent)

Profit for the period attributable to the equity holders of our parent company amounted to EUR 2,413 million for the year 2019, compared to EUR 2,334 million profit for year 2018.

2.17 Earnings per share

Earnings per share amounted to EUR 4.38 per share for the year 2019 compared to EUR 4.21 per share for the year 2018.

2.18 Consolidated Cash-flow

Cash flow from operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities reached EUR 4,012 million for the year 2019 (including EUR 274 million due to the first application of IFRS 16 – *Leases*), increasing compared to EUR 3,405 million for the year 2018. It represents 14.8% of revenues for the year 2019 (13.2% of revenues from 2018).

Change in working capital requirement generated EUR 270 million in cash in 2019, compared with a consumption of EUR 533 million in 2018.

In all, net cash provided by operating activities increased from EUR 2,872 million in 2018 to EUR 4,282 million in 2019.

Cash flow from investing Activities

Net capital expenditure, which included capitalized development projects, increased, at EUR 806 million for 2019, compared to EUR 770 million for 2018, and representing 3% of sales in 2019, stable compared to 2018.

Free cash-flow (cash provided by operating activities net of net capital expenditure) amounted to EUR 3,476 million in 2019 versus EUR 2,102 million in 2018.

Cash conversion rate (free cash-flow over net income attributable to the equity holders of the parent company on continuing operations) was 144% in 2019 versus 90% in 2018.

The acquisitions net of disposals represented a cash out of EUR 79 million (net of acquired cash) for the year 2019, compared with EUR 730 million for 2018. Those amounts correspond mainly to the acquisitions and disposals described in Note 2.1 et Note 2.2.

Cash flow from financing Activities

Net cash flow from financing activities amounted to EUR 2,125 million in 2019, compared to EUR 1,757 million in 2018, mainly due to changes in net debt.

The net decrease in other financial debts amounted to EUR 1,078 million in 2019, compared with a net increase of EUR 220 million in 2018. The 2019 decrease is mainly due to the reimbursement of commercial papers of EUR 610 million as well as the impact from the first application of IFRS 16 – *Leases* of EUR 274 million in 2019.

The amount of dividends paid by Schneider Electric in 2019 was EUR 1,296 million, compared to EUR 1,223 million in 2018.

3. Review of the parent company financial statements

Schneider Electric SE posted an operating loss of EUR 15 million in 2019, compared to EUR 16 million the previous year.

Interest expense net of interest income amounted to EUR 62 million versus EUR 75 million the previous year.

Current loss amounted to EUR 15 million in 2019, compared to an income of EUR 4,390 million in 2018.

The net income stood at EUR 57 million in 2019, compared to EUR 4,458 million in 2018, mainly due to dividends of EUR 4.5 billion received from Schneider Electric Industries SAS in 2018.

Equity before appropriation of net profit amounted to EUR 9,007 million as of December 31, 2019 versus EUR 10,078 million at the previous year-end, after taking into account the 2019 profit, dividend payments of EUR 1,296 million and share issues of EUR 168 million.

4. Outlook

In its main markets, the Group currently expects the following trends:

- In North America, the Group anticipates that markets will continue to be positive in 2020, though the first half of the year would be impacted by the high base of comparison for *Energy Management* and the impact of certain large projects. In *Industrial Automation,* the Group expects pressure on discrete to remain in the first half, though a rebound could be expected in the second half of the year. Mexico is expected to continue to remain challenged in the near term.
- China continues to remain a growth with dynamism in many end-markets and segments including construction, infrastructure, transportation, data centers and healthcare. The OEM demand could strengthen in the second half of the year. The Group is assessing the impact of the Coronavirus to the business. There will be an impact in the first quarter of 2020 due to factory closures in January and February. At this point, this impact has been estimated at c. EUR 300 million mainly in China and the Group assumes it will be almost entirely compensated in 2020, largely in the second half of the year.
- For the rest of Asia Pacific, the Group expects India and South East Asian countries to continue to be growth markets.
- The Group expects Western Europe to grow at a moderate pace with a higher weight in the second half of the year.
- The Group expects the performance in Rest of the world to be contrasted based on country.

In the current macro environment and incorporating the current view on the impact of coronavirus, the Group expects positive growth in aggregate in 2020 as it continues to deploy its strategic priorities in key markets.

In 2020, the Group therefore sets its targets as follows:

- Revenue growth of +1% to +3% organic;
- Adjusted EBITA margin between +16.0% and to +16.3% (excluding FX and impact of acquisitions).

In this section

Corporate governance report

4

This corporate governance report has been approved by the board of directors at its meeting of February 19, 2020.

Corporate governance code
The Company applies all the AFEP-MEDEF corporate governance guidelines. The guidelines are available online at www.medef.com.

1. The board of directors

1.1 Composition of the board of directors (as of December 31, 2019)

The board of directors shall have at least three and up to eighteen members, all of whom must be natural persons elected by the shareholders at the Shareholders' Meeting. However, in case of death or resignation of a member, the board may co-opt a new member. This appointment is then subject to ratification at the next Shareholders' Meeting.

Throughout their term, pursuant to the internal regulations, each director must hold at least 1,000 Schneider Electric SE shares.

Directors are appointed for four-year terms (renewable). However, from the age of 70, directors are re-elected or appointed for a period of two years. No more than one-third of the directors may be 70 years old or over.

As of December 31, 2019, the board of directors counted 12 directors.

Overview of the composition of the board of directors

	Personal information			Experience	Position within the board				Participation in board committees				
	Age	Gender	Nationality	Number of directorships in listed companies*	Independence	First appointment**	Seniority on the board**	Term end	Audit and risks committee	Governance and remunerations committee	Human Resources and CSR committee	Investment committee	Digital committee
Chairman and Chief Executive Officer – Director													
Jean-Pascal Tricoire	56	M	🇫🇷	–		2013	6	2021					
Vice-chairman independent lead director													
Léo Apotheker	66	M	🇫🇷 🇩🇪	1	⚫	2008	11	2020		🟢			⚪
Director													
Cécile Cabanis	48	F	🇫🇷	2	⚫	2016	3	2020	🟢				
Fred Kindle	60	M	🇨🇭	2	⚫	2016	3	2020	⚪	⚪		🟢	
Willy Kissling	75	M	🇨🇭	–		2001	18	2020	⚪	⚪	⚪		
Linda Knoll	59	F	🇺🇸	1	⚫	2014	5	2022		⚪	🟢		
Fleur Pellerin	46	F	🇫🇷	2	⚫	2018	1	2022	⚪		⚪		⚪
Anders Runevad	59	M	🇸🇪	1	⚫	2018	1	2022			⚪	⚪	
Gregory Spierkel	62	M	🇨🇦	2	⚫	2015	4	2023		⚪		⚪	🟢
Lip-Bu Tan	60	M	🇺🇸	2	⚫	2019	–	2023				⚪	⚪
Director representing employee shareholders													
Xiaoyun Ma	56	F	🇨🇳			2017	2	2021			⚪	⚪	
Director representing employees													
Patrick Montier	63	M	🇫🇷	–		2017	2	2021				⚪	

🟢 Chairperson of the committee ⚪ Member of the committee ⚫ Independent

* To the exclusion of Schneider Electric SE directorship.
** As a director or member of the supervisory board (if any, the period of presence at the board as a non-voting member is not taken into account).

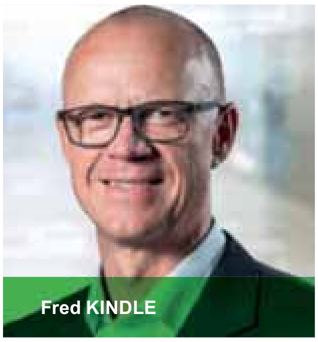

Jean-Pascal TRICOIRE

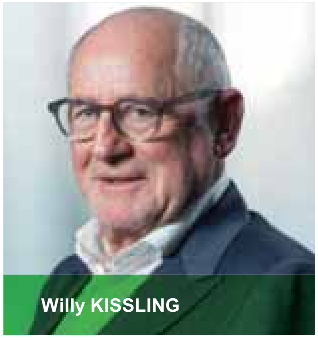

Léo APOTHEKER

Average age of directors

59


Cécile CABANIS


Fred KINDLE


Willy KISSLING


Linda KNOLL

Women directors*

36%


Xiaoyun MA


Patrick MONTIER


Fleur PELLERIN

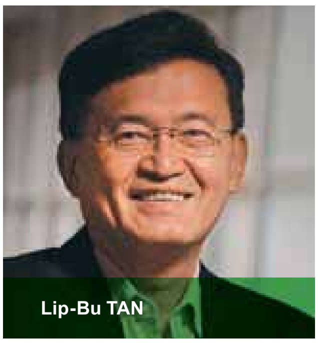

Anders RUNEVAD

Independent directors**

8

(80%)


Gregory SPIERKEL


Lip-Bu TAN

* Director representing employees excluded.

*** Director representing employee shareholders and director representing employees excluded.

1. The board of directors

List of directorships and other functions of directors as of December 31, 2019

		
	Mr. Jean-Pascal Tricoire Chairman of the board of directors and Chief Executive Officer Age: 56 years Nationality: French Business address: Schneider Electric 35, rue Joseph Monier, 92500 Rueil-Malmaison, France **629,030(1) Schneider Electric SE shares**	**Mr. Léo Apotheker*** Vice-Chairman independent lead director Age: 66 years Nationality: French/German Business address: Flat A, 15 Eaton Square, London SW1W 9DD, England **3,093 Schneider Electric SE shares**
Experience and qualifications	After graduating from ESEO Angers and obtaining a MBA from EM Lyon, Jean-Pascal Tricoire spent his early career with Alcatel, Schlumberger and Saint-Gobain and joined the Schneider Electric Group (Merlin Gerin) in 1986. From 1988 to 1999 he occupied operational functions within Schneider Electric abroad, in Italy (five years), China (five years) and South Africa (1 year). He held corporate positions from 1999 to 2001: Director in charge of Strategic Global Accounts and the "Schneider 2000 +" strategic plan. From January 2002 to the end of 2003, he was Executive Vice-President of Schneider Electric's International Division. In October 2003, he was appointed Deputy CEO, before becoming Chairman of the management board of Schneider Electric SA on May 3, 2006. On April 25, 2013, following the change in mode of governance of the Company, he was appointed Chairman and CEO then re-elected on April 25, 2017.	Léo Apotheker began his career in 1978 in management control after graduating with a degree in international relations and economics from the Hebrew University in Jerusalem. He then held management and executive responsibilities in several firms specializing in information systems including SAP France & Belgium, where he was Chairman and CEO between 1988 and 1991. Mr. Apotheker was founding Chairman and CEO of ECsoft. In 1995, he returned to SAP as Chairman of SAP France. After various appointments within SAP as regional director, in 2002 he was appointed as a member of the Executive Committee and Chairman of Customer Solutions & Operations, then in 2007 as Chairman CSO and Deputy CEO of SAP AG and in 2008 CEO of SAP AG. In 2010, he became CEO and Chairman of Hewlett-Packard, a position he held until the fall of 2011. Voting member of the Schneider Electric SA, now Schneider Electric SE, board since 2008, Léo Apotheker was appointed Vice-Chairman independent lead director in May 2014.
Term of office	First appointed: 2013/Term ends: 2021	First appointed: 2008/Term ends: 2020
Current directorships	Chairman and CEO of **Schneider Electric SE**, Chairman and director of the board of directors of Schneider Electric Industries SAS, Director of Delixi Electric Ltd, Director of Schneider Electric USA, Inc., Director and Chairman of the board of directors of Schneider Electric Asia Pacific Ltd, Chairman of the board of directors of Schneider Electric Holdings Inc.	Vice-Chairman independent lead director of **Schneider Electric SE**.
Current external appointments	**Other directorships or functions:** Vice-chairman of the France-China Committee, Director of the board of the United Nations Global Compact (USA), Co-founder and director of the Alliance for *Societas Europaea* Promotion (Belgium), Member of the board of Trustees of Northeastern University (USA).	**Other directorships or functions at listed companies:** Director of **NICE-Systems Ltd** (Israel). **Other directorships or functions:** Chairman of the board of directors of Unit 4 NV (the Netherlands), Chairman of Syncron International AB (Sweden), Director of P2 Energy Solutions (USA), Taulia (USA), MercuryGate (USA).
Previous directorships		**Previous directorships and functions held in the past five years:** Chairman of the Supervisory board of Signavio GmbH (Germany) (2019), Director (2019) and Chairman of the board of KMD A.S. (Denmark), Manager of "Efficiency Capital" fund, Member of the supervisory board of **Steria**.
Committee memberships		Chairperson of the Governance and remunerations committee and member of the Digital committee.

Honorary Chairman: Mr. Didier Pineau-Valencienne

Note: **bold** indicates the names of companies whose securities are listed on a regulated market.
(1) Held directly or through the FCPE.
* An independent director within the meaning of the AFEP-MEDEF corporate governance Code.

	 **Ms. Cécile Cabanis*** Director of Schneider Electric SE Age: 48 years Nationality: French Business address: Danone, 17 boulevard Haussmann, 75009 Paris, France **1,000 Schneider Electric SE shares**	 **Mr. Fred Kindle*** Director of Schneider Electric SE Age: 60 years Nationality: Swiss Business address: Vaistligasse 1 9490 Vaduz, Liechtenstein **40,000 Schneider Electric SE shares**
Experience and qualifications	Engineer graduated from Agro Paris Grignon, Cécile Cabanis began her career in 1995 at L'Oréal in South Africa, where she worked as logistics manager and head of management control, then in France as an internal auditor. In 2000, she joined Orange as Assistant Director in the group's Mergers-Acquisitions division. Cécile Cabanis came to Danone in 2004 as Corporate Financial Officer, then Head of Development. In 2010, she was appointed Chief Financial Officer of the Fresh Dairy Products Division. Since February 2015, she has been Danone's Chief Financial Officer and a member of the Executive Committee. In 2017, she became the Head of Information Systems and Technologies and has been in charge of Cycles, Procurement and Sustainable Resources Development at Danone. Since 2018, she has been a member of the board of directors of Danone SA and the Chairperson of the board of directors of Livelihoods Fund SICAV SIF, a fund created to accelerate its partners' actions in favor of the climate and the most vulnerable people.	Fred Kindle graduated from the Swiss Federal Institute of Technology (ETH) in Zurich and holds an MBA from Northwestern University, Evanston, USA. He began his career in the Marketing Department of Hilti AG in Liechtenstein from 1984 to 1986. From 1988 to 1992, he worked as a consultant at McKinsey & Company in New York and Zurich. He then joined Sulzer AG in Switzerland, where he held various management positions. In 1999, he was appointed Chief Executive Officer of Sulzer Industries and in 2001, he became CEO of Sulzer AG. After joining ABB Ltd in 2004, Fred Kindle was appointed Chief Executive Officer of the ABB group, a position which he held until 2008. He then became a partner at Clayton, Dubilier & Rice LLP, a private equity fund based in London and New York. He is now an independent consultant and director at several companies.
Term of office	First appointed: 2016/Term ends: 2020	First appointed: 2016/Term ends: 2020
Current directorships	Director of **Schneider Electric SE.**	Director of **Schneider Electric SE.**
Current external appointments	**Other directorships or functions at listed companies:** Director, Chief financial officer, IS/IT, Cycles and Purchases and member of the executive committee of **Danone SA** (France), Vice-chairperson, member of the supervisory board, Chairperson of the nominations and remunerations board and member of the audit committee of **Mediawan** (France). **Other directorships or functions:** Director of Michel et Augustin SAS (France), Member of the supervisory board of Société Editrice du Monde (France), Chairperson and member of the board of directors of Livelihoods Fund (SICAV, Luxembourg).	**Other directorships or functions at listed companies:** Chairman of the board of directors of **VZ Holding AG** (Switzerland) and Chairman of the Compensation Committee, Director of **Stadler Rail AG** (Switzerland) and Chairperson of the Strategy committee.
Previous directorships	**Previous directorships and functions held in the past five years:** Non-voting director of **Schneider Electric SE** (France), Director of Central Danone (Morocco), Fromagerie des Doukkala (Morocco), Danone Djurdura (Algeria), Produits Laitiers Frais Iberia (Spain), Danone SA (Spain), Compagnie Gervais Danone (France), Dan Trade (Russia), Danone Limited (United Kingdom), Danone Industria LLC (Russia), JSC Danone Russia (Russia), Danonewave (Public Benefit Corporation – USA), Member of the supervisory board of Danone Sp. z.o.o (Poland), Toeca International Company B.V. (the Netherlands), Chief Executive Officer of Danone CIS Holdings B.V. (the Netherlands).	**Previous directorships and functions held in the past five years:** Non-voting director of **Schneider Electric SE**, Director of **Exova Plc** (United Kingdom) and member of the Appointments Committee, Partner of **Clayton Dubilier & Rice LLC** (USA), Chairman of the board of directors and Chairman of the Compensation Committee of **Exova Group PLC** (United Kingdom), Chairman of the board of directors of **BCA Marketplace Plc** (United Kingdom), Director of **Rexel SA** (France); Lead Director of **VZ Holding Ltd** (Switzerland), Member of the Development Committee of the Royal Academy of Engineering (London), Vice-Chairman of **Zurich Insurance Group Ltd** (Switzerland), member of the Governance and Appointments Committee and member of the Remuneration Committee, Chief Executive Officer of **Kinon AG** (Switzerland).
Committee memberships	Chairperson of the Audit and risks committee.	Chairperson of the Investment committee and member of the Audit and risks committee and of the Governance and remunerations committee.

Note: **bold** indicates the names of companies whose securities are listed on a regulated market.
* An independent director within the meaning of the AFEP-MEDEF corporate governance Code.

1. The board of directors

Mr. Willy R. Kissling

Director of Schneider Electric SE

Age: 75 years
Nationality: Swiss
Business address: Poststrasse n° 4 BP 8808 Pfaeffikon, Switzerland
1,600 Schneider Electric SE shares

Ms. Linda Knoll*

Director of Schneider Electric SE

Age: 59 years
Nationality: American
Business address: Fiat Chrysler Automobiles, 1000 Chrysler Drive, CIMS # 485-05-97 Auburn Hills, Michigan 48326, United States
1,000 Schneider Electric SE shares

	Mr. Willy R. Kissling	Ms. Linda Knoll*
Experience and qualifications	Willy R. Kissling, a Swiss citizen, is a graduate from the Universities of Bern (Dr. Rer.pol) and Harvard (P.M.D). He has extensive experience and recognized expertise in both CEO and director positions in multinational companies based in Switzerland, and particularly in the following fields: construction and energy management technologies (acquired as CEO of the former Landis&Gyr Ltd), information technology and vacuum processing (acquired as Chairman of Oerlikon Bührle Ltd, which became OC Oerlikon Ltd), construction materials (Holcim Ltd. renamed LafargeHolcim Ltd., Cement, Forbo Ltd Floring, Rigips GmbH, Gypsum), packaging (Chairman of SIG Ltd) and logistics (acquired at Kühne&Nagel Ltd). Willy R. Kissling has also been a member on various supervisory boards including those of Pratt & Whitney and Booz Allen Hamilton. He began his career at Amiantus Corporation and then joined Rigips, a plasterboard manufacturer, in 1978. He was appointed to the Rigips executive committee in 1981 and subsequently became CEO. From 1987 to 1996, Mr. Willy Kissling served as CEO of Landis&Gyr Corporation, a provider of services, systems and equipment for energy management, building control and payment systems for payphone operators. From 1998 to 2005 he was executive chairman of Oerlikon Bührle Holding AG (renamed OC Oerlikon Corp.).	Linda Knoll holds a Bachelor of Science Degree in Business Administration from Central Michigan University. After a career in the land systems division of General Dynamics, Ms. Knoll joined CNH Industrial in 1994 (Case Corporation at the time). She held various positions there, culminating in her appointment to multiple senior management positions. In 1999, Ms. Knoll became Vice-President and General Manager of the Group's Crop Production Global Product Line. From 2003 to 2005, she was Vice-President for North America Agricultural Industrial Operations. She then served as Vice- President for Worldwide Agricultural Manufacturing until 2007, managing 20 plants in ten countries, before being appointed Executive Vice-President for Development of Agricultural Products. From 2007 to 2011, she represented CNH as a board member for the National Association of Manufacturers. Ms. Knoll was appointed CHRO in CNH Industrial and Fiat Chrysler Automobiles in 2007 and 2011 respectively. In January 2019, Ms. Knoll stepped down from her CHRO position in CNH Industrial, dedicating her focus to Fiat Chrysler Automobiles.
Term of office	First appointed: 2001/Term ends: 2020	First appointed: 2014/Term ends: 2022
Current directorships	Director of **Schneider Electric SE**.	Director of **Schneider Electric SE**.
Current external appointments		**Other directorships or functions at listed companies:** Chief Human Resources Officer and member of the Group Executive Council of **Fiat Chrysler Automobiles N.V.** (the Netherlands).
Previous directorships		**Previous directorships and functions held in the past five years:** Chief Human Resources Officer and member of the Group Executive Council of **CNH Industrial N.V.** (the Netherlands) (January 2019).
Committee memberships	Member of the Audit and risks committee, of the Governance and remunerations committee and of the Human Resources and CSR committee.	Chairperson of the Human Resources and CSR committee and member of the Governance and remunerations committee.

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* An independent director within the meaning of the AFEP-MEDEF corporate governance Code.

Ms. Xiaoyun Ma

Director of Schneider Electric SE

Age: 56 years
Nationality: Chinese
Business address: 8F, Schneider Electric Building, No. 6, East WangJing Rd. Chaoyang District Beijing 100102, China
11,369[(1)] Schneider Electric SE shares

Experience and qualifications	Graduated from top Chinese universities and holding China Certificate of Public Accountant, Ms. Xiaoyun Ma started her career as a finance professional at an audit firm (PWC). She joined Schneider Electric in 1997 as the controller of Schneider (Beijing) Medium Voltage Co., Ltd. in Beijing China. Since then, she has worked in many different controller and CFO positions, covering manufacturing, supply chain and front office, in the China and Asia Pacific zone, while getting an MBA from New York City University in 2004. She is currently the CFO for Schneider's China Operations, in charge of China daily finance operations, organization simplification and internal digital transformation. She has also been a director of about 40 Chinese companies and Asia Pacific entities within the Group in the past ten years.
Term of office	First appointed: 2017/Term ends: 2021
Current directorships	Director of **Schneider Electric SE.**
Current external appointments	**Other directorships or functions within Schneider Electric Group:** Chairman of the board of directors of Schneider Electric IT (China) Co., Ltd. (China); Vice-Chairman of the board of directors of Citic Schneider Smart Building Technology (Beijing) Co., Ltd., Beijing BipBop Efficiency and Automation Application Technology Center (China); Director of Full Excel (Hong Kong) Limited (Hong Kong), Schneider Electric (China) Co., Ltd., Tianjin Merlin Gerin Co., Ltd., Schneider Shanghai Power Distribution Electrical Apparatus Co., Ltd., Schneider Shanghai Low Voltage Terminal Apparatus Co., Ltd., Schneider Shanghai Industrial Control Co., Ltd., Schneider Busway (Guangzhou) Ltd., Schneider (Beijing) Medium Voltage Co., Ltd., Schneider (Beijing) Medium and Low Voltage Co., Ltd., Schneider Merlin Gerin Low Voltage (Tianjin) Co., Ltd., Schneider Shanghai Apparatus Parts Manufacturing Co., Ltd., Schneider Great Wall Engineering (Beijing) Co., Ltd., Schneider Wingoal (Tianjin) Electric Equipment Co., Ltd., Shanghai ASCO Electric Technology Co., Ltd. (formerly known as Schneider Automation Solutions (Shanghai) Co., Ltd.), Schneider (Shaanxi) Baoguang Electric Apparatus Co., Ltd., Clipsal Manufacturing (Huizhou) Co., Ltd., Shanghai Schneider Electric Power Automation Co., Ltd., Schneider Switchgear (Suzhou) Co., Ltd., Schneider Smart Technology Co., Ltd., Tianjin Wingoal Electric Equipment Co., Ltd. (formerly known as Wingoal Nirvana (Suzhou) Low Voltage Electric Equipment Co., Ltd.), Schneider South China Smart Technology (Guangdong) Co. Ltd. (China); Supervisor of Zircon Investment (Shanghai) Co., Ltd. (China); Executive director of Beijing Leader Harvest Energy Efficiency Investment Co., Ltd. (China). **Other directorships or functions outside Schneider Electric Group:** Vice-Chairman of the board of directors of Sunten Electric Equipment Co., Ltd. (China).
Previous directorships	**Previous directorships and functions held in the past five years:** Chairman of the board of Citect Control Systems (Shanghai) Co., Ltd., RAM Electronic Technology and Control (Wuxi) Co., Ltd., Beijing Chino Harvest Wind Power Technology Co., Ltd., Schneider Electric Trading (Wuhan) Co., Ltd. (China); Vice-Chairman of the board of directors of Schneider Electric (Xiamen) Switchgear Co., Ltd., Schneider Electric (Xiamen) Switchgear Equipment Co., Ltd. (China); Director of Pelco (Shanghai) Trading Co., Ltd., Schneider (Suzhou) Drives Co.,Ltd., Schneider Electric Manufacturing (Chongqing) Co., Ltd., Schneider Electric Manufacturing (Wuhan) Co., Ltd., Shanghai East Best & Lansheng Smart Technology Co., Ltd., Tevent Control Systems (China) Co., Ltd., Schneider Automation & Control Systems (Shanghai) Co., Ltd., Ennovation Systems Control Co., Ltd., Schneider (Suzhou) Transformer Co., Ltd., Telvent-BBS High & New Tech (Beijing) Co., Ltd., Beijing Leader Harvest Electric Technologies Co., Ltd., Schneider Electric Equipment and Engineering (Xi'an) Co., Ltd., Shanghai Foxboro Co., Ltd., Shanghai Invensys Process Systems Co., Ltd. (China).
Committee memberships	Member of the Human Resources and CSR committee and of the Investment committee.

Note: **bold** indicates the names of companies whose securities are listed on a regulated market.
(1) Held directly or through the FCPE.

1. The board of directors

	Mr. Patrick Montier Director of Schneider Electric SE Age: 63 years Nationality: French Business address: ZAC de la Chantrerie, Route de Gachet, BP 80701, 44307 Nantes Cedex 3, France **4,124[(1)] Schneider Electric SE shares**	**Ms. Fleur Pellerin*** Director of Schneider Electric SE Age: 46 years Nationality: French Business address: Korelya Capital, 87 rue Réaumur, 75002 Paris, France **1,000 Schneider Electric SE shares**
Experience and qualifications	Graduated from the Institute of Business Administration of the University of Nantes (France), Patrick Montier began his career at Schneider Electric in 1978 as a Business Engineer of the applications and systems department. In 1986, he joined France Country organization and contributed to the development of business activities in the instrumentation and automation fields and in regional marketing as project manager for launching new offers. In 1999, he was appointed regional executive of the France Training Institute in charge of relations with educational institutions (universities, engineering schools, academies). Since 2010, he has been in charge of partnerships with organizations imparting vocational training. Meanwhile, in 2003 he joined the trade union Force Ouvrière and became its Group deputy coordinator in 2010 until the end of January 2017. In September 2017, he was designated director representing the employees of Schneider Electric SE. Over 2018 and 2019, he followed the training conducted jointly by SciencesPo and the French Institute of Directors ("*Institut Français des Administrateurs*"-IFA) and he successfully obtained the "Director of Companies" certificate.	Ms. Fleur Pellerin graduated from the *Ecole Supérieure des Sciences Economiques et Commerciale* (ESSEC), the Paris *Institut d'Etudes Politiques* (IEP-Sciences-Po), and the *Ecole Nationale d'Administration* (ENA). She became a magistrate at the Court of Auditors in the early 2000s. In addition, she worked for the United Nations as an external auditor. In 2007, she joined "Club XXIe Siècle", a not-for-profit association dedicated to diversity and equal opportunities, and served as its president between 2010 and 2012. She took over as French Minister for SMEs, Innovation and Digital Economy in 2012 where she launched a program for the development of French startups referred to as "French Tech". In April 2014 she was appointed Secretary of State for Foreign Trade, Tourism Development and French people residing abroad, a position that she held till August 2014. Additionally, Fleur Pellerin is a lecturer at the ENA and was a Director of the *Public Sénat* channel from 2011-2012. In 2016 she left politics and founded Korelya Capital, an investment fund with €200 million in funding which promotes and supports investments in technology start-ups in France and in Europe.
Term of office	First appointed: 2017/Term ends: 2021	First appointed: 2018/Term ends: 2022
Current directorships	Director of **Schneider Electric SE**.	Director of **Schneider Electric SE**.
Current external appointments		**Other directorships or functions at listed companies:** Member of the Supervisory Board of **KLM Royal Dutch Airlines** (the Netherlands), director of **Reworld Media** (France). **Other directorships or functions:** Director and CEO of Korelya Consulting, Korelya Capital, Korelya Fondateurs (France), Director or Observer of Devialet, Ledger and Naver France (France), Member of the Strategic orientations committee of Talan (France); Member of the board or supervisory committee of following Associations: Canneseries, Institut Montaigne, Fonds de dotation du Musée du Louvre and France Digitale (France).
Previous directorships	**Previous directorships and functions held in the past five years:** Regional Chairman (Loire) of AFDET association (French Association for Technical Education Development a non-profit association as per the French Law of 1901), representative of the Central Works Council at the Board of Directors of Schneider Electric Industries SAS, director of CAPRA Prévoyance.	**Previous directorships and functions held in the past five years:** Director Snips (France) (2019).
Committee memberships	Member of the Investment committee.	Member of the Audit and risks committee, of the Human Resources and CSR committee and of the Digital committee.

Note: **bold** indicates the names of companies whose securities are listed on a regulated market.

* An independent director within the meaning of the AFEP-MEDEF corporate governance Code.

(1) Held directly or through the FCPE.

		
	Mr. Anders Runevad* Director of Schneider Electric SE Age: 60 years Nationality: Swedish Business address: Vestas Wind Systems A/S, Hedeager 42,8200 Aarhus N, Denmark **1,000 Schneider Electric SE shares**	**Mr. Gregory Spierkel*** Director of Schneider Electric SE Age: 62 years Nationality: Canadian Business address: 325 Weymouth Place, Newport Beach, California, United States **1,000 Schneider Electric SE shares**
Experience and qualifications	Anders Runevad holds a Master of Science Degree in Electrical Engineering from the University of Lund (Sweden), where he also studied business and economy. He joined Ericsson in 1984 as a Design Engineer before assuming roles in R&D, Product Management, Marketing and Sales in Sweden and abroad (Singapore and the US). He then held various management positions at Ericsson in different countries (Sweden, Singapore, US, Brazil and UK). In 1998 he was appointed President Ericsson Singapore. From 2000 to 2004 he served as Vice-president Sales and Marketing, Ericsson Mobile Communications AB. In 2004 he was appointed President of Ericsson Brazil, where he was responsible for Ericsson's overall telecommunications infrastructure and service business. From 2007 until 2010 he served as Executive Vice-president, and director of the board at Sony Ericsson Mobile Communications AB. He then became President of Western & Central Europe at Telefonaktiebolaget LM Ericsson (public company) in 2010. In 2013, he left Ericsson to join Vestas Wind Systems A/S as Chief Executive Officer and Group President, a position from which he stepped down on August 1, 2019. Since then, he serves as a senior advisor of the current Chairman and CEO of Vestas Wind Systems A/S. He also serves as a Director of Nilfisk Holding A/S (former division of NKT A/S).	Mr. Spierkel holds a Bachelor's degree in Commerce from Carleton University (Ottawa) and a Master's Degree in Business Administration from Georgetown University. He also attended the Advanced Manufacturing program at INSEAD. Mr. Spierkel began his career working for Bell Canada in sales and product development, followed by a period with Nortel Inc. in market research. For four years, he served as Managing Director of Mitel Telecom with responsibilities over Europe and Asia. He then spent five years at Mitel Corp. where he served as President of North America and President of Global Sales and Marketing. In August 1997, he joined Ingram Micro as a Senior Vice-President Asia-Pacific. In June 1999, he was appointed as Executive Vice-president and President of Ingram Micro Europe. He was promoted to President of the Ingram Micro Inc. group in 2004, before assuming the role of CEO of Ingram Micro Inc. in 2005. He retained this position, and his seat on the board of directors, until his departure in 2012. Since 2012, Mr. Spierkel has been providing advisory and consulting services to private equity firms with investments in the information technology sector.
Term of office	First appointed: 2018/Term ends: 2022	First appointed: 2015/Term ends: 2023
Current directorships	Director of **Schneider Electric SE.**	Director of **Schneider Electric SE.**
Current external appointments	**Other directorships or functions at listed companies:** Director of **Nilfisk Holding A/S** (Denmark). **Other directorships or functions:** Chairman of the Board of MHI Vestas Offshore Wind (Denmark).	**Other directorships or functions at listed companies:** Director of **MGM Resorts International** (USA), Chairman of the Audit Committee and member of the Governance Committee; Director of **PACCAR Inc.** (USA), Chairman of the Compensation Committee and member of the Audit Committee. **Other directorships or functions:** Member of McLaren Advisory Group (McLaren Technology Group) (United Kingdom), Advisor at cybersecurity firm Cylance (USA).
Previous directorships	**Previous directorships and functions held in the past five years:** President & CEO of **Vestas Wind Systems A/S** (Denmark) (August 2019), Positions of trust (2019): Member of the General Council of the Confederation of Danish Industry; Member of the Industrial Policy Committee of the Confederation of Danish Industry, Director of **NKT A/S** (Denmark) (2018).	**Previous directorships and functions held in the past five years:** Non-voting director of **Schneider Electric SE**.
Committee memberships	Member of the Human Resources and CSR committee and of the Investment committee.	Chairperson of the Digital committee and member of the Governance and remunerations committee and of the Investment committee.

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* An independent director within the meaning of the AFEP-MEDEF corporate governance Code.

1. The board of directors

Mr. Lip-Bu Tan*

Director of Schneider Electric SE

Age: 60 years
Nationality: American
Business address: One California Street, Suite 1750, San Francisco, CA 94111, United States
1,000 Schneider Electric SE shares

Experience and qualifications	Lip-Bu Tan holds a Master of Science in Nuclear Engineering from the Massachusetts Institute of Technology, an MBA from the San Francisco University and a Bachelor of Science degree from the Nanyang University of Singapore. Mr. Tan is currently CEO and board member of Cadence Design Systems, Inc., position that he has been holding since 2009 and 2004 respectively. He also serves as Chairperson of Walden International, a venture capital firm he founded in 1987. Prior to founding Walden, he was Vice-president of Chappell & Co. and held management positions at EDS Nuclear and ECHO Energy. He has been an independent member of the board of Hewlett Packard Enterprise Co. since November 2015.
Term of office	Co-optation as non-voting member: October 2018 First appointed: 2019/Term ends: 2023
Current directorships	Director of **Schneider Electric SE**.
Current external appointments	**Other directorships or functions at listed companies:** CEO and board member of **Cadence Design Systems, Inc.** (USA), board member of **Hewlett Packard Enterprise** (USA). **Other directorships or functions:** Board member of Advanced Micro-Fabrication Equipment Inc (Shanghai), CNEX Labs, Inc. (USA), Fungible, Inc. (USA), Innovium, Inc. (USA), Komprise (USA), RF Pixels, Inc.(USA), LightBits Labs (Israel), Movandi Corporation (USA), NuVia, Inc. (USA), Oryx Vision (Israel), Prosimo, Inc. (USA), Proteantecs (Israel), Rosetal System Information Ltd. (dba Localize) (Israel), Vayyar Imaging (Israel), HiDeep, Inc. (South Korea), Silicon Mitus, Inc. (South Korea), SambaNova Systems, Inc. (USA), board of The Electronic System Design Alliance (ESD Alliance), Member of the board of trustees and the School of Engineering Dean's Council at Carnegie Mellon University (CMU), Global Advisory board Member of METI Japan, Member of the board of Global Semiconductor Alliance (GSA), Member of The Business Council and Committee 100.
Previous directorships	**Previous directorships and functions held in the past five years:** Board member of Habana Labs Ltd. (Israel), Tagore Technology, Inc. (USA), WekaIO, LTD (Israel), **Aquantia Corporation** (USA) (June 2019), Semiconductor Manufacturing International Corporation (China), SINA Corporation (China), Quantenna Communications, Inc. (USA) and Ambarella Inc. (USA), non-voting member of the Board of **Schneider Electric SE** (France) (April 2019).
Committee memberships	Member of the Investment committee and of the Digital committee.

Note: **bold** indicates the names of companies whose securities are listed on a regulated market.
* An independent director within the meaning of the AFEP-MEDEF corporate governance Code.

Independent directors

Each year, as provided under the AFEP-MEDEF corporate governance Code, the board of directors, on the report of the Governance and remunerations committee, dedicates one of the points on its agenda to the qualification of its members as independent with regard to the criteria for independence set out in Article 9.5 of the Code and presented in the table below.

Criterion 1: Employee or corporate officer within the previous five years
Not to be and not to have been within the previous five years:

- an employee or executive corporate officer of the Company;
- an employee, executive corporate officer or director of a company consolidated with the Company;
- an employee, executive corporate officer or director of the Company's parent company or a company consolidated with this parent company.

Criterion 2: Cross-directorships
Not to be an executive corporate officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive corporate officer of the Company (currently in office or having held such office within the last five years) holds a directorship.

Criterion 3: Significant business relationships
Not to be a customer, supplier, commercial banker, investment banker or consultant:

- that is significant to the Company or its group;
- or for which the Company or its group represents a significant portion of its activity.

The assessment of the significance or otherwise of the relationship with the Company or its group must be debated by the board and the quantitative and qualitative criteria that led to this evaluation (continuity, economic dependence, exclusivity, etc.) must be explicitly stated in the annual report.

Criterion 4: Family ties
Not to be related by close family ties to a corporate officer.

Criterion 5: Auditor
Not to have been an auditor of the Company within the previous five years.

Criterion 6: Period of office exceeding 12 years
Not to have been a director of the Company for more than 12 years. Loss of the status of independent director occurs on the date of the 12th anniversary.

Criterion 7: Status of non-executive corporate officer
A non-executive corporate officer cannot be considered independent if he or she receives variable compensation in cash or in the form of securities or any compensation linked to the performance of the Company or group.

Criterion 8: Status of the major shareholder
Directors representing major shareholders of the Company or its parent company may be considered independent, provided these shareholders do not take part in the control of the Company. Nevertheless, beyond a 10% threshold in capital or voting rights, the board, upon a report from the Governance and remunerations committee, should systematically review the qualification as independent in light of the Company's shareholding structure and the existence of a potential conflict of interest.

With regard specifically to independence in terms of business relations, the board of directors noted that, due to:

(i) the nature of Schneider Electric activities and those of the companies in which members of the board of directors are employed or serve as directors;
(ii) the amounts, either unitary or global, of operations performed or that may be performed between Schneider Electric and these companies that are agreed at arm's length and that are by no means likely to be referred to the board of directors;

the existing business relations between Schneider Electric and these companies in which the members of the board of directors are employed or serve as officers are not likely to prejudice their independence, indeed, when such operations exist, they are agreed at arm's length and their amounts, representing less than 0.1% of the consolidated turnover of each group, are without a doubt insignificant for each party, in particular with regard to respective size of the groups concerned.

The directors have no business relations with Schneider Electric other than those approved under the regime of the regulated agreements, if any.

As of December 31, 2019, there are twelve directors, eight of whom are independent according to the definition prescribed by the AFEP-MEDEF corporate governance Code. These are Mr. Léo Apotheker, Ms. Cécile Cabanis, Mr. Fred Kindle, Ms. Linda Knoll, Ms. Fleur Pellerin, Mr. Anders Runevad, Mr. Gregory Spierkel and Mr. Lip-Bu Tan.

1. The board of directors

Mr. Jean-Pascal Tricoire, as Chief Executive Officer, Ms. Xiaoyun Ma, as employee shareholder representative, Mr. Patrick Montier as employee representative, and Mr. Willy Kissling, who has served on the board for over 12 years, are not considered to be independent directors under the AFEP-MEDEF corporate governance Code.

The AFEP-MEDEF corporate governance Code recommends that, in non-controlled companies, the board comprised at least 50% independent directors. Directors representing employee shareholders and directors representing employees are not computed in calculating this percentage. The proportion of independent directors of the Company, excluding Xiaoyun Ma, who represents employee shareholders, and Patrick Montier, who represents employees, is therefore 80%.

The following table shows the status of each director with regard to the criteria for independence set out in Article 9.5 of the AFEP-MEDEF corporate governance Code.

Criteria(1)	Jean-Pascal Tricoire	Léo Apotheker	Cécile Cabanis	Fred Kindle	Willy Kissling	Linda Knoll	Xiaoyun Ma	Patrick Montier	Fleur Pellerin	Anders Runevad	Gregory Spierkel	Lip-Bu Tan
Criterion 1: *Employee or corporate officer within the past five years*	✗	✓	✓	✓	✓	✓	✗	✗	✓	✓	✓	✓
Criterion 2: *Cross-directorships*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 3: *Significant business relationships*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 4: *Family ties*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 5: *Auditor*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 6: *Period of office exceeding 12 years*	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓
Criterion 7: *Status of non-executive corporate officer*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 8: *Status of the major shareholder*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Conclusion	✗	✓	✓	✓	✗	✓	✗	✗	✓	✓	✓	✓

(1) In this table, ✓ signifies that a criterion for independence is satisfied and ✗ signifies that a criterion for independence is not satisfied.

Diversity policy within the board of directors

The board of directors pays due attention to its composition and that of its committees. It relies on the works of the Governance and remunerations committee which reviews regularly and proposes as often as required the relevant changes to the composition of board of directors and its committees depending on the Group's strategy.

In that respect, in conformity with its internal regulations, the board of directors ensures through its proposals and its decisions that:

- its composition reflects the international nature of the Group's activities and of its shareholders by having a significant number of members of non-French nationality;
- it protects the independence of the board through the competence, availability and courage of its members;
- it encourages open and unrestricted speech;
- it pursues its objective of diversifying the board of directors in compliance with the legal principle of attaining balanced representation between men and women on the board;
- it appoints persons with the expertise required for developing and implementing the Group strategy while considering the objectives of diversity based on criteria such as age, professional skills and experiences;
- employee shareholders and employees shall continue to be represented on the board in compliance with the provisions set forth in Articles 11.3 and 11.4 of the Articles of Association; and
- it preserves the continuity of the board by changing some of its members at regular intervals, if necessary by anticipating the expiry of members' terms of office.

Out of 12 directors and excluding the Chairman and Chief Executive Officer:

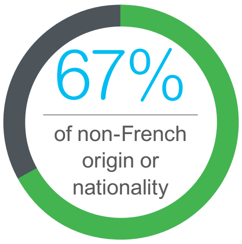
9	8	5	5	4	3
have financial or accounting skills	have industrial expertise	have digital skills	have a deep knowledge of the US market	have a deep knowledge of the Asian market	are former or current CEOs of listed companies in energy sector

Ms. Xiaoyun Ma represents the employee shareholders in accordance with the provisions of Article L. 225-23 of the French Commercial Code. She was elected at the Annual Shareholders' Meeting upon the recommendation of the supervisory boards of the FCPEs.

Mr. Patrick Montier represents the employees in accordance with the provisions of Article L. 225-27-1 of the French Commercial Code. He was appointed by the most representative trade union organization in France in pursuance of Article 11.4 of the Articles of Association.

As of December 31, 2019:

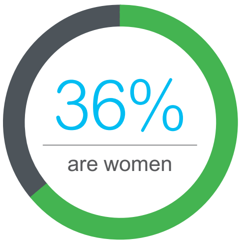
Directors' nationality



- Non-French origin or nationality (8)
- French (4)

Board representation by gender

(director representing employees excluded as per AFEP-MEDEF corporate governance Code)*

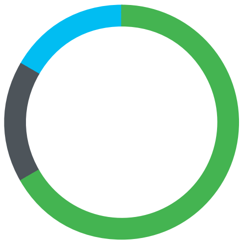


- Men (8)
- Women (4)

* In addition, out of 5 committees, 2 are chaired by a woman: the Audit and risks committee (Ms. Cécile Cabanis) and the Human Resources and CSR committee (Ms. Linda Knoll).

Following Ms. Carolina Dybeck Happe's resignation on November 25, 2019, the ratio fell down to 36% and would be brought back to 42% within the 6-month deadline, at the close of the Annual Shareholders' Meeting of April 23, 2020, should Ms. Jill Lee be elected.

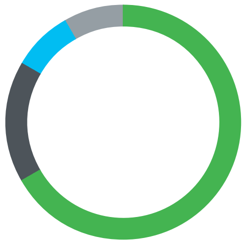
Directors' age



- 55 years old or less (2)
- 56 to 65 years old (8)
- > 65 years old (2%)

Board tenure

(Chairman and CEO excluded)



- 1–five years (8)
- 5–12 years (2)
- > than 12 years (1)
- < or equal to 1 year (1)

The last self-assessment of the board of directors conducted in September-October 2019, highlighted, concerning its composition, that Ms. Xuezheng Ma's demise deprived the board of valuable skills and, as a consequence, it was required to diversify the digital expertise within the board and to rebuild its knowledge of Asian markets. The latter need is addressed by Ms. Jill Lee's candidacy, presented on page 238, appointed by the board of directors of December 11, 2019 as a non-voting member starting from January 1, 2020. It also enables the board to reach again the balanced gender representation brought down to less than the legal requirement after Ms. Carolina Dybeck Happe's resignation.

Schneider Electric is deeply committed towards diversity in general and gender diversity in particular. Schneider Electric focuses on taking proactive measures to encourage a balanced representation of men and women at the leadership level: the portion of women at the Executive committee had been increased on January 1, 2019 to 27%. For the leadership pool comprising of the Top 1,000 leaders, the female representation slightly increased (22.1%), while among NDVC (senior management), representing as much as 65,181 employees, the female representation reaches 33%.

At its meeting of December 11, 2019, the board of directors reviewed senior management's ambitions regarding the balanced representation of men and women at the leadership level and noted that the objective in 2020 was set to at least 30% of women at the Executive committee and 35% among NDVC (senior management). To achieve these objectives and further improve gender diversity, the Group aims at attracting female talents by offering a training leadership program and dedicated mentoring, implementing an equal treatment policy and a tailored family leave policy. A focus is made on the identification of talents internally as soon as possible: hence, among the talent having competencies as VP, SVP or EVP, 36% are women.

1. The board of directors

1.2 Proposal to the Annual Shareholders' Meeting on the composition of the board of directors

Four directors' terms are expiring following the Annual Shareholders' Meeting of April 23, 2020, namely those of Mr. Léo Apotheker, Ms. Cécile Cabanis, Mr. Fred Kindle and Mr. Willy Kissling.

The board of directors unanimously decided to propose at the Annual Shareholders' Meeting of April 23, 2020:

- the renewals of Ms. Cécile Cabanis and Mr. Fred Kindle for a four-year term;
- the renewals of Mr. Léo Apotheker and Mr. Willy Kissling for respectively a three and two-year term due to the statutory provisions relating to the age of the directors;
- the appointment of Ms. Jill Lee for a four-year term.

In that respect, should the Shareholders' Meeting approve these proposals, Ms. Jill Lee, who joined Schneider Electric SE's board of directors as a non-voting member on January 1, 2020, will be appointed for a four-year term. She will qualify as an independent director with regard to all the criteria set by Article 9.5 of the AFEP-MEDEF corporate governance Code. Ms. Jill Lee, 56 years old, a Singaporean citizen, has been serving as the Group Chief Financial Officer of Sulzer Ltd., since April 2018. Ms. Lee began her career in finance in 1986 at AT&T and Tyco Electronics in Singapore. She pursued her career within Siemens and then ABB, mainly in China and Europe. In addition to strong financial skills, Ms. Lee brings to the board her thorough knowledge of Schneider Electric's activities and an expert understanding of the Asian markets. Ms. Lee is an advisory board member of Nanyang Business School (Nanyang Technological University) in Singapore and a member of the supervisory board of the Dutch leading lighting company Signify Ltd. (formerly Philips Lighting).

The renewed board would comprise:

- 13 members;
- 73% of independent directors (excluding consideration of the director representing employee shareholders and the director representing the employees, in accordance with the recommendations of the AFEP-MEDEF corporate governance Code);
- a percentage of women which will rise to 42% (director representing employees excluded as per the provisions of the French Commercial Code) should Ms. Jill Lee be appointed; and
- a strong proportion of directors of non-French origin (69%) reflecting the international nature of the Group.

Directors
13

Independent directors
8
(73%)*

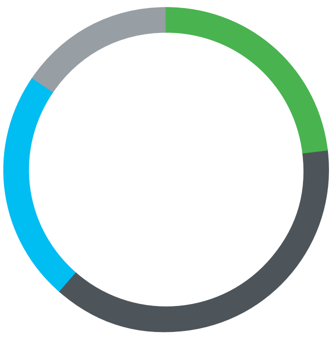
Women directors(1)
42%

Employee directors
2

Average age of directors
59

Board members spread across all geographies

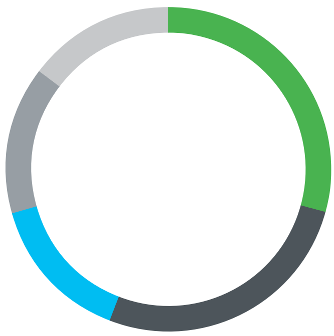
- North America (3)
- Europe (5)
- France (3)
- Asia (2)



Board expertise**

- accounting/financial skills (10)
- industrial expertise (9)
- digital expertise (5)
- deep knowledge of NAM market (5)
- deep knowledge of Asian market (5)

Besides, out of 6 former or current CEOs of listed companies, 3 are from the energy sector and 3 from the digital industry.



* To the exclusion of the director representing the employee shareholders and the director representing the employees.
** Excluding CEO.
(1) To the exclusion of the employees' representative.

2. Organizational and operating procedures of the board of directors

2.1 Governance structure

The Company is a European company with a board of directors. The functions of the Chairman and the Chief Executive Officer are carried out by Mr. Jean-Pascal Tricoire, who was appointed Chairman and Chief Executive Officer on April 25, 2013 and renewed on April 25, 2017.

The performance by Mr. Tricoire of the duties of Chairman and Chief Executive Officer seems particularly appropriate to the board of directors taking into account:

- the composition of the board, which comprises 80% independent directors within the meaning of the AFEP/ MEDEF corporate governance Code;
- the economic environment, which requires responsiveness through strong leadership and clarity in designating the person in charge of leading the Group. This clarification given by the use of the title of Chairman (*Président*) is particularly necessary *vis-à-vis* employees, customers and partners, in France and abroad;
- mechanisms provided for by the Articles of Association and internal regulations to ensure accurate information and effective mode of operation of the board of directors, in particular the appointment of a Vice-Chairman independent lead director and a Deputy Chief Executive Officer, the principle of proposing an executive session at each meeting of the board chaired by the Vice-Chairman independent lead director, and the creation of five board committees;
- the requirement for the board to deliberate each year on the unification of the functions of Chairman and Chief Executive Officer.

The board assessment performed in 2018 which had confirmed the findings of the one conducted in 2017 with the assistance of an external consultant, had highlighted that the combination was unanimously considered as the best mode of management considering the specific situation of Schneider Electric, the profile of Mr. Jean-Pascal Tricoire and the governance mechanisms put in place to safeguard the balance of power between the board and the management.

On April 25, 2019, given the leadership needs of the Group and the very high level of transparency maintained by Mr. Jean-Pascal Tricoire, confirmed once again by the self-assessment of 2019, the board of directors decided the continuation of the combination of the functions of Chairman and CEO, in accordance with Article 1 of its internal regulations which provides that when the board decides to unify the functions of Chairman and Chief Executive Officer, the board shall deliberate each year thereafter on this decision.

Powers and responsibilities of the Vice-Chairman independent lead director
Article 1 of the internal regulations of the board of directors defines the duties and missions of the Vice-Chairman independent lead director who is mandatorily appointed when the board decides to unify the functions of Chairman and Chief Executive Officer. As such, the Vice-Chairman:

- is informed of major events in the life of the Group within the framework of regular contacts and monthly meetings with the Chairman, as well as through contacts that he/she can have with managers of Schneider Electric and possible visits to the Group's sites he/she can undertake. In addition, he/she can attend all meetings of committees of which he/she is not a member;
- can answer shareholders' questions or meet them on governance issues when it is considered that he/she is the most appropriate spokesperson;
- sets the agenda for board meetings with the Chairman;
- chairs the Governance and remunerations committee which, starting from the evaluation of the functioning of the board and that of the CEO, proposes each year to the board to the continuation or separation of the unified functions of Chairman and Chief Executive Officer and, as needed, makes proposals for a successor in one or both functions;
- chairs the "executive sessions", i.e. meetings of the board of directors not in the presence of any executive member, namely the CEO and the Deputy CEO;
- reports to the Chairman on the results of the "executive sessions";
- leads the annual evaluations of the board of directors;
- informs the Chairman and CEO and the board of any conflicts of interest which could be identified or which may be reported to him/her;
- reports on his/her activities during the annual shareholders' meeting.

The charter for the Vice-Chairman independent lead director is found on page 432. **As every year, Mr. Léo Apotheker, Vice-Chairman independent lead director, reported on the missions he carried out in 2019 in line with his functions (pages 422-423).**

At the close of the Annual Shareholders' Meeting of April 23, 2020, Mr. Léo Apotheker will no longer qualify as an independent director due to his long years of service on the board under AFEP-MEDEF corporate governance Code and, as a consequence, will no longer serve as Vice-chairman independent lead director. At its meeting of February 19, 2020, the board of directors designated Mr. Fred Kindle, whose biography is provided on page 229 to become Vice-chairman independent lead director of Schneider Electric SE. In application of Article 10 of the internal regulations which prescribe that the Governance and remunerations committee shall be presided by the Vice-chairman lead director, Mr. Fred Kindle shall chair this committee of which Mr. Léo Apotheker shall remain a member.

2. Organizational and operating procedures of the board of directors

2.2 Missions and powers of the board of directors

The board of directors shall determine the strategic orientation of the Company's business in accordance with its social interest and while considering its social and environmental aspects, and oversee implementation thereof. It shall examine any and all matters related to the efficient operation of the business and make decisions about any and all issues concerning the Company, within the limits of the corporate purpose, except for those matters which, by law, can only be decided on by the shareholders in a Shareholders' Meeting.

Specific powers are vested in the board of directors under French law and the Company's Articles of Association. These include the power to:

- determine the method of exercising the senior management of the Company;
- appoint executive corporate officers and also remove them from office (Chief Executive Officer and Deputy Chief Executive Officers); subject to shareholders' control, set their compensation and the benefits granted to them as well as the compensation policy applicable to the non-executive directors;
- co-opt directors whenever necessary;
- call Annual Shareholders' Meetings and, where applicable, of bondholders, based on the agenda it sets;
- approve the corporate and consolidated financial statements;
- draw up business reviews and reports for Annual Shareholders' Meetings;
- draw up management planning documents and the corresponding reports;
- approve the corporate governance report as provided for in Article L.225-37 of the French Commercial Code;
- decide on the use of authorizations granted at Shareholders' Meetings, more particularly for increasing Company capital, buying back the Company's own shares, carrying out employee shareholding transactions and cancelling shares;
- authorize the issue of bonds;
- decide on the allocation of options or free/performance shares within the limits of authorizations given at Annual Shareholders' Meetings;
- authorize regulated agreements (agreements covered by Article L.225-38 *et seq.* of the French Commercial Code);
- implement a process to regularly assess that the rules used to qualify a related party transaction as regulated agreement or not, are relevant and effective;
- authorize the issue of sureties, endorsements and guarantees; and
- decide on the dates for the payment of dividends and any possible interim dividends.

The board of directors may appoint between one and three non-voting members and decide to create board committees. It draws up internal regulations. It determines the allocation of the directors' remuneration within the total maximum amount as was determined by the Annual Shareholders' Meeting.

2.3 Internal regulations and procedures of the board of directors

On April 25, 2013, the board of directors adopted its own internal regulations. These were later modified on December 11, 2019 to reflect the regulatory changes which took place in 2019 (PACTE Law, Bill on corporate officers' compensation, European regulation on the "Universal Registration Document" replacing the "Registration Document" or "Annual report").

These internal regulations include the rules of procedure of the board committees (the Audit and risks committee, the Governance and remunerations committee, the Human Resources and CSR committee, the Investment committee and the Digital committee), and the directors' charter as recommended by the AFEP-MEDEF corporate governance Code. The regulations are reproduced on pages 424 to 432 of this Universal Registration Document and published on the Company's website, www.se.com. They comprise 14 articles:

Article 1 deals with the **method of exercising Senior Management and the Chairmanship and Vice-Chairmanship of the board of directors**. It provides that the board shall deliberate each year on the decision to unify the functions of Chairman and Chief Executive Officer and also defines the duties and missions of the Vice-Chairman independent lead director as set out on page 239 of this Universal Registration Document.

Article 2 defines the **role and powers of the board of directors**. It states that the board of directors shall determine Company business policies in accordance with its social interest and while considering its social and environmental aspects, and ensure that they are implemented. To enable the board to perform its missions, the Chairman or the committees must inform the board of any significant event affecting the Company's efficient operation. In addition, any acquisitions or disposals of assets amounting to more than EUR250 million, as well as any strategic partnership agreements, must be submitted to the board for approval. In addition, the board of directors must conduct an annual review of its composition, organization and operation.

Article 3 establishes the **principles which the board of directors intends to follow to ensure its renewal**. These include assuring international representation by maintaining a significant number of non-French directors, maintaining independence through the skills, availability and commitment of its members, applying the principle of balanced representation of women and men on the board, enabling representation of employee shareholders and employees on the board, and ensuring continuity through the reappointment of a certain proportion of the members at regular intervals.

Article 4 organizes **meetings of the board of directors**. In addition to the legal rules on the convocation of the board, the modes of participation of the directors, the minutes, etc., this Article provides for a minimum of six meetings per year, the presence of the Chief Financial Officer at board meetings as well as the presence of the relevant operational managers for the major issues presented for review by the board.

Article 5 specifies **how information is handled by the board of directors**. In particular, it provides that the Chairman and CEO shall meet with each director individually once a year.

Article 6 defines the **status of the directors**. This is in compliance with the director's charter contained in the AFEP-MEDEF corporate governance guidelines.

The charter provides that directors:

- represent all shareholders and act in the corporate interest;
- must resign from the board when they have not participated in at least half the board meetings;
- are bound by an overall obligation of confidentiality;
- have a permanent duty to ensure that their personal situation shall not give rise to a conflict of interest with the Company; the member of the board of directors having a conflict of interest, even a potential one, shall not take part in the discussions nor in the vote on the corresponding decision and shall leave the meeting of the board of directors when the decision is debated;
- may not hold more than four other directorships in listed companies outside the Group;
- hold at least 1,000 shares of Company stock;
- are bound by the compliance Code governing stock-market transactions, which provides strict rules concerning their transactions on Schneider Electric SE shares (see below); and
- attend the shareholders' meeting.

Article 7 provides that **non-voting members** who attend board meetings in an advisory capacity are subject to the same code of ethics as directors.

Articles 8 to 13 apply to **committees**. The content of these Articles is provided in the section on committees below.

Article 14 defines the **scope of the internal regulations** of the board of directors.

2.4 Information and training of the board of directors and its members

To ensure that the board of directors is well informed at all times, Schneider Electric SE applies the following rules: members of the board have access, *via* a secure dedicated platform, in principle ten days before every board meeting, to the agenda for the meeting and to the draft minutes of the last meeting and, four to five days before, to the board's file. The documentation includes a quarterly activities report, presentations on items scheduled on the agenda or notes and, as appropriate, draft social and consolidated financial information. A supplementary file may also be provided at the meeting.

Executive Committee members are invited, depending on the subject, to present the major issues within their areas of responsibility. Statutory Auditors attend the portion of the board's meetings at which the statutory and interim financial statements are reviewed.

Between each meeting of the board of directors, aside from meetings that they may have with the Chairman and CEO, directors receive continuous information through periodic information letters, drafted exclusively for their attention, which keep them informed of developments in the Group, the competitive environment and developments in investor consensus and feedback. They also receive a weekly press review, all of the Company's press releases, relevant financial analysts' reports and other documents.

Board members also have the opportunity to meet informally with key members of Senior Management between board meetings.

Board of director dinners are also organized in order to offer more opportunities to interact with investors, customers, experts, etc. These dinners are meant to provide the board members with external views on the Group, to increase their understanding of the changes in its business environment and to gain more insight on the needs and motivations of all stakeholders.

On-boarding program of new directors

The action plan adopted by the board of directors following its external assessment conducted in 2017 provided for the formalization of a complete on-boarding program for any new director. This on-boarding program was enriched in April 2019 to help the new director get a deep understanding of the business, the challenges and priorities of Schneider Electric as well as its governance and values.

As such, new directors are offered a training and information program on the Group's strategy and businesses designed around a common core which comprises of:

- a **set of documents** including, in particular, the last registration document and integrated report, the Company's Articles of Association, the internal regulations of the board of directors, the AFEP-MEDEF corporate governance Code, the compliance Code governing stock-market transactions (see below), the minutes of the board's and committees' meetings for the period starting from the appointment back to the full year before, directors' and officers' liability master policy and the last three periodic information letters;
- the **"One Organization" summary** relating to the Group organization;
- **working meetings with the Executive Vice-Presidents Strategy, Energy Management, Industrial Automation and North America Operations;**
- **a work session with the secretary of the committee(s)** he/she will join;
- concerning governance and values: work session with the **Vice-chairman lead independent director; the Secretary of the board of directors**, as well as with the persons in charge of **Compliance and Ethics** and **Sustainable Development**;
- to know more about Schneider Electric's shareholding structure and shareholders' expectations, an interview with the **Senior Vice-President Investors Relations**;
- a **training on the use of the secure dedicated platform** on which all the board's files are filed and kept;
- the designation of a **mentor** for any new director to facilitate his/her integration;
- as the case may be, **visits to sites** which are particularly illustrative of Schneider Electric's activities.

2. Organizational and operating procedures of the board of directors

In addition, the director representing employees, Mr. Patrick Montier, benefits from a training program compliant with legal requirements and approved by the board of directors. In this respect, Mr. Patrick Montier attended the "Certificate Director of companies" ("*Certificat Administrateur de sociétés*") of Sciences Po/IFA.

In pursuance of new French regulations coming from Law n°2019-486 of May 22, 2019 relating to companies' growth and transformation, known as PACTE Law, the director representing the employee shareholders, Ms. Xiaoyun Ma, was offered a tailored training session to address her needs.

Compliance Code governing stock-market transactions

Schneider Electric has adopted a compliance Code governing stock-market transactions for members of the board of directors and Group employees designed to prevent insider trading. Under these provisions, both directors and relevant employees are barred from trading in the Company shares and shares in companies for which they have information that has not yet been made public. In addition, they may not trade in Schneider Electric SE shares during the 31 days preceding the day following publication of the annual and interim financial statements, nor during the 16 days preceding the day following publication of a quarterly update, nor may they engage in any type of speculative trading involving Schneider Electric SE shares (including margin trading, purchasing and selling shares in a period of less than four months). In addition, in accordance with the AFEP/ MEDEF corporate governance Code, corporate officers also undertake not to enter into hedges of shares resulting from exercise of options and of performance shares they are required to hold (see page 401). These restrictions supplement the prohibition against hedging unvested stock options and performance shares during their vesting period.

The compliance Code governing stock-market transactions was revised when the European "Market Abuse Regulation" No. 2014/596 of April 16, 2014 entered into force, and subsequently updated in December 2018. The Regulation obliges companies to draw up insider lists, and market operators to put in place mechanisms aimed at preventing and detecting suspicious transactions, enabling them to report to the *Autorité des Marchés Financiers* those that seem to them to constitute insider dealing.

2.5 Self-assessment of the board of directors

Pursuant to its internal regulations, Schneider Electric SE's Board of directors annually reviews its composition, organization and operations, as well as those of its committees. This yearly assessment is carried out through a written questionnaire sent to Board members or an interview with the Board member. The evaluation is conducted under the leadership of the Vice-Chairman independent lead director by the secretary of the board of directors.

In addition, as per the AFEP-MEDEF corporate governance Code, the board of directors shall undertake at least once every three years a formal self-assessment, which may be conducted with the assistance of an external consultant.

The last formal self-assessment was conducted in 2017 with the support of an independent consultancy firm consisting in thorough individual interviews with each director on the basis of a detailed questionnaire covering governance in all its dimensions. The conclusion of the self- assessment was a unanimous very positive opinion on the composition and the mode of operation of the board of directors and its committees. The directors highlighted the robustness of governance thanks to a management that is "open and transparent", a Vice-chairman independent lead director committed in its liaison role between the Chairman and the directors, and a board of directors that is dedicated and efficient, the combination ensuring a very satisfactory balance of powers. This formal assessment suggested other improvements and was duly followed by the approval, by the board of directors, of an Action Plan followed by the corresponding changes of its internal regulations and the composition of its committees.

In 2018, the internal assessment, carried out in the form of an anonymous online survey, had confirmed the positive conclusions of the 2017 in- depth assessment and, in a continuous way of improvement, lead to the adoption by the board of directors, upon recommendations by the Governance and remunerations committee, on October 24, 2018 of a new Action Plan. This Action Plan prescribed in particular to engage in further discussion on succession planning of top management, to devote an item to risks analysis and governance under the leadership of the Audit and risks committee, to dedicate time to industry trends and key battles, to resume rotating regional reviews and to arrange for factory visits, on an on-going basis. The adoption of this Action Plan was followed by the required changes in the internal regulations on December 12, 2018 and the inclusion in the board and committees' agenda of all the above-mentioned topics, including the visit of the Vaudreuil factory in July 2019.

In 2019, the internal assessment was carried out again in the form of an anonymous online survey. The board members' opinion on the composition, the organisation and functioning of the board has further improved vs. 2018, with 85% of the board members believing that the functioning improved since last assessment and none complaining that it deteriorated. The board members highlighted the Chairman and CEO's leadership, his openness and transparency as well as the efficiency of the tandem Chairman & CEO – Vice-Chairman lead independent director which is found to fit perfectly the Company's needs. The great quality of the Strategy Session as well as the robustness of the on-boarding program dedicated to the new members were also praised.

For the first time, the process included a 360° individual assessment of each member in his/her individual capacity, with feedback made individually by the Vice-chairman lead independent director. No specific concern was raised.

In an on-going improvement approach, the board of directors, upon recommendations by the Governance and remunerations committee, adopted the following Action Plan on October 23, 2019:

Action Plan 2019	
Board composition	Future new board members should preferably have strong Asia and digital skills
On-boarding program	Follow-up on its completion as soon as possible after joining For the next individual assessment, specify that newly elected members are evaluated as "new members"
Leadership	Pursue the work on leadership succession planning
Logistics	Endeavor to set the board agenda in a manner compatible with full-time occupations

In 2020, a formal self-assessment will be performed with the assistance of an independent and external expert.

3. Board activities

The board of directors devoted most of its activities to the Company's corporate governance, strategy and its implementation, reviewing operations and the annual and interim financial statements, which it approved, and preparing the Annual Shareholders' Meeting.

Attendance

The board held seven meetings in 2019. The meetings lasted seven hours on average with an average participation rate of directors of almost:

Directors' average participation rate

93%

Seven directors have an attendance rate of **100%** and none have an attendance rate less than **75%** as shown in the chart hereafter summarizing the directors' individual attendance at board meetings:

Director	Attendance rate
Mr. Jean-Pascal Tricoire – Chairman	100%
Mr. Léo Apotheker – Vice-Chairman independent lead director	86%
Ms. Cécile Cabanis(1)	86%
Mr. Fred Kindle	100%
Mr. Willy Kissling	100%
Ms. Linda Knoll	100%
Ms. Xiaoyun Ma	100%
Mr. Patrick Montier	100%
Ms. Fleur Pellerin	86%
Mr. Anders Runevad	86%
Mr. Gregory Spierkel	100%
Mr. Lip-Bu Tan	75%

(1) In 2019, Ms. Cécile Cabanis was barred from attending the board of directors and the Annual Shareholders' Meeting of April 25, 2019 due to the Annual Shareholders' Meeting of Danone of which she is the Chief financial officer, IS/IT, Cycles and Purchases.

Ms. Betsy Atkins and Mr. Antoine Gosset-Grainville's terms of office expired on April 25, 2019.

During their first year in office, new directors may face legitimate difficulties being available to attend the board meetings given that the schedule of board meetings was set before them joining the board.

All absences were legitimate and excused.

3.1 Corporate governance

The board of directors, depending on the subject, upon the report of the Governance and remunerations committee, the Human Resources and CSR committee or the Audit and risks committee:

- discussed the composition of its membership and that of its committees and the principle of balanced representation of men and women;
  - To this end, it pursued its efforts aiming at reinforcing the geographical diversity of its members, adding strong skills in the field of strategic challenges such as digital and at strengthening the deep knowledge of the Group's key markets and proposed to the Annual Shareholders' Meeting to vote in favor of Ms. Carolina Dybeck Happe, Ms. Xuezheng Ma and Mr. Lip-Bu Tan as directors as well as in favor of the renewal of Mr. Greg Spierkel's term as a director.
  - The board of directors also deliberated on the composition of its committees. In this respect, it appointed on April 25, 2019, Ms. Carolina Dybeck Happe and Ms. Xuezheng Ma as members of the Audit and risks committee, Mr. Anders Runevad as a member of the Human Resources and CSR committee and Ms. Xuezheng Ma as a member of the Digital committee.
  - Additionally, the board of directors acknowledged Ms. Xuezheng Ma's demise and Ms. Carolina Dybeck Happe's resignation and appointed on December 11, 2019 as a non-voting member starting from January 1, 2020, Ms. Jill Lee who joined the Audit and risks committee.
- discussed whether to maintain the unification of the functions of Chairman and CEO (see above page 239);
- examined the succession plan for corporate officers at two of its "executive sessions";
- deliberated, at its meeting of October 23, 2019, on its self-assessment and approved an action plan;
- discussed and reviewed the principles and criteria relating to the compensation of the corporate officers and approved the compensation and benefits of all types that may be or have been granted;
- was informed of the meetings with major shareholders conducted by the Vice-Chairman independent lead director on governance topics;
- took note, upon the report of the Governance and remunerations committee, of the results of the Annual Shareholders' Meeting, analyzed the dissenting minority grounds and implemented relevant corrective actions (see page 261);
- was informed of the review of changes in the compensation of members of the Executive Committee;
- was informed of the works done by the Human Resources and CSR committee on the succession plan for members of the Executive Committee;
- decided on the implementation of the 2019 long-term incentive plan. It accordingly reviewed the performance conditions (see pages 269-270), drew up a list of beneficiaries (which includes corporate officers) and set the terms of individual awards;
- checked and recorded the calculation of the level of achievement of performance conditions applicable to Performance Share plans n°28, 29, 29*bis*, 30, 31 and 31*bis*;
- decided on capital increases reserved for employees (see page 399);
- approved the corporate governance report as provided for in Article L.225-37 of the French Commercial Code;
- approved the management report as provided for in Article L.225-100 of the French Commercial Code;
- examined the regulated agreements and commitments;
- implemented a process to regularly assess that the rules used to qualify a related party transaction as regulated agreement or not, are relevant and effective;
- was informed on legal and regulatory updates (PACTE law, Bill on corporate officers' compensation).

In application of the provisions of Article 1.C.3 of the internal regulations, the Vice-Chairman convenes executive sessions of the board of directors (without the corporate officers) at the end of each board meeting.

In 2019, the board of directors held three "executive sessions", vs. four in 2018, during which the members of the board of directors discussed the strategic options, the potential impact of the new legal requirements on governance and reviewed the possible options in matter of succession for executive corporate officers depending on the mode of exercise of general management.

In addition, when the board debated and determined the compensation of the Chairman and CEO and the Deputy CEO, the interested parties were not present, as prescribed by Article 10.2 of the Internal Regulations, unless solicited to provide information on specific issues.

Succession planning

The succession planning of the corporate officers and top management is examined thoroughly by the board every year.

The succession planning is the result of a two-stage process that is followed at the end of each year:

- the Human Resources and CSR committee reviews by name the list of talents who could be considered for potential succession to the top management, studies the profiles of the new-comers and the assessment of every individual's performance, ascertains the quality and the diversity of the selected pool and reports to the board thereon;
- the Chairman and CEO presents to the Governance and remunerations committee the various internal options to address immediate, short term and long term needs, both for him and for the Deputy CEO, with their respective pros and cons; the matter is then brought forward for discussion at the next executive session (held without the presence of the corporate officers). In 2019, it has been reviewed in the course of the year at another executive session.

3. Board activities

3.2 Strategy and investment

The board of directors conducted a thorough review of the Group strategy, as every year, as part of a meeting of several days named “Strategy Session” specifically dedicated to the topic.

During this Strategy Session held in Hong Kong in August 2019, the board of directors focused on an in-depth strategy review of China and South-East operations, performances, ambitions and opportunities by business and had the opportunity of direct interactions with the teams in charge. Members of the board of directors were also able to interact individually and for a long time with each Executive Committee member and a certain number of Business managers, functional and operational managers representing all activities and geographies of the Group.

Concerning the recurring activity of the Investment committee, the board of directors heard reports from the Investment committee on ongoing external growth operations (acquisition of Larsen & Toubro’s Electrical & Automation business approved by the Competition Commission of India), divestment (disposal of Pelco) and the review of the portfolio. It was informed about moves and changes concerning competitors of Schneider Electric.

3.3 Activities and results

The board was informed of the Group’s 2019 objectives.

It read the quarterly business reports prepared by the senior management. At each meeting, the board was also informed of the business situation.

On February 13, 2019, the board of directors reviewed and approved the 2018 financial statements based on the Audit and risks committee’s report and the report by the statutory auditors, who were present at the meeting. The board decided to propose to the Annual Shareholders’ Meeting that the dividend be set at EUR2.35 per share. Similarly, on July 24, 2019, it reviewed and approved the financial statements for the first half of 2019.

The board of directors heard a detailed presentation on the drawing-up and the findings of risk mapping and the Audit and risks committee’s report on the works of the Group’s internal audit and internal control teams. The Audit and risks committee also reported to the board on its other duties, which were also a topic for discussion, in relation to specific risk management monitoring (coverage of risks by insurance, supplier risks).

It reviewed the conclusions reached by the Audit and risks committee on its analysis carried out particularly in relation to:

- the presentation of the new Group “Code of Conduct” (“Our Principles of Responsibilities”);
- the evolution of the Group “Compliance System”, the review of the summary report on frauds, the Group “GDPR” program deployment progress, the presentation of the “Export Control” policies and procedures;
- the ongoing administrative and/or judicial proceedings in France;
- the “Business Continuity and Crisis Management” policies and procedures;
- the Initiatives related to the Commercial policies transformation.

The board of directors also monitored the implementation of the share buyback and reviewed the debt situation.

3.4 Annual Shareholders’ Meeting

The board approved the agenda and draft resolutions of the 2019 Annual Shareholders’ Meeting, and its report to the shareholders at the meeting. It took note of the proxy-advisors’ reports. It was informed of the positions expressed by the shareholders met during the preparation of the Annual Shareholders’ Meeting.

A large majority of directors was present at the meeting (9/13) being specified that the terms of two of absent directors came to an end at this meeting which was held the same day as Danone’s general meeting, preventing Ms. Cécile Cabanis from attending Schneider Electric SE’s Annual Shareholders’ Meeting. It approved all resolutions supported by the management, including those relating to the composition of the board of directors, the compensation of the corporate officers and the renewal of financial authorizations.

4. Board committees (composition, operating procedures and activities)

In its internal regulations, the board defined the functions, missions and resources of its five study committees: the Audit and risks committee, the Governance and remunerations committee, the Human Resources and CSR committee, the Investment committee and the Digital committee.

Committee members are appointed by the board of directors on the proposal of the Governance and remunerations committee. Committees may open their meetings to the other board members.

The Vice-Chairman independent lead director may attend any meetings of committees of which he is not a member. The committees may commission research from external consultants after having consulted with the Chairman of the board of directors. They may invite anybody they wish to meetings, as necessary. Secretaries of the board committees organize and prepare the work of the committees. They draft the minutes for the meetings of the committees which, after their approval, are sent to all members of the board of directors. The secretaries of the committees are members of Group management teams and specialists in the subject matters of each committee.

4.1 Audit and risks committee

The members, operating procedures and responsibilities of the Audit and risks committee are compliant with the recommendations included in the Audit committee final report as updated by the AMF in July 2010.

Composition as of December 31, 2019

The internal regulations and procedures of the board of directors stipulate that the Audit and risks committee must have at least three members. Two-thirds of the members must be independent and at least one must have in-depth knowledge of accounting standards combined with hands-on experience in applying current accounting standards and producing financial statements.

Chairperson	Cécile Cabanis	Independent director – Chief financial officer, IS/IT, Cycles and Purchases at Danone
Member	Fred Kindle	Independent director
Member	Willy Kissling	Director
Member	Fleur Pellerin	Independent director
		75% of independent directors

Mr. Antoine Gosset-Grainville's term of office expired on April 25, 2019. Ms. Xuezheng Ma's and Ms. Carolina Dybeck Happe's terms of office, appointed as members of the Audit and risks committee on April 25, 2019, expired respectively on September 2, 2019 and November 25, 2019.

As demonstrated by their career records, summarized on page 229 *et seq.* the Audit and risks committee members all have recognized expertise in finance, economics and accounting. In addition to their in-depth financial and accounting knowledge, Ms. Cécile Cabanis also brings her extensive perfect knowledge of the challenges of a major French group in the CAC 40, Mr. Fred Kindle an in-depth knowledge of the market and sectors in which Schneider Electric operates, Mr. Kissling his knowledge of the building industry and Schneider Electric and Ms. Pellerin her economic and financial skills in the field of technologies.

Operating procedures

The committee meets at the initiative of its Chairman or at the request of the Chairman and CEO. At least five meetings are held during the year. The committee may invite any person it wishes to hear to its meetings. The statutory auditors attend meetings at which financial statements are reviewed and, depending on the agenda, all or some of the other meetings. It may also require the CEO to provide any documents it deems to be useful. It may also commission studies from external consultants.

The Deputy CEO in charge of Finance and Legal Affairs is the spokesperson for the Audit and risks committee.

The director of Internal Audit is the secretary of the Audit and risks committee.

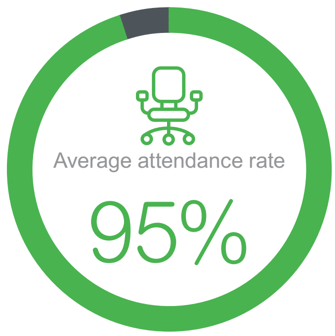
4. Board committees (composition, operating procedures and activities)

Responsibilities

A cornerstone of the Group's internal control system, the Audit and risks committee is responsible for preparing the work of the board of directors, making recommendations to the board and issuing opinions on financial, extra-financial, accounting and risk management issues. Accordingly, its missions are as follows:

Item	Detail of missions
Preparation for the annual and interim financial statements to be approved by the board	• To check the appropriateness and consistency of the accounting methods used for drawing up consolidated and corporate accounts, as well as to check that significant operations on Group level have been dealt with appropriately and that rules relating to the scope of consolidation have been complied with • To analyze the scope of consolidation, risks and off-balance sheet commitments as well as the financial position and the cash position • To examine the process for drawing up financial and extra-financial information • To review the draft annual report, which is also the Universal Registration Document, and to take note of information relating to internal control and risk management processes put in place by the Company in connection with accounting, financial and extra-financial information drawing-up and processing and, if any, any comments by the AMF in this regard, as well as of the reports on the interim financial statements and other main financial documents
Issues related to statutory auditors	• To make recommendations concerning the appointment or reappointment of the statutory auditors • To handle follow-up on legal control of annual and consolidated accounts made by statutory auditors, notably by examining the external audit plan and results of controls made by statutory auditors • To verify the auditors' independence, in particular by reviewing fees paid by the Group to their firm and network and by giving prior approval for assignments that are not strictly included in the scope of the statutory audit
Following-up on the efficiency of internal control and risk management systems	• To examine the organization and resources used for internal audit, as well as its annual work program; to receive a quarterly summary report on the findings of the audits carried out • To review operational risks mapping and its year-on-year evolution; to ensure procedures are implemented to prevent and reduce them • To review risk mitigation and coverage optimization • To review the rollout of the Group's internal control system and to acknowledge the outcome of entities' self-assessment regarding internal control; to ensure that procedures are implemented to identify and handle anomalies • To ascertain the existence of Group compliance policies notably concerning competition, anti-bribery, ethics and data protection and the measures implemented to ensure that these policies are circulated and applied • To report to the board on the implementation of Schneider Electric SE's Charter on related party transactions and on the relevance of the criteria to qualify related party transactions as regulated agreements or not • To examine all financial, accounting and extra-financial questions and questions related to risk management, including those of a social and environmental nature, submitted to it by the board of directors
Reports to the board of directors	• To present its findings and recommendations to the board. The Chairman of the Audit and risks committee keeps the Chairman and the Vice-Chairman independent lead director promptly informed of any difficulties encountered

Activities in 2019



* Including the joint meeting with the Digital committee relating to cybersecurity risk review.

Individual attendance rates at the Audit and risks committee's meetings were as follows:

Director	Attendance rate
Ms. Cécile Cabanis – Chairperson	100%
Mr. Fred Kindle	100%
Mr. Willy Kissling	100%
Ms. Fleur Pellerin	80%

Each meeting was fully or partially attended by the Deputy CEO in charge of Finance, members of the Finance Department, the head of Internal Audit as well as the statutory auditors. Operational Management also reported to the Committee. In line with the provisions of the AFEP-MEDEF corporate governance Code, the Chairman and CEO does not attend the committee's meetings.

The topics discussed by the committee were as follows:

Financial statement and financial disclosures	• Review of the annual and interim financial statements and of the reports on the financial statements • Review of goodwill, the Group's tax position, provisions and pension obligations or similar obligations • Review of investor relations' documents concerning the annual and interim financial statements • Review of the Group's scope of consolidation • Review of pension commitments
Internal audit, internal control and risk management	• Review of the risk mapping • Review of the 2020 Internal Audit schedule • Review of the main internal audits performed on compliance related topics and internal audits performed between September and December 2018, during Q2 and Q3 2019 • Review of risks covered by insurance • Presentation of the new Group "Code of Conduct" ("Our Principles of Responsibilities") • Update on the evolution of the Group "Compliance System" • Review of the summary report on frauds • Status report on the Group "GDPR" program deployment progress • Status report on the ongoing administrative and judicial proceedings in France • Update on "Business Continuity and Crisis Management" policies and procedures • Presentation of the "Export Control" policies and procedures • Cybersecurity risk review (jointly with the Digital committee) • Review of the management report
Statutory Auditors	• Review of the fees paid to the statutory auditors and to their networks • Review of the external audit plan • Appointment/renewal of the statutory auditors
Corporate governance	• Recommended dividend for 2019 • Review of the financial authorizations and proposition for their renewal by the Annual Shareholders' Meeting of April 25, 2019

The committee reported on its work in 2019 to the board's meetings of February 13, July 24, August 26-29 and December 11, 2019.

4. Board committees (composition, operating procedures and activities)

4.2 Governance and remunerations committee

Composition as of December 31, 2019

The board of directors' internal regulations and procedures provide that the Governance and remunerations committee must have at least three members. It is chaired by the Vice-Chairman independent lead director.

Chairperson	Léo Apotheker	Vice-Chairman independent lead director
Member	Fred Kindle	Independent director
Member	Willy Kissling	Director
Member	Linda Knoll	Independent director
Member	Greg Spierkel	Independent director
		80% of independent directors

Operating procedures

The committee is chaired by the Vice-Chairman independent lead director. The committee meets at the initiative of its Chairman or at the request of the Chairman and CEO. The agenda is drawn up by the Chairman, after consulting with the Chairman and CEO. The committee shall meet at least three times a year.

The committee may seek advice from any person it feels will help it with its work.

The secretary of the board of directors is the secretary of the committee.

Responsibilities

Item	Detail of missions
Appointments	• To formulate proposals to the board of directors in view of any appointment made: (i) within the board of directors as: – director or non-voting member, – Chairman of the board of directors, Vice-Chairman or Vice-Chairman independent lead director, – Chairperson or committee member; (ii) at the Company's Senior Management; particularly, to advise the board on proposals for the appointment of any Deputy Chief Executive Officer
Compensation of corporate officers	• To formulate proposals to the board of directors on the compensation policy of executive corporate officers (Chairman of the board of directors and/or CEO, and Deputy CEOs) and of the board members • To make recommendations to the board of directors concerning the determination of the components of the compensation due to executive corporate officers in accordance with the compensation policy approved by the shareholders and based on the contribution of the concerned persons to the performance of the Group
Missions aiming at reassuring both shareholders and the market that the board of directors carries out its duties with all necessary independence and objectivity	• To organize for yearly assessments to be made of the board of directors • To make proposals to the board of directors on: – determining and reviewing directors' independence criteria and directors' qualifications with regard to these criteria – missions carried out by the committees of the board of directors – the evolution of the organization and mode of operation of the board of directors – the application by the Company of national and international corporate governance practices – the total amount of board members' remuneration proposed to the Annual Shareholders' Meetings together with its allocation rules – the compensation of the Vice-Chairman independent lead director

Activities in 2019

Number of meetings*
6

Average meeting duration
2.5hrs

Average attendance rate
100%

* Including the joint meeting with the Human Resources and CSR committee relating to the 2020 compensation structure for corporate officers and members of the Executive committee, pay equity ratio and 2020 long-term incentive plan of the corporate officers.

Individual attendance rates at the Governance and remunerations committee's meetings were as follows:

Director	Attendance rate
Mr. Léo Apotheker – Chairperson	100%
Mr. Fred Kindle	100%
Mr. Willy Kissling	100%
Ms. Linda Knoll	100%
Mr. Gregory Spierkel	100%

The topics discussed by the committee were as follows:

Proposals to the board of directors	• Composition of the board of directors and its committees • Status of the members of the board with regard to independence criteria • Mode of exercising the functions of Chairman and CEO • Compensation of corporate officers (amount and structure of 2019 compensation, 2019 objectives and level of achievement of 2018 objectives) and allocation to them of performance shares as part of the long-term incentive plan • Definition of the criteria for short term (STIP) and long term (LTIP) compensation of corporate officers (jointly with the Human Resources and CSR committee) • Presentation of "Say on Pay" 2018 and the principles and criteria proposed for 2019 to the Annual Shareholders' Meeting • Directors' remuneration • Training program of the director representing the employees for 2020 • Amendment of the internal regulations of the board of directors
Reports to the board of directors	• Review of the succession plan for the corporate officers • Draft corporate governance report of the board of directors • Review of the assessment process relating to the qualification of the related-party agreements
Self-assessment of the board of directors	• Leading of the self-assessment of the board of directors conducted internally on the basis of an anonymous online questionnaire • Identification of improvement areas and definition of an action plan to be approved by the board
Shareholder engagement	• Reporting on the Vice-Chairman independent lead director's meetings with governance analysts within the main shareholders: 11 physical or phone meetings were held, covering about 30% of the voting rights. These meetings reflect the importance given by the Company to dialogue and the direct commitment of directors towards shareholders (see the report of the Vice-Chairman independent lead director pages 422-423).

The committee reported on its work at the board's meetings of February 13, April 25, July 24, October 23 and December 11, 2019.

4. Board committees (composition, operating procedures and activities)

4.3 Human Resources and CSR committee

Composition as of December 31, 2019

The internal regulations and procedures of the board of directors stipulate that the Human Resources and CSR committee must have at least three members.

Chairperson	Linda Knoll	Independent director
Member	Willy Kissling	Director
Member	Xiaoyun Ma	Employee director
Member	Fleur Pellerin	Independent director
Member since April 25, 2019	Anders Runevad	Independent director
		75% of independent directors*

* Employee director excluded as prescribed by the AFEP-MEDEF corporate governance Code.

Operating procedures

The committee meets at the initiative of its Chairman or at the request of the Chairman and CEO. The agenda is drawn up by the Chairman, after consulting with the Chairman and CEO. The committee shall meet at least three times a year.

The committee may seek advice from any person it feels will help it with its work.

The Group Human Resources Director, Mr. Olivier Blum is the secretary of the committee.

Responsibilities

Item	Detail of missions
Employee shareholding schemes and share allocation plans	• To formulate proposals to the board of directors on the implementation of employee shareholding schemes and allocation of free or performance shares, and on the volume of shares granted to all of the eligible corporate officers, including executive corporate officers
Compensation of Group managers	• To formulate projects on proposals made by general management on: – compensation for members of the Executive Committee – principles and conditions for determining the compensation of Group executives – pay-equity ratio
Succession plan for key Group executives	• To examine succession plans for key Group executives • The committee shall be informed of any nomination of members of the Executive Committee and of main Group executives
Human Resources and CSR policy	• To prepare for the board of directors' deliberations on: (i) employee shareholding development (ii) reviews made by the board on social and financial impacts of major re-organization projects and major Human Resources policies (iii) monitoring management of risks related to Human Resources (iv) examining the different aspects of the Group's CSR policy (v) Diversity and Inclusion Policy, including the policy on the equal treatment of men and women

Activities in 2019

Number of meetings*
5

Average meeting duration
1.5hrs

Average attendance rate
100%

* Including the joint meeting with the Governance and remunerations committee relating to the 2020 compensation structure for corporate officers and members of the Executive committee, pay equity ratio and 2020 long-term incentive plan of the corporate officers.

Individual attendance rates at the Human Resources and CSR committee's meetings were as follows:

Director	Attendance rate
Ms. Linda Knoll – Chairperson	100%
Mr. Willy Kissling	100%
Ms. Xiaoyun Ma	100%
Ms. Fleur Pellerin	100%
Mr. Anders Runevad(1)	100%

(1) Since April 25, 2019, date of appointment to the Human Resources and CSR committee.

The topics discussed by the committee were as follows:

Proposals to the board of directors	• 2019 annual long-term incentive plan and implementation of specific performance share plans to support the recruitment and the retention policy • Definition of the criteria for short term (STIP) and long term (LTIP) compensation of top managers and executive corporate officers (jointly with the Governance and remunerations committee) • Launch in 2020 of a new Group employee share issue (WESOP 2020)
Reports to the board of directors	• Review of the compensation, performance and succession plans of Executive committee members • 2020 long term incentive plan • Review of Equal Opportunity, Gender Pay Equity and Diversity & Inclusion policy • In depth review of the CSR strategy and performance and of the Group's positioning vs. its peers

It reported on its work to the board's meetings of February 13, July 24, October 23 and December 11, 2019.

4.4 Investment committee

Composition as of December 31, 2019
The internal regulations and procedures of the board of directors provide that the Investment committee must have at least three members.

Chairperson	Fred Kindle	Independent director
Member	Xiaoyun Ma	Employee director
Member	Patrick Montier	Employee director
Member	Anders Runevad	Independent director
Member	Greg Spierkel	Independent director
Member	Lip-Bu Tan	Independent director
		100% of independent directors*

* Director representing employee shareholders and director representing employees excluded as prescribed by the AFEP-MEDEF corporate governance Code.

Ms. Betsy Atkins's term of office expired on April 25, 2019.

Operating procedures
The committee meets at the initiative of its Chairman or at the request of the Chairman and CEO. The agenda is drawn up by the Chairman, after consulting with the Chairman and CEO. The committee shall meet three times a year, less or more depending on the circumstances.

In order to carry out its assignments, the committee may hear any person it wishes and call upon the Strategy Director.

The Strategy Director, Mr. Leonid Mukhamedov is the secretary of the committee.

4. Board committees (composition, operating procedures and activities)

Responsibilities

Item	Detail of missions
Preparation of the board of directors' deliberations on investment policy	The committee: • Elaborates recommendations for the board on major capital deployment decisions • Advises the management team on capital deployment strategies • Launches, at the board's request, or suggests research projects leading to material investments for the Company, typically for capital deployment decisions of EUR250 million or above • Investigates matters of smaller scale, if the strategic significance warrants it or the board/chairman of the board specifically requires it • Provides recommendations on major merger, alliances and acquisition projects • Pays special attention to reconfiguration or consolidation scenarios happening in the sectors the Company is operating in or likely to operate in • Examines portfolio optimizations and divestment projects of financial or strategic significance • Supports the management in the elaboration of investment policies linked to the long-term positioning of Schneider Electric, such as innovation and R&D strategies or any major organic growth investments • Presents to the board social and environmental aspects of the strategic projects submitted to it such as M&A projects

Activities in 2019

Individual attendance rates at the Investment committee's meetings were as follows:

Director	Attendance rate
Mr. Fred Kindle – Chairperson	100%
Ms. Xiaoyun Ma	100%
Mr. Patrick Montier	100%
Mr. Anders Runevad	100%
Mr. Gregory Spierkel	100%
Mr. Lip-Bu Tan	100%

The topics discussed by the committee were as follows:

Proposals to the board of directors	• Follow-up of investment projects and opportunities • Competitive landscape • Update on industry reconfiguration • Portfolio review

It reported on its work to the board's meetings of April 25 and October 23, 2019 and during the Strategy Session.

4.5 Digital committee

Composition as of December 31, 2019

The internal regulations and procedures of the board of directors provide that the Digital committee must have at least three members.

Chairperson	Greg Spierkel	Independent director
Member	Léo Apotheker	Vice-Chairman independent lead director
Member	Fleur Pellerin	Independent director
Member	Lip-Bu Tan	Independent director
		100% of independent directors

Ms. Betsy Atkins's term of office expired on April 25, 2019. Ms. Xuezheng Ma's term of office, appointed as a member of the Digital committee on April 25, 2019, expired on September 2, 2019.

Operating procedures

The committee meets at the initiative of its Chairman or at the request of the Chairman and CEO. The agenda is drawn up by the Chairman, after consulting with the Chairman and CEO. The committee shall meet at least three times a year, including the joint review of cybersecurity risks with the Audit and risks committee.

In order to carry out its assignments, the committee may hear any person it wishes.

The Chief Digital Officer or Chief Information Officer, Mr. Hervé Coureil, is the secretary of the committee.

Responsibilities

The purpose of the Digital committee is to assist the board in digital matters in order to guide, support and control the Group in its digitization efforts. The Digital committee prepares the board of directors' deliberations on digital matters.

For this purpose, the Digital committee will review, appraise and follow-up projects and, generally, advise, *inter alia* on seven areas:

1.	Development and growth of the EcoStruxure digital business
2.	Improvement and transformation of the Group's digital experience
3.	Improvement of Schneider Electric's Operational Efficiency through the effective use of Information Technology and digital automation capabilities
4.	Assessment of Cyber Risks (jointly with the Audit and risks committee)
5.	Assessment of the contribution of potential M&A operations to the Group's Digital strategy
6.	Monitoring and analysis of the Digital landscape
7.	Checking that the Company is equipped with the right pool of talents for digital transformation

Activities in 2019

Number of meetings*
4

Average meeting duration
2hrs

Average attendance rate
100%

* Including the joint meeting with the Audit and risks committee relating to cybersecurity risk review.

4. Board committees (composition, operating procedures and activities)

Individual attendance rates at the Digital committee's meetings were as follows:

Director	Attendance rate
Mr. Greg Spierkel – Chairperson	100%
Mr. Léo Apotheker	100%
Ms. Fleur Pellerin	100%
Mr. Lip-Bu Tan	100%

The topics discussed by the committee were as follows:

Proposals to the board of directors	• Customer Experience • 2018 Metrics & 2019 Digital Barometer • Update on Digital Offerings • Mid-Year update on Digital Metrics & Performance • Joint review with the Audit and risks committee of the cybersecurity risks • Digital sales enablement • Deployment of Schneider Electric Exchange

It reported on its work to the board's meetings of February 13, July 24, August 26-29 and October 23, 2019.

5. Senior management

The Senior Management of Schneider Electric SE consists of the Chairman and Chief Executive Officer and a Deputy Chief Executive Officer. The operational organization of the Senior Management of the Group is supported by the Executive committee, which is chaired by the Chairman and Chief Executive Officer.

The Chairman and Chief Executive Officer

On April 25, 2017, on the occasion of the reelection of Mr. Jean-Pascal Tricoire as a director by the Annual Shareholders' Meeting, the board of directors decided to unify the functions of Chairman and Chief Executive Officer, for the reasons explained on page 239 and to appoint Jean-Pascal Tricoire as Chairman and Chief Executive Officer. As per its internal regulations, the board of directors shall deliberate annually on this choice.

Extent and limitations of the powers of the Chairman and Chief Executive Officer
The Chairman and Chief Executive Officer represents the Company in its dealings with third parties. He is vested with the broadest authority to act in any and all circumstances in the name and on behalf of the Company. He exercises this authority within the limits of the corporate purpose, except for those matters that are reserved by law expressly to the Shareholders' Meetings or the board of directors. In addition, the internal regulations of the board of directors provide that the Chairman and Chief Executive Officer must submit for approval to the board any acquisition transactions or disposal of assets amounting to more than EUR250 million as well as any strategic partnership agreement.

The Deputy Chief Executive Officer

On April 25, 2017, upon the proposal of Mr. Jean-Pascal Tricoire, the board of directors appointed Emmanuel Babeau as Deputy CEO in charge of Finance and Legal Affairs.

Emmanuel Babeau

Age: 52 years
Nationality: French
Business address: Schneider Electric,
35, rue Joseph Monier, 92500 Rueil-Malmaison, France
34,452[(1)] Schneider Electric SE shares

Experience and qualifications	Emmanuel Babeau graduated from ESCP and began his career at Arthur Andersen in late 1990. In 1993, he joined the Pernod Ricard group as an internal auditor. He was appointed head of Internal Audit, Corporate Treasury Center and Consolidation in 1996. Mr. Babeau subsequently held several executive positions at Pernod Ricard, notably outside France, before becoming Vice-President, Development in 2001, CFO in June 2003 and Group Deputy Managing Director in charge of Finance in 2006. He joined Schneider Electric in the first half of 2009. In 2013, he was appointed Deputy CEO in charge of Finance and Legal Affairs then re-elected on April 25, 2017.
Term of office	First appointed: 2013
Current directorship	Deputy Chief Executive Officer of **Schneider Electric SE.**
Current external directorships	**Other directorships or functions within Schneider Electric Group:** Vice-Chairman and non-executive director of **Aveva Group plc.** (United Kingdom), Director of Schneider Electric Industries SAS (France), AO Schneider Electric (Russia), Schneider Electric USA, Inc. (USA), Schneider Electric (China) Co. Ltd (China), Samos Acquisition Company Ltd (United Kingdom), Schneider Electric Holdings Inc. (USA), Carros Sensors Topco Ltd. (formerly named Innovista Sensors Topco Ltd) (United Kingdom), Member of the supervisory board of Schneider Electric Energy Access (France) representing Schneider Electric Industries SAS. **Other directorships or functions outside Schneider Electric Group:** Director and member of the Audit committee of **Sanofi** (France) and of **Sodexo** (France), Shareholder and manager of SCI GETIJ.
Previous directorships	**Previous directorships and functions held in the past five years:** Member of the supervisory board of Aster Capital Partners SAS (France), Director of Invenys Ltd. (United Kingdom), Member of the steering committee of Aster Capital Partners SAS (France), Member of the supervisory board of InnoVista Sensors SAS (France).

Note: **bold** indicates the names of companies whose securities are listed on a regulated market.
(1) Held directly or through the FCPE.

6. Declarations concerning the situation of the members of the administrative, supervisory or management bodies

The members of the board of directors directly hold 0.11% of the share capital and 0.17% of the voting rights as of December 31, 2019.

Mr. Jean-Pascal Tricoire is Chairman of the board of directors of Schneider Electric Industries SAS, Chairman of the board of directors of Schneider Electric Holdings Inc., director of Schneider Electric USA Inc. and Chairman of the board of directors of Schneider Electric Asia Pacific Ltd. He receives compensation from these two companies for the latter two functions.

Mr. Emmanuel Babeau is Vice-Chairman of Aveva Group plc., a position for which he does not receive compensation.

Ms. Xiaoyun Ma has an employment contract with Schneider Electric (China) Co., Ltd.

Mr. Patrick Montier has an employment contract with Schneider Electric France.

6.1 Service contracts

None of the directors has a service contract with the Company or any of its subsidiaries providing for benefits under such contract.

6.2 Absence of conviction or incrimination of corporate officers

To the best of the Company's knowledge, in the last five years, none of the directors or corporate officers (Chairman and CEO and Deputy CEO) have been:

- the subject of any convictions in relation to fraudulent offenses or of any official public incrimination and/or sanctions by statutory regulatory authorities;
- disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of an issuer;
- involved, as a member of an administrative, management or supervisory body or a partner, in a bankruptcy, receivership or liquidation.

6.3 Family ties

To the best of the Company's knowledge, none of the directors and/or corporate officers of the Company are related through family ties.

6.4 Conflicts of interest

To the best of the Company's knowledge, there are no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which a director or corporate officer has been selected as a member of an administrative, management or supervisory body or a member of Senior management of the Company.

To the best of the Company's knowledge, there are no conflicts of interest between the duties of any directors and corporate officers with respect to the Company in their capacity as members of those bodies or their private interests and/or other duties.

To the best of the Company's knowledge, the directors and corporate officers have no restrictions on the disposal of their Company shares aside from those stipulated in stock option and performance share plans (see page 401) for corporate officers and a minimum 1,000 shareholding requirement for directors.

7. Compensation Report

In this section:

7. Compensation Report

7.1 Overview

Léo APOTHEKER
Vice Chairman and independent lead director

> “I am pleased to introduce the corporate officers and directors compensation report at the end of a very successful and busy year at Schneider Electric.”

Dear Shareholder,

It was a successful year for Schneider Electric, in 2019, the Group has reached record levels in revenues, gross profit, adjusted EBITA and free cashflow and a good growth across all businesses and regions. The total shareholder return for 2019 was up +60%, demonstrating strong shareholders value delivery. The 2019 results show the Group is well on track in executing its strategic priorities of more products, more services, more software and better systems bringing together full digital solutions in energy and automation.

Throughout 2019 the board continued to discuss compensation policy and approach with many of Schneider Electric's largest shareholders, as well as investor representative bodies and will continue this dialogue in 2020. The 2019 policy was applied with no change from what received a very large support from the shareholders at the 2019 Annual Shareholders' meeting and the subsequent engagement with the shareholders thereon did not raise any more concerns. However, to take into account the reservations expressed by the shareholders at the 2018 Annual Shareholders' Meeting on the post-mandate benefits (formerly voted under the regime of the Regulated Agreements and Commitments) and their expectations concerning the new LTIP criteria, the Vice Chairman and independent lead director had a dialogue with 28 investors representing ~40% of the share capital and reported back to the Governance and remunerations committee and to the board thereon. The board took the feedback into account and proposed changes to the compensation policy which are detailed further in this report.

In 2019, the Governance and remunerations committee met four times to discuss compensation matters, in addition to one joint meeting where the Governance and remunerations committee and the Human Resources and CSR committee jointly discussed the definition of the new LTIP performance criteria and targets and ascertained the alignment of the chosen approach with the compensation of other executives and employees of the Group. Both committees reported their findings and proposals to the board. The proposed changes are described in this compensation report.

This compensation report covers the required regulatory information and provides further context and insight into the corporate officers' compensation policy, its alignment with the company's strategy, as well as the payments approved by the board as a result of the Group's performance for this year which will be submitted to the shareholders for approval at the Annual General Meeting of 23 April 2020.

> This compensation report contains the information mentioned in the article L.225-37-3 I of the French Commercial Code which will be submitted to the shareholders for approval at the 2020 Annual Shareholders Meeting of 23 April 2020 under the 6th resolution.

Key policy changes proposed for approval

The board listened carefully to the concerns raised by the shareholders and taking their feedback into account, the board proposes the following changes to the corporate officers' compensation policy:

	Targets	LTIP		Post mandate benefits	
Concerns raised	Demonstrate that targets are demanding.	Provide clear definition and measurement for the new LTIP performance criteria (adj. EPS and relative Sustainability criteria).	Exclude fixed & variable pension allowances from severance indemnity.	Clarify the definition of the forced departure, notably in the case of a resignation.	Clarify the principle around the right to retain unvested shares post mandate.
How Schneider Electric responded	The board intends to continue with the approach that was implemented in 2019, where a more stringent target setting methodology was adopted: 100% of award can only be earned for stretching performance.	The criteria have been clearly defined and stretching targets set by the board.	In the new policy, the board decided to exclude pension payments from severance indemnity calculation.	In the new policy, resignation may qualify as a forced departure only if the resignation is "requested". Voluntary resignation does not qualify as forced departure.	Pro-rata rule will apply as a principle for all present and future plans.

Schneider Electric is a global company competing for talent in a demanding environment. The Company's ability to attract and retain the high-caliber executives required to lead this complex business is important for shareholders. In considering changes to the compensation policy, the Committee always tries to balance these pressures with shareholders' expectations.

In 2020, the proposed changes to the compensation policy reflect the changes decided in 2019, including the new LTIP structure and the strengthening of the new target setting approach.

The board and the Governance and remunerations committee continued to revise the compensation policy for corporate officers in a way to ensure that compensation policy be simpler, better align pay and performance and support Schneider Electric's strategy.

2020 Annual incentive

- No changes to performance metrics and weighting %.
- Stringent targets: The maximum annual incentive will only be earned where high performance is delivered on every performance metric.
- Sustainability based criteria accounting for 20%.
- No individual performance criteria.

Post-mandate benefits (formerly part of the Regulated Agreements)

- Excluded pension payments from severance indemnity calculations.
- Reiterated with no exceptions the principle of pro-rata for time of unvested shares in case of forced departure.
- Resignation may qualify as a forced departure only if it is requested.

2020 Long-term incentive plan

- Reduced to 3 criteria with 75% Financial and 25% Sustainability based criteria.
- Increased Relative TSR weight from 15% to 35% split into two parts introduced with 17.5 % vs TSR of the bespoke peer group and 17.5% vs CAC40 companies.
- Replaced adjusted EBITA with adjusted EPS (40%).
- Replaced the former internal sustainability criterion – Schneider Sustainability Impact (SSI) – with a Schneider Sustainability External and Relative Index (SSERI) – 25%.

Group's strategic priorities

- **Organic growth**
- **Value for customers**
- **Sustainability**
- **Continuous efficiency**
- **Value & returns to shareholders**

How the strategy links to the corporate officers' variable compensation

Annual incentive plan

Delivering strong execution and creating value for customers and shareholders every year to contribute to Schneider Electric's long-term success

Group organic sales growth	Group adjusted EBITA margin improvement	Group cash conversion rate	Schneider Sustainability Impact
40%	30%	10%	20%

Long-term incentive plan

Building an integrated and leading company with strong sustainability focus and attractive returns to shareholders

Adjusted Earnings Per Share	Relative Total Shareholder Return	Relative Sustainability Index
40%	35%	25%

2019 performance highlights

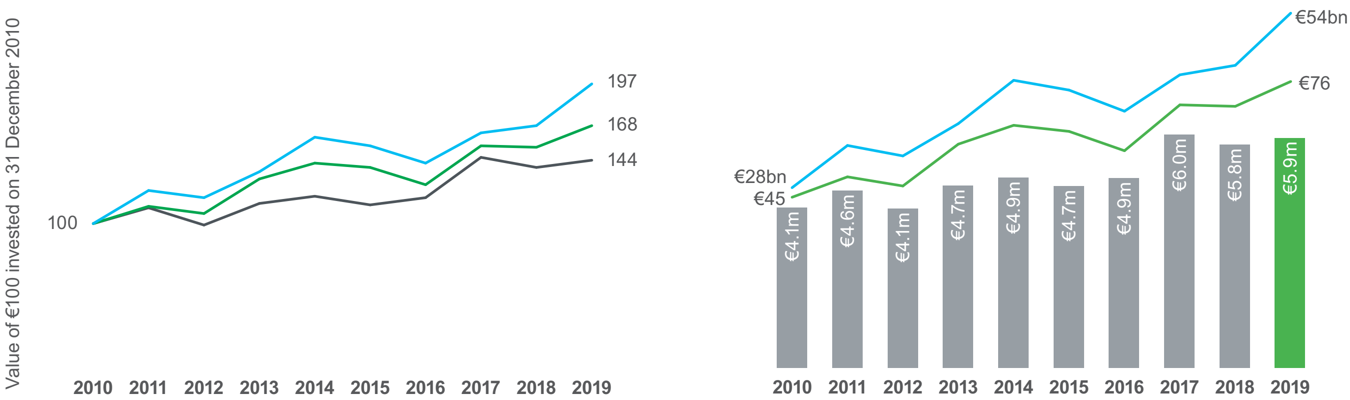
Business performance

Good progress, with strong revenues and organic improvement of the Adjusted EBITA margin, contributing to returns over the medium and long term.

Revenue	Adjusted EBITA	Strong cash conversion	Progress on Schneider Sustainability Impact ↗
EUR27.2bn	+8.7% org.	121%	7.77

Positioning in relation to Company's performance

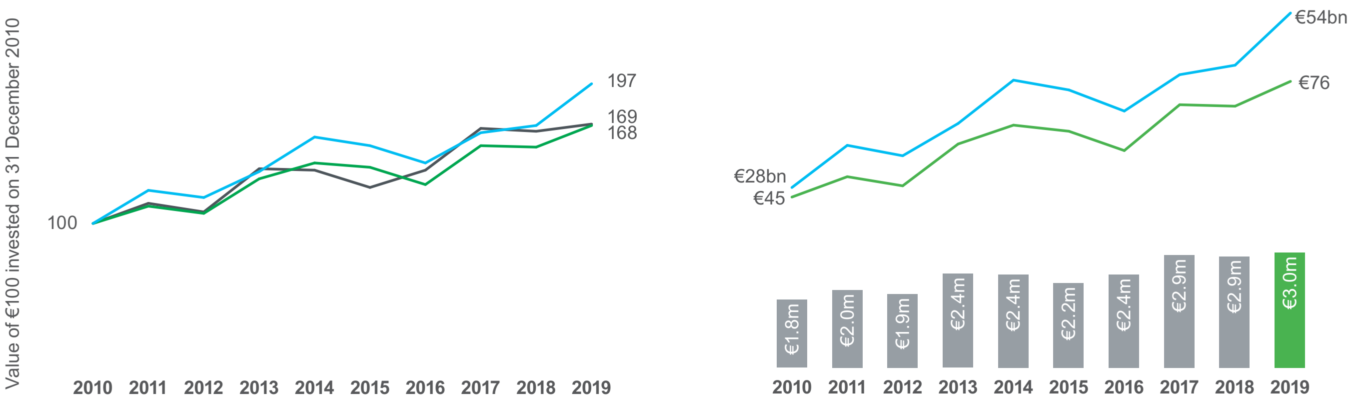
CEO compensation vs shareholder value creation – share price and enterprise value growth over 10 years (re-based to 100)



- Total effective comp. after reduction (base salary + actual annual incentive + IFRS value of LTI granted in the year in reference multiplied by actual achievement rate)
- Enterprise value
- SE share price

Note: Total comp. for 2018 and 2019 are presented "at target".

Deputy CEO compensation vs shareholder value creation – share price and enterprise value growth over 10 years (re-based to 100)



- Total effective comp. after reduction (base salary + actual annual incentive + IFRS value of LTI granted in the year in reference multiplied by actual achievement rate)
- Enterprise value
- SE share price

Note: Total comp. for 2018 and 2019 are presented "at target".

Summary of the compensation realized during the year 2019

Jean-Pascal Tricoire, Chairman and CEO (Euros)

Total: 8,738,991

Salary	STIP	LTIP	Other
1,000,000	1,717,300	5,464,838[(1)]	556,853

Emmanuel Babeau, Deputy CEO (Euros)

Total: 4,316,236

Salary	STIP	LTIP	Other
680,000	898,280	2,368,203[(1)]	369,753

(1) LTIP represents realized value of shares vested in 2019 (the 2017 plan).

7.2 General report on the compensation granted or paid out during 2019 financial year (ex-post compensation)

7.2.1 Pillars and principles

The principles and criteria determining the 2019 compensation described in this section received solid and unambiguous shareholder support at the Annual Shareholders' Meeting on April 25, 2019. They are deemed to constitute the last policy approved by the shareholders in the meaning of article L225-37-2 III of the French Commercial Code and govern the entirety of the compensation granted by the Group to the corporate officers until the next policy is approved by the shareholders.

Pillar	How It is reflected in the Group 2019 Compensation Policy

Pillar: Pay-for-performance

Principle 1: Prevalence of variable components: circa 80% for CEO and 75% for Deputy CEO (at target).
A prevalent part of the corporate officer target packages shall be variable; the 2019 target packages thus consist of approximately 75% to 80% variable pay components (excl. pension payments).

Chairman and Chief Executive Officer: On target pay mix

Fixed 18%	Annual incentive 24%	Performance shares 58%
18%	82%	

Deputy Chief Executive Officer: On target pay mix

Fixed 25%	Annual incentive 25%	Performance shares 50%
25%	75%	

Principle 2: Performance evaluated *via* economic and measurable criteria.
Performance is evaluated *via* criteria that are mainly economic (75% of variable cash compensation and 80% of multi-year performance shares) and measurable (80% of variable cash compensation and 100% of performance shares), which are selected based on KPIs used in the market communication and drivers of the Group's strategy. All criteria have measurable targets approved by the Board at the beginning of the performance period, ensuring targets are achievable but demanding.

Principle 3: Financial and Sustainability and Transformational objectives fairly balanced and distributed between short-term (annual incentive) and medium-term (long-term incentive) components.

2019 Annual Incentive (80% financial)

- 40% Group Organic Growth
- 30% Adjusted EBITA margin (organic) improvement
- 20% Schneider Sustainability Impact
- 10% Group Cash conversion rate

2019 Long-term Incentive (80% financial and TSR)

- 40% Adjusted EBITA margin (organic) improvement
- 25% Cash Conversion
- 15% Relative Total Shareholder Return
- 20% Schneider Sustainability Impact

Pillar: Alignment with shareholders' interests

Principle 4: Significant proportion of the total compensation delivered in shares
Corporate officers' target packages consist of approximately 50% long-term share-based benefits, meaning their compensation is subject to the same share price volatility that shareholders experience.

Principle 5: Performance conditions aligned to shareholders' expectations and Schneider Electric's strategic priorities
Performance criteria are selected from financial indicators that are most representative of Group performance and that are closely linked to shareholder value creation. Performance levels required to reach targets are set in early 2019 in line with the objectives disclosed to the market simultaneously with the results of the previous financial year and are supplemented by factors that enable the Group to offer a lasting and satisfactory development outlook for all stakeholders in the Company's success.

Pillar	How it is reflected in the Group 2019 Compensation Policy

Competitiveness

Principle 6: To benchmark the corporate officers' compensation package "at target" in the median range of the Company's peer group.

Schneider Electric competes for talent in a global marketplace. Most of the Group's key competitors are headquartered outside France. To reflect this, the International Peer group consists of 24 French, European and US companies that are comparable to Schneider Electric in size or industry sector or that represent a potential source of recruitment or attrition. Compensation levels for corporate officers are reviewed annually and benchmarked by reference to the median of this peer group to ensure they remain reasonable and appropriately competitive. This benchmarking is primarily used to establish a frame of reference for what competitors are paying to comparable roles, rather than as the main factor for making compensation decisions.

The 2019 peer group comprises European and US-based companies:

- Business competitors (in particular those identified in the Long-Term Incentive Plan as performance peers for TSR calculation purposes),
- Talent competitors for operational and functional jobs, and
- "Acceptance" peers (i.e. groups of a similar size, business or structure).

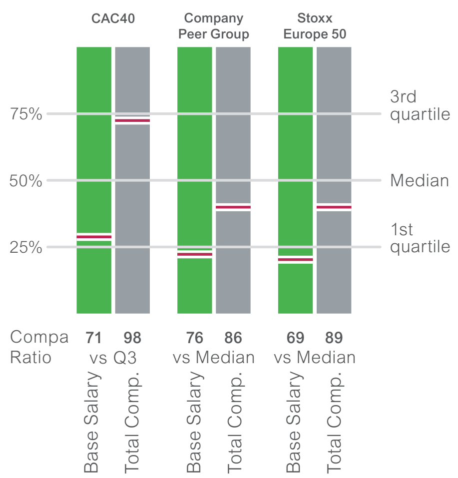
Group 1: European (Capital Goods)	**Group 2:** European (Construction)	**Group 3:** European (Technology Hardware & Software)	**Group 4:** European (Industrial B2B)	**Group 5:** US (Capital Goods)	**Group 6:** US (Technology Hardware & Software)
ABB Atlas Copco Legrand Siemens CNH Industrial	ACS Lafarge Holcim Saint-Gobain Vinci	Dassault Systèmes Hexagon SAP TE Connectivity	Airbus Group Air Liquide Bayer Thyssenkrup	Eaton Emerson Honeywell Johnson Controls Rockwell Automation	Autodesk PTC

Principle 7: To reference the CAC40 third quartile and the Stoxx Europe 50 median.

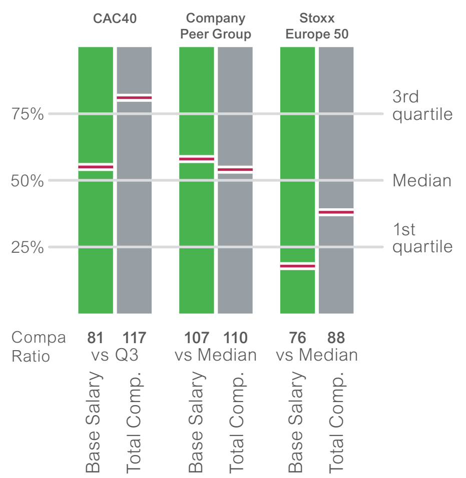
The board reviews corporate officers' compensation with reference to the upper quartile of the CAC40 companies and the median of the Stoxx Europe 50 companies, in line with the Group's position within these panels.

Positioning of 2019 at target compensation of Schneider Electric's corporate officers relative to the market benchmarks

Chairman and CEO compensation relative to the market benchmarks



Deputy CEO compensation relative to the market benchmarks



Total compensation includes base salary, annual incentive at target, and IFRS value of performance shares granted during the year.

7.2.2. Corporate officers' compensation in relation to the 2019 financial year

At its meeting of February 19, 2020, after examining the suitability and fairness of the outcome of the 2019 compensation policy for the corporate officers and its alignment with the Group's performance, the board determined the corporate officers' compensation for 2019 in accordance with the principles and criteria prior approved by the shareholders in April 2019 at the Annual Shareholders' Meeting. The outcome is detailed and commented hereinafter along with the performance results for each component of the compensation.

The following tables summarize the compensation and benefits awarded or paid to Messrs. Tricoire and Babeau for the financial years 2018 and 2019, presented on a reported basis in accordance with AFEP-MEDEF guidelines as well as on a Realized basis, i.e. where performance metrics assessment have ended in the reported financial year:

Jean-Pascal Tricoire Chairman & Chief Executive Officer (Euro)	Compensation & Benefits awarded for financial year		Compensation & Benefits realized in financial year	
	2019	2018	**2019**	2018
A – CASH COMPENSATION				
Base salary	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Annual incentive(1)	**1,717,300**	1,489,800	**1,717,300**	1,489,800
Compensation in relation to the director's office	**0**	0	**0**	0
SUBTOTAL (A) (CASH)	**2,717,300**	2,489,800	**2,717,300**	2,489,800
B – BENEFITS OF ALL KIND				
Valuation of the performance shares	**3,230,340(3)**	3,281,280(3)	**5,464,838(4)**	3,277,254(4)
Other benefits(5)	**36,218**	11,772	**36,218**	11,772
SUBTOTAL (B) BENEFITS OF ALL KIND	**3,266,558**	3,293,052	**5,501,056**	3,289,026
C – PENSION CASH BENEFIT				
Complementary payment for pension building (fixed)	**191,600**	191,600	**191,600**	191,600
Complementary payment for pension building (variable)	**329,035**	285,446	**329,035**	285,446
SUBTOTAL (C) PENSION CASH BENEFIT	**520,635**	477,046	**520,635**	477,046
D – EXCEPTIONAL COMPENSATION	**0**	0	**0**	0
TOTAL COMPENSATION AND BENEFITS (A)+(B)+(C)+(D)	**6,504,493**	**6,259,898**	**8,738,991**	**6,255,872**

Emmanuel Babeau Deputy Chief Executive Officer and CFO (Euro)	Compensation & Benefits awarded for financial year		Compensation & Benefits realized in financial year	
	2019	2018	**2019**	2018
A – CASH COMPENSATION				
Base salary	**680,000**	680,000	**680,000**	680,000
Annual incentive(2)	**898,280**	779,280	**898,280**	779,280
Compensation in relation to the director's office	**0**	0	**0**	0
SUBTOTAL (A) (CASH)	**1,578,280**	1,459,280	**1,578,280**	1,459,280
B – BENEFITS OF ALL KIND				
Valuation of the performance shares	**1,399,814(3)**	1,421,888(3)	**2,368,203(4)**	1,420,118(4)
Other benefits(5)	**13,944**	8,598	**13,944**	8,598
SUBTOTAL (B) BENEFITS OF ALL KIND	**1,413,758**	1,430,486	**2,382,147**	1,428,716
C – PENSION CASH BENEFIT				
Complementary payment for pension building (fixed)	**153,300**	153,300	**153,300**	153,300
Complementary payment for pension building (variable)	**202,509**	175,682	**202,509**	175,682
SUBTOTAL (C) PENSION CASH BENEFIT	**355,809**	328,982	**355,809**	328,982
D – EXCEPTIONAL COMPENSATION	**0**	0	**0**	0
TOTAL COMPENSATION AND BENEFITS (A)+(B)+(C)+(D)	**3,347,847**	**3,218,748**	**4,316,236**	**3,216,978**

(1) The Annual Incentive for the financial year 2018 was paid in 2019 after approval by the shareholders at the Annual Shareholders' Meeting of 25 April 2019 of the 5th resolution relating to the compensation paid, due or awarded to Jean-Pascal Tricoire in respect of the 2018 financial year. Hence, the total compensation in cash actually **paid** in the financial year 2019 to Jean-Pascal Tricoire amounts to **€ 2,966,846** (Base salary 2019 + Annual incentive 2018 + Fixed portion of pension benefit for 2019 + Variable portion of pension benefit for 2018). Likewise, in accordance with article L225-100 III of the French Commercial Code, the variable elements in cash awarded to Jean-Pascal Tricoire for the financial year 2019 will only be paid in 2020, subject to their prior approval by the shareholders at the Annual Shareholders' Meeting of 23 April 2020 under the 7th resolution.

(2) The Annual Incentive for the financial year 2018 was paid in 2019 after approval by the shareholders at the Annual Shareholders' Meeting of 25 April 2019 of the 6th resolution relating to the compensation paid, due or awarded to Emmanuel Babeau in respect in respect of the 2018 financial year. Hence, the total compensation in cash actually **paid** in the financial year 2019 to Emmanuel Babeau amounts to **€ 1,788,262** (Base salary 2019 + Annual incentive 2018 + Fixed portion of pension benefit for 2019 + Variable portion of pension benefit for 2018). Likewise, in accordance with article L225-100 III of the French Commercial Code, the variable elements in cash awarded to Emmanuel Babeau for the financial year 2019 will only be paid in 2020, subject to their prior approval by the shareholders at the Annual Shareholders' Meeting of 23 April 2020 under the 8th resolution.

(3) **Value of performance shares granted during financial year** – as per AFEP-MEDEF Code methodology, compensation is presented on a reported basis. Benefits of all kind for the financial year include performance shares granted during the financial year, the performance period of which has not elapsed. The value of performance shares corresponds to the number of shares granted, before reduction on account of performance, multiplied by the share price determined in line with IFRS 2 accounting standards.

(4) **Value of performance shares deemed vested during the financial year** – In order to facilitate the analyses, the benefits of all kind are also presented on realized value basis, where the value of performance shares corresponds to the actual number of shares (granted in previous years) deemed vested at the end of the financial year, after reduction for performance conditions, multiplied by the share price on December 31, 2018 or 2019, as the case may be.

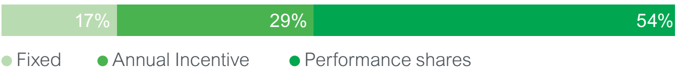
(5) **Other Benefits** include company car, employer matching contributions to capital increase for employees and to collective Pension Saving Plan (PERCO) as well as benefits from French profit sharing plan.

The compensation tables presented herein reflect all the compensation elements received by the corporate officers from Schneider Electric SE and the Group companies, for the discharge of their corporate office and operational duties.

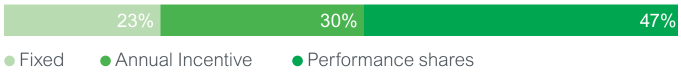
Notes to the compensation tables

Relative proportion of the compensation awarded for the 2019 financial year

Chairman & Chief Executive Officer – pay mix



Deputy Chief Executive Officer and CFO – pay mix



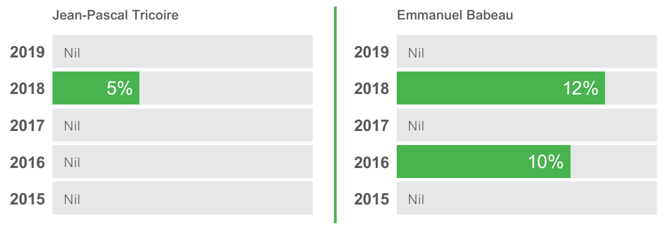
2019 Base salary

Purpose

Base salaries are reviewed annually and reflect the scale and complexity of the business to be the level of responsibility attached to the role and are set reasonably competitive with the external market. Base salary element represents approximately 18% to 25% of total target compensation for corporate officers.

For 2019, the board has decided not to award any salary increases to the corporate officers.

Salary increases over the last five years



Corporate Officer	FY 2019 (as of January 1, 2019)	FY 2018 (as of January 1, 2018)	% Change
Jean-Pascal Tricoire, Chairman & CEO	€1,000,000	€1,000,000	0%
Emmanuel Babeau, Deputy CEO	€680,000	€680,000	0%

2019 Annual Incentive

Purpose

This compensation rewards achievement of the short-term financial, transformational and sustainability (corporate and social responsibility) objectives of the Group.

The pay-out opportunity at threshold performance is 0%, with 50% of maximum annual incentive payable for achieving target. Pay-outs between threshold and target, and between target and maximum, are determined on a straight-line basis. The maximum Annual Incentive potential for corporate officers is 260% of base salary for Chairman and CEO and 200% for the Deputy CEO.

The payment of the variable annual cash incentive is conditional upon approval by shareholders of the compensation granted to the concerned corporate officer.

In 2019, the Annual Incentive structure was simplified from 8 performance criteria to 4, with 80% Financial and 20% Sustainability based criteria, while removing the portion based on individual assessment by the board (formerly, 10% of the total Annual Incentive at target). As a result, 100% of the variable compensation depends on measurable objectives.

The revised structure focuses on what matters to Schneider Electric in delivering value to shareholders. The financial criteria – adj. EBITA margin, cash conversion and organic sales growth – closely align pay outcomes for Corporate Officers to Schneider Electric's financial performance. Increased weight (%) of the Schneider Sustainability Impact criterion from 6% to 20% further highlights the importance of sustainability on Schneider Electric's business agenda.

The Company does not operate a clawback policy. The board, however, has formalized its approach to finalizing annual incentive outcomes at the end of the performance period whereby it will review the executives' performance against pre-set objectives as well as the Company's underlying performance, share price performance, and financial communications to ensure that annual incentives are not paid based solely on a formulaic outcome.

The board also ensured that more stringent targets are set for the Annual Incentive with maximum award paid only if a strong performance is delivered on each performance metric.

7. Compensation Report

2019 performance criteria	Weight (%)	Performance Range Threshold 0%	Target 100%	Maximum 200%	Achievement rate (weighted)
Group financial indicators (80%)					
Organic Sales growth, %	40%	1.6%	4.6%	7.6%	34.7%
Adjusted EBITA margin improvement (org.)	30%	+0pts	+0.5pts	+1.0pts	42.0%
Cash Conversion rate, %	10%	80%	95%	110%	20.0%
Sustainability (6%)					
Schneider Sustainability Impact (score)	20%	6	7	8	35.4%
Total	100%				132.1%

As a result, the 2019 Annual Incentive pay-out for the corporate officers stands as follows:

Corporate officer	Target Pay-out as a % of salary	Target Pay-out Amount (€)	Achievement rate as a % of target	2019 Actual Pay-out as a % of salary	2019 Actual Pay-out Amount (€)
Jean-Pascal Tricoire	130%	€ 1,300,000	132.1%	171.7%	€ 1,717,300
Emmanuel Babeau	100%	€ 680,000	132.1%	132.1%	€ 898,280

In compliance with article L.225-100 of the French Commercial Code, the payment of this annual incentive is subject to approval by the shareholders of the compensation granted to the corporate officers for the financial year 2019 (cf. 7th and 8th resolutions submitted to the Annual Shareholders' Meeting of April 23, 2020).

Overall, 2019 Annual Incentive performance resulted in a total achievement rate of 132.1%, above target, reflecting record levels in revenues, adjusted EBITA and free cashflow delivered by Schneider Electric in 2019 and a material beat of ambitious targets.

Organic Sales growth

The Group delivered an organic sales growth of +4.2%, at a level which stands in the upper range of the initial objective communicated to the market of +3% to +5%. However, as a consequence of a more stringent target setting methodology, this good performance results only in 86.7% achievement rate on this criterion.

Adjusted EBITA margin improvement

In 2019, Adjusted EBITA margin rate improved by 70 bps organically to reach 15.6%, thanks to a combination of strong top line performance, productivity and pricing actions. This performance stands much above the initial objective communicated to the market of an organic margin expansion of +20bps to +50bps. As a result, the achievement rate on this criterion is set at 140%.

Cash conversion

Efforts on cash management delivered outstanding results, notably thanks to strong operating performance supported by favorable working capital evolution. For the first time the free cash-flow was significantly above €3bn. Cash conversion was 121% in 2019 on a normalized basis (excluding IFRS 16 impact). This represented an achievement rate of 200% on this criterion.

Schneider Sustainability Impact

The Schneider Sustainability Impact (SSI), formerly known as the Planet and Society Barometer, is the Group's three-year (2018-2020) transformation plan which measures the progress towards its ambitious sustainability commitments. Despite the increase in the ambitions for 9 out of 21 indicators of the SSI in April, the Group reached an excellent result of 7.77/10, exceeding the target set for this criterion. This represented an achievement rate of 177% on this criterion.

Performance Shares (Long-term Incentive Plan)

Purpose

LTIP links the largest part of corporate officers' compensation with the long-term success of the Group. The actual outcome varies with the achievement of performance criteria linked directly to strategic priorities.

Shares granted are subject to a performance period of three years with an additional mandatory one year holding period for 30% of shares granted to the corporate officers in consideration for their corporate office with Schneider Electric SE.

For performance at threshold, 0% of the award will vest. For maximum performance, 100% will vest. Vesting will operate on a straight-line basis between these points.

2019–2021 Long-term Incentive Plan

Under the 2019 Compensation policy approved by the shareholders, the Chairman and CEO Mr. Tricoire was granted 60,000 shares and the Deputy CEO Mr. Babeau was granted 26,000 shares.

The 2019-2021 LTIP awards were granted under the previous authorisation, given in 2016. However, the board, in reviewing the overall future LTIP structure, utilised the flexibility within the existing authorisation to implement the more ambitious approach to performance measurement.

From 2019 awards, the board introduced a more stringent approach to targets, where 100% of an award can only be earned for stretching performance: e.g., for the Adj. EBITA criterion, only 70% of award will be earned for achieving targets aligned with the objectives communicated to the market (vs. 100% previously). The board also reviewed the TSR pay-out scale, including the composition of the existing TSR peer group, the geographical spread of Schneider Electric's direct competitors, and the volatility of the overseas stock markets and decided to retain the same peer group for 2019 LTIP awards, but introduced a more demanding pay-out scale.

2019 – 2021 LTIP Performance criteria and weightings:

Adjusted EBITA margin (organic) improvement (40%)

This is defined as the average of the annual rates of achievement of Adjusted EBITA margin objectives for financial years 2019 to 2021 set by the board of directors and is in line with the objectives announced to investors at the beginning of the year. For 2019 financial year, the board decided that if the adjusted EBITA margin increased organically by (before foreign exchange impact compared with 2018):

- +0 points, the achievement rate for the year would be 0%
- +0.42 points, then the achievement rate for the year would be 70%
- +0.6 points, then the achievement rate for the year would be 100%

Distribution is linear between these points.

Group Cash conversion rate (25%)

This is defined as the average of the annual rates of Group Cash Conversion, with the target average rate ranging between 80% and 100% according to the following scale:

- If the average rate is below or equal to 80%, 0% shares would vest
- If the average rate is equal to or higher than 100%, 100% shares would vest
- Straight line between these points.

An exceptional performance with an average rate higher than 100% will give right to a complementary allocation of shares for that criterion offsetting, up to the same number of shares and within the limit of 50% (corresponding to an average rate of 120% or more), a level of achievement below 100% for Adjusted EBITA or TSR. However, the number of shares thus allocated shall not, under any circumstances, cause the original number of shares granted under Adjusted EBITA, Cash conversion and Relative TSR criteria to be exceeded.

Relative TSR (15%)

Relative TSR criterion is set based on Schneider Electric's TSR ranking within the following panel of companies: ABB, Legrand, Schneider Electric, Siemens, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric and Yokogawa, according to the following scale:

- 0% of shares would vest for achieving ranks 8 – 12
- 25% of shares would vest for achieving rank 7
- 50% of shares would vest for achieving rank 6
- 75% of shares would vest for achieving rank 5
- 100% of shares would vest for achieving rank 1 – 4

7. Compensation Report

Overcompensation for exceptional TSR performance (above 100%) can offset performance achievement level below 100% for Adjusted EBITA or Cash conversion up to a limit of 50% of the number of shares originally subject to this criterion (i.e. 7.5% of the total shares granted). However, the number of shares thus allocated shall not, under any circumstances, cause the original number of shares granted under Adjusted EBITA or Cash conversion criteria to be exceeded.

In 2019, the board has also replaced the automatic "3% upwards adjustment" rule when the gap between the Schneider Electric TSR and that of the peers is less than 3%, with the Board judgement in case the rankings are closely clustered.

Schneider Sustainability Impact (20%)

This criterion measures the annual progress (score) for financial years 2019 to 2021. The objective is to progress and improve the score versus pre-set objectives every year. For 2019, the following scale applies:

- 0% of shares would vest – if the score is 8 or lower
- 70% of shares would vest if the score is 9
- 100% of shares would vest – if the score is 10

Distribution is linear between these points.

The target values of each of these objectives are set by the board based on the objectives communicated to the market. The achievement rates will be detailed for each criterion in the compensation report to the shareholders once the performance period has finished.

Corporate officer	Number of Shares (Plan No. 32)(1)	Number of Shares (Plan No. 33)	IFRS value of shares granted (2)	% of total capital as of December 2018
Jean-Pascal Tricoire	18,000	42,000	3,230,340	0.01%
Emmanuel Babeau	7,800	18,200	1,399,814	0.004%

(1) The performance shares granted only to corporate officers are subject to a one-year holding period.
(2) IFRS value is calculated by multiplying the number of shares granted by IFRS share price which is calculated by external consultants applying IFRS 2 accounting standards. For further details refer to the Note 19.4, page 338.

Cap on LTI

The total number of shares granted for each corporate officer represents a cap. Under no circumstances, even in case of overachievement of all targets, may the number of shares acquired by the corporate officers exceed the number of shares granted.

Shareholding Requirement

25% for Mr. Tricoire and 15% for Mr. Babeau of the shares vested are subject to a holding requirement until such time as the corporate officer ceases duties. Furthermore, in the event of vested shares being sold, Messrs. Tricoire and Babeau are required to reinvest 10% of the sale proceeds into Schneider Electric shares (net of taxes and contributions). These requirements are currently suspended as both corporate officers hold Schneider Electric shares with a value representing more than 3 times (for Mr. Tricoire) and 2 times (for Mr. Babeau) their base salary.

2017 Long-term Incentive Plan – Realized value in 2019

The performance period for shares granted in 2017 has finished on December 31, 2019 and shares under the plans 28 and 29 are therefore deemed vested. Their final acquisition is however still subject to the satisfaction of the presence condition at the delivery date.

At its meeting of February 19, 2020, the board assessed the achievement rate of performance criteria for Plans 28 and 29 granted in 2017 based on the Group's performance over the three-year period 2017 – 2019 and set the final rate of achievement at 99.54%, i.e., a reduction of 0.46% in relation to the number of shares originally granted.

Mr. Tricoire and Mr. Babeau have conditionally been granted 18,000 shares and 7,800 shares under Plan no. 28 and 42,000 shares and 18,200 shares under Plan no. 29 respectively. After applying the reduction for performance not achieved, the resulting outcomes are as follows:

Corporate officer	Number of Shares (Plan No. 28)(1)	Number of Shares (Plan No. 29)	Number of shares deemed vested	No of shares lapsed	Value of deemed vested shares(2)
Jean-Pascal Tricoire	18,000	42,000	59,725	275	5,464,838
Emmanuel Babeau	7,800	18,200	25,882	118	2,368,203
Vesting date	March 24, 2020	March 24, 2020			

(1) Plan 28 – performance shares granted under this plan to corporate officers are subject to one-year holding period following vesting, therefore shares will only become unrestricted on March 24, 2021.
(2) Vested shares are valued at the closing share price of 31 December 2019, i.e. EUR91.50.

Performance assessment

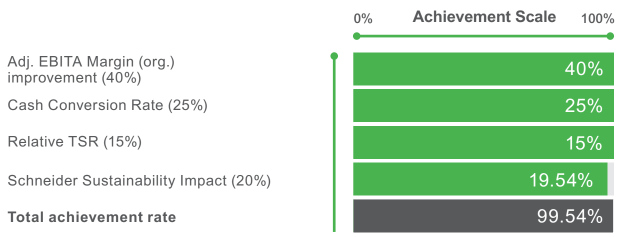
Shares granted under the 2017 plan were subjected to relative TSR, financial and sustainability performance criteria assessed over three years from 2017 to 2019, as follows:

2017 PLANS (Plans 28 + 29)

40% Adjusted EBITA	25% Cash conversion rate	20% Planet & Society Barometer	15% Relative TSR
Average achievement rate for 2017, 2018 & 2019 **2017** Actual result: +0.9pts Achievement rate: 100% **2018** Actual result: +0.5pts Achievement rate: 100% **2019** Actual result: +0.7 pts Achievement rate: 100%	**Average achievement rate for 2017, 2018 & 2019** **2017** Actual result: 105% **2018** Actual result: 90% **2019** Actual result: 121%	**Index between 6 and 8 at year end 2019** **2019** Actual result: 7.77	**Ranking in December** **2019** Actual result: Rank 1st
Weighted rate: 40%	**Weighted rate: 25%**	**Weighted rate:19.54%**	**Weighted rate: 15%**

2019 was the final year of performance measurement for the 2017-19 LTIP. Schneider Electric ranked second on relative TSR, delivering c. 50% return to shareholders over the same three-year period, demonstrating a strong value creation for the shareholders. Schneider Electric delivered robust organic Adjusted EBITA margin improvement year-on-year, beating largely initial targets, exceeded cash conversion rate three-year target, and demonstrated consistent progress on Group's sustainability targets which are at the heart of the Group's strategy. These strong results across the range of performance criteria led to a vesting outcome of 99.54% out of a 100%.

2017– 2019 LTIP Performance Criteria Achievement



Organic Adjusted EBITA margin improvement (40%) – For each year of the plan, the Adjusted EBITA margin improved by more than the 20-50bps average range announced as the objective for the three-year period (Investor Day, 27 October 2016), with an average yearly growth of 70 bps reflecting the successful execution of the strategy combining top line growth, positive net pricing, better mix, industrial productivity and better efficiency to reduce SFCs. Even though targets had set the bar higher than the objectives announced to the market, the strong performance resulted in maximum vesting for this criterion.

Cash conversion (25%) – Efforts on cash management delivered outstanding results consistently over the period. The average of three years of cash conversation rate was c. 105%, outperforming the three-year target of ~100% average cash conversion over three years (Investor Day, 27 October 2016). 2019 was particularly remarkable with a free cash-flow significantly above €3 bn, a 121% cash conversion rate. The achievement rate for this criterion was thus set at 100%.

Relative TSR (15%) – The Group's performance was acknowledged by the market and reflected in the stock price increase, which, combined with a robust dividend distribution policy and consistent share buy-back programme to balance the dilution coming from allocation of performance shares and employee shareholding schemes, generated strong returns to shareholders over the period. The Schneider Electric's TSR was ranked 1st (after operation of the 3% automatic adjustment rule, with no impact on the global vesting rate) versus the selected peers (ABB, Legrand, Siemens, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric and Yokogawa). The achievement rate for this criterion was set at 100%.

Planet & Society Barometer / Schneider Sustainability Impact (SSI) (20%) – The barometer provides, on a scoring scale of 10, an overall measure of the Group's progress on sustainability issues. Over the last three years Schneider Electric demonstrated strong delivery and continuous improvement on its suitability programs. The barometer reached a score of 7.77 out of 10 versus the ambitious target of 8.0 set by the board for this criterion, which results in an achievement rate of 93.1% for 2019 with overall 19.54% shares vesting out of 20% allocated to this criterion.

Historical vesting of the corporate officers performance share plans:

2017 Plans	2016 Plans	2015 Plans	2014 Plans	2013 Plans
99.54%	91.46%	71%	78%	100%

Complementary cash payment for pension building

Since the board's decision in 2015 to move away from the "Art. 39" defined-benefit pension schemes due to the excessive cost of such "top hat" pension plans, the corporate officers have to build their own pension and to this end, are granted a combination of fixed and variable payments that are considered "other benefits" to ensure consistency and comparability with other French or international companies. The variable payment is aligned with the annual incentive in terms of criteria and pay-out rate. The corporate officers have committed to depositing these additional payments, after taxes, into investment vehicles dedicated to the financing of their pensions.

For 2019 Messrs. Tricoire and Babeau are entitled to receive:

Corporate Officer	Fixed Amount	Variable Amount(1)
Jean-Pascal Tricoire	€191,600	€329,035
Emmanuel Babeau	€153,300	€202,509

(1) Calculated by applying to the fixed compensation above the percentage of target achievement determined for the calculation of the annual variable compensation.

In compliance with applicable law, the payment of the variable amount will be subject to shareholders' approval.

Other benefits

Employer Matching Contributions and Profit-Sharing

For the financial year 2019, both corporate officers were eligible for profit-sharing and the employer matching contribution paid to subscribers to the capital increase reserved for employees.

In addition, both corporate officers were eligible for the employer matching contribution paid to subscribers to the collective pension fund (PERCO) for the retirement of workers in France.

Corporate Officer	Employer matching contribution to capital Increase for Employees	Employer matching contributions to collective Pension Saving Plan (PERCO)	Profit-sharing	Total
Jean-Pascal Tricoire	€ 1,404	€ 800	€ 7,970	€ 10,174
Emmanuel Babeau	€ 1,404	€ 0	€ 7,970	€ 9,374

Company Car

The use of a company car in 2019 granted to each of Messrs. Tricoire and Babeau represented an equivalent cost of EUR26,044 and EUR4,569 respectively.

Compensation in relation to director's office

Mr. Tricoire waived the attendance fees to which he was entitled in his capacity of Chairman of the board in pursuance of the rules adopted by the board. Likewise, in accordance with the Group internal rules, Mr. Babeau will not receive attendance fees for any directorship in Group companies.

Health, Life & Disability

Messrs. Tricoire and Babeau are granted benefits under the Schneider Electric SE and Schneider Electric Industries SAS employee benefit plan, which offers health, incapacity, disability and death coverage, plus additional coverage for health, incapacity, disability or death available to Group Senior Management under French contract as well as Group personal accident insurance policies in case of disability or death resulting from an accident. They are also entitled to an annuity for the surviving spouse in the event of death or an annuity with reversion to the surviving spouse in the event of disability, provided that these risks occur before the end of their term of office or after the age of 55 in the event of departure from the company following redundancy or a disability.

The benefit of this additional coverage and contingency compensation under individual Group accident insurance policies is subject to the achievement of either of the following performance conditions: the average net income from the 5 financial years leading up to the event is positive or the average free cash flow from the 5 financial years leading up to the event is positive.

Extraordinary payment

One off payments that are not approved by the shareholders are prohibited.

Termination benefits

The regulated agreements which governed corporate officers' termination benefits in 2019 were last approved at the Annual Shareholders' Meeting of April 24, 2018. As a reminder, we present hereinbelow a summary of their provisions, which have not been enforced during or in respect of 2019.

Involuntary Severance Pay

Messrs. Tricoire and Babeau were entitled to involuntary severance pay in case of a forced departure. A case of forced departure could have occurred in three different circumstances, namely:

i. Dismissal, non-renewal or resignation as CEO or Deputy CEO in the 6 months following a material change in Schneider Electric's shareholder structure that could change the membership of the board of directors;
ii. Dismissal, non-renewal or resignation as CEO or Deputy CEO in the event of a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in shareholder structure as described above; and
iii. Dismissal, non-renewal or requested resignation as CEO or Deputy CEO when, on average, two-thirds of the Group performance criteria (to be distinguished from individual performance objectives) would have been achieved for the last 4 financial years from the day of resignation.

Non-Compete Compensation

In addition, both Corporate Officers were bound by a non-compete agreement in case of resignation from the Group. The one-year agreement called for compensation to be paid at 60% of annual fixed and target variable parts, complementary payments included.

In conformity with the recommendations of the AFEP-MEDEF corporate governance Code:

- The entitlement to involuntary severance pay is subject to strict performance conditions, assessed over a period not lesser than two years;
- Only circumstances of a forced departure, regardless of the form of the departure, could trigger the entitlement to involuntary severance pay;
- Together with the non-compete indemnity, if any, the involuntary severance pay could not exceed twice the average of the corporate officers' total effective annual compensation (fixed and variable part) in cash;
- Since the approval of the new regulated agreements at the shareholders' general meeting of April 24, 2018, the board shall determine unilaterally whether or not to apply the non-compete clause at the time of the departure of the Corporate Officer.

Retention of Stock Options, Stock Grants and Performance Shares

In case of involuntary severance during their acquisition period, Messrs. Tricoire and Babeau are entitled to keep the benefit of the shares attributed to them from the plans granted after February 18, 2018, in proportion of the time of their presence with the Company in any capacity during the acquisition or exercise period of such restricted shares or stock options. Their entitlement is subject to the fulfillment of the performance conditions determined in the Plan.

In case the corporate officer's involuntary departure resulted from any material change in Schneider Electric's shareholding structure or from a reorientation of the strategy pursued and promoted by him (both cases as defined in paragraphs i. and ii. in relation to Involuntary Severance Pay), the board may decide to grant him the right to keep the benefit of all such restricted shares or stock-options previously granted to him, provided however the arithmetic average rate of achievement of the Group performance objectives used to determine the annual incentive in cash for the last 3 financial years completed on the date of his departure, amounts to at least two-thirds of the target figure, and that his departure is not the result of gross negligence or serious misconduct. The board shall motivate its decision.

Dialogue with shareholders

"Throughout 2019 the board continued to discuss compensation policy and approach with many of Schneider Electric's largest shareholders, as well as investor representative bodies and will continue this dialogue in 2020. The 2019 policy was applied with no change from what received a very large support from the shareholders at the 2019 Annual Shareholders' meeting and the subsequent engagement with the shareholders thereon did not raise any more concerns. However, to take into account the reservations expressed by the shareholders at the 2018 Annual Shareholders' Meeting on the post-mandate benefits (formerly voted under the regime of the Regulated Agreements and Commitments) and their expectations concerning the new LTIP criteria, the Vice Chairman and independent lead director had a dialogue with 28 investors representing ~40% of the share capital and reported back to the Governance and remunerations committee and to the board thereon. The board took the feedback into account and proposed changes to the compensation policy which are detailed further in this report."

86.5%
of the shareholder votes cast supported 2018 compensation decisions for the Chairman and CEO

89.1%
supported 2018 compensation decisions for the Deputy CEO

86.1%
approved the principles and criteria governing 2019 compensation for the Chairman and CEO

88.8%
approved the principles and criteria governing 2019 compensation for the Deputy CEO

7. Compensation Report

7.2.3 Non-executive directors' compensation and interests in relation to the financial year 2019

At the 2019 Annual Shareholders' Meeting, the shareholders have approved (the 13th resolution) an increase to the maximum total amount of the annual compensation that can be paid to the members of the board from EUR2,000,000 to EUR2,500,000, with no changes to the allocation rules versus 2018. This increase was in anticipation of the increase of the board size and of the number of meetings of the committees from 2019 onwards – notably due to the creation of the Digital committee in 2018 and the fact that most members of the board participate in more than one committee.

The table below shows the allocation rules of the fixed payments allocated to the non-executive directors and implemented during the 2019 financial year.

Approach	Director's individual compensation	Compensation for travel time
• Amounts granted to non-executive directors are determined by taking account of a director's responsibilities, the expected commitment for the role and the competitive market rates among international peers. • Besides the fixed base amount, directors' compensation mostly depends upon the said directors' attendance to board and committee meetings. • The board is responsible for setting the amounts due to be paid to non-executive directors. • The total amount paid is subject to the aggregate limit set by shareholders.	• Non-executive directors are paid a fixed basic amount of EUR25,000 for membership of the board with an additional amount of EUR7,000 per board meeting attended and EUR4,000 per committee meeting. • Additional payments are made to non-executive directors who hold the position of Committee Chair to reflect the additional responsibilities and workload: – Audit committee: EUR20,000 per annum – Human Resources and CSR committee, Digital Committee, and Investment Committee: EUR15,000 per annum – Independent lead director, who is also the Chairman of the Governance and remunerations committee: EUR250,000 per annum • For non-voting members, a fixed payment of EUR20,000 per annum is paid, unless they become non-executive director at the next general meeting. In this case, they will receive the same fees for attending the board and committee meetings as non-executive directors. • All payments are pro-rated for time served during the year and are paid in cash.	• For intercontinental travel (e.g. USA), non-executive directors attending the meeting physically are paid EUR5,000 per board session. • For intra-continental travels (e.g. Switzerland), non-executive directors attending the meeting physically are paid EUR3,000 per board session. • Non-executive directors do not receive incentive pay or share awards or any benefits nor pension arrangements in relation to their office (unless they are former managers of the Group and were a member of a Group pension plan). • Employee directors are separately entitled to the compensation granted to them for the performance of their duties. As an employee, such compensation is not affected by their office as a director and is not disclosed. • The board also provided that Vice-Chairman lead director could, in the performance of his duties to use certain resources of the Group's management.

Directors' compensation earned in 2018 and 2019 was as follows, noting that Jean-Pascal Tricoire, Chairman of the board, and Xiaoyun Ma who represents the employee shareholders, waived the payments of the compensation they were entitled to as members of the board:

Members of the board	Directors' compensation (EUR) 2019(1)	Directors' compensation (EUR) 2018(2)	Other compensation & benefits (EUR) 2019(1)	Other compensation & benefits (EUR) 2018(2)	Total (EUR) 2019(1)	Total (EUR) 2018(2)
Mr. LÉO APOTHEKER	**379,000**	398,000	**–**	–	**379,000**	398,000
Ms. BETSY ATKINS	**41,877**	115,000	**–**	–	**41,877**	115,000
Ms. CÉCILE CABANIS	**107,000**	133,000	**–**	–	**107,000**	133,000
Ms. CAROLINA DYBECK HAPPE	**57,726**	–	**–**	–	**57,726**	–
Mr. XAVIER FONTANET(3)	**–**	26,493	**–**	–	**–**	26,493
Mr. ANTOINE GOSSET-GRAINVILLE	**32,877**	113,000	**–**	–	**32,877**	113,000
Mr. FRED KINDLE	**163,000**	166,356	**–**	–	**163,000**	166,356
Mr. WILLY KISSLING	**156,000**	164,000	**–**	–	**156,000**	164,000
Ms. LINDA KNOLL	**152,000**	164,000	**–**	–	**152,000**	164,000
Ms. CATHY KOPP(4)	**–**	32,808	**–**	–	**–**	32,808
Mr. HENRI LACHMANN(5)	**–**	6,247	**–**	181,766(6)	**–**	188,013
Ms. XIAOYUN MA(7)	**–**	–	**–**	–	**–**	–
Ms. XUEZHENG (Mary) MA	**12,767**	–	**–**	–	**12,767**	–
Mr. PATRICK MONTIER	**92,000**	105,000	**–**	–	**92,000**	105,000
Ms. FLEUR PELLERIN	**125,000**	101,260	**–**	–	**125,000**	101,260
Mr. ANDERS RUNEVAD	**113,000**	88,260	**–**	–	**113,000**	88,260
Mr. GREGORY SPIERKEL	**156,000**	182,356	**–**	–	**156,000**	182,356
Mr. LIP-BU TAN	**106,000**	24,726	**–**	–	**106,000**	24,726
Mr. JEAN-PASCAL TRICOIRE	**–**	–	**–**	–	**–**	–

(1) Awarded for the financial year 2019 and paid in 2020.
(2) Awarded for the financial year 2018 and paid in 2019.
(3) Mr. Xavier Fontanet's term of office expired as at April 24, 2018.
(4) Ms. Cathy Kopp's term of office expired as at April 24, 2018.
(5) Henri Lachmann's term of office as a non-voting member expired as at April 24, 2018.
(6) As a former manager of the Group, Mr. Lachmann was entitled to a supplementary retirement pension (article 39). This amount was paid by the insurance company and pro-rated.
(7) Xiaoyun Ma waived the payment of the sum of €130,000 she was entitled to.

The total amount awarded to the board members for 2019 was EUR1,824,247 (including the sum of €130,000 waived by Xiaoyun Ma). Excluding the special fee paid to the Vice-chairman lead independent director, the amount is composed of 40% fixed compensation and 60% variable. The total amount paid in 2019 for 2018 financial year was EUR1,820,506, both below the maximum authorized by the shareholders.

7. Compensation Report

7.2.4 Employees experience at Schneider Electric

Delivery of the strategy, both short term and long term, depends upon Schneider Electric's success in attracting and engaging a highly talented workforce, and on equipping people with the skills for the future. The Group is committed to fair pay, which is at the forefront of the Group's and executives' agenda, ensuring that all Schneider Electric employees are appropriately and fairly rewarded for their contribution. The progress is monitored *via* the Schneider Sustainability Impact Indicators. More information can be found in the Sustainability section of this report, pages 151 and *subs*.

HeForShe	Living wage	Recognition	Well-being	Engagement
Since 2015, as part of its HeForShe commitments, the Group has implemented a systematic process to identify gender pay gaps within comparable groups of employees, address pay discrepancies across genders, and take corrective actions at global and country levels to reduce identified gaps.	Schneider Electric believes earning a decent wage is a basic human right and is committed to paying employees in the lower salary ranges at or above the living wage to meet their family's basic needs. By basic needs, the Group considers food, housing, sanitation, education, healthcare plus discretionary income for a given local standard of living.	Schneider Electric is committed to creating a culture where employees receive regular feedback and coaching from their managers and colleagues, celebrating people who constantly demonstrate the Company's Core Values and go above and beyond – using global recognition portal "Step Up" and encouraging the recognition of small and big achievements by simply saying "Thank you".	Health and well-being are embedded in the Schneider Electric strategic people priorities and contribute to its sustainability mission. The Company has a commitment to strive, at a minimum, that 90% of Schneider Electric's employees have access to a comprehensive well-being at work program. Well-being training programs offered are detailed in the "Well-being in our DNA" section of this report.	The Group listens to employees through a number of different channels, both formally and informally. Two of the board members are employees of the Company, appointed through a formal designation process; the Group runs a OneVoice internal survey designed to measure employee satisfaction and engagement; the Group engages with the local work councils on compensation matters on a regular basis.

Pay Equity Ratio

Equity pay ratio measures the ratio between the level of compensation of the Chairman and CEO and Deputy CEO and CFO and the average and median compensation of the employees, as required by Article L.225-37-3 6° and 7° of the French Commercial Code.

Calculation methodology

The compensation comparisons and pay ratios set out below were calculated based on the fixed and variable compensation paid during the fiscal years indicated as well as on the performance shares granted during the same periods, measured at IFRS value at grant.

Scope

The legal scope, the issuer, comprises very few employees, therefore, an alternate "relevant scope" was defined to reflect a larger representative employee population. It is based on the French holding entity Schneider Electric Société Européenne (SESE) (the issuer) as well as all employees in France of the operational company Schneider Electric Industries (SAS). This group of employees is employed on comparable terms to the corporate officers and represents more than 4,200 employees in France on a full time equivalent basis (FTE).

The ratios between the compensation paid to the corporate officers, Jean-Pascal Tricoire, Chairman and Chief Executive Officer, and Emmanuel Babeau, Deputy CEO and CFO, and the average and median compensation received by Schneider Electric employees are set out opposite.

Evolution of corporate officers' and employees' compensation, pay ratios and Group's performance over five years

● Revenue
● Adj EBITA

Rebased to 2015

	FY2015	FY2016	FY2017	FY2018	FY2019
CEO total compensation paid during FY Deputy CEO total compensation paid during FY	6,024,595 2,844,142	4,760,778 2,283,831	5,789,994 2,804,775	6,184,007 3,041,321	5,754,154 2,871,633
Employees average compensation % change in employees average compensation	82,791 –	83,829 +1%	88,551 +6%	91,127 +3%	90,369 -1%
% change in CEO total compensation % change in Deputy CEO total compensation	– –	-21% -20%	+22% +23%	+7% +8%	-7% -6%
CEO pay ratio - average compensation CEO pay ratio - median compensation	73 92	57 71	65 81	68 84	64 78
Deputy CEO pay ratio - average compensation Deputy CEO pay ratio - median compensation	34 43	27 34	32 39	33 41	32 39

7.3 2019 Corporate officers' individual compensation in relation to the 2019 financial year

The fixed, variable and exceptional components of the total compensation and benefits paid in or awarded for the financial year 2019 to the corporate officers, as detailed below, are submitted to the shareholders for approval at the 2020 Annual Shareholders' Meeting of 23 April 2020 under the 7th and 8th resolutions.

At its meeting of February 19, 2020, after examining the suitability and fairness of the outcome of the 2019 compensation policy for the corporate officers and its alignment with the Group's performance and hearing the report of the Governance and remunerations committee, the board determined the corporate officers' compensation for 2019 in accordance with the principles and criteria approved by the shareholders at the 2019 annual shareholders meeting, deemed "last approved compensation policy", and which the board considers in force until the next compensation policy is approved by the shareholders.

The tables below summarize the compensation paid during the past financial year and compensation awarded for the past financial year, along with a description of how each component was calculated in conformity with the compensation policy in force.

7. Compensation Report

Mr. Jean Pascal Tricoire, Chairman and CEO: Elements of compensation paid or awarded for the 2019 financial year

Elements of compensation submitted to the vote	Amounts paid during the past financial year	Amounts awarded for the past financial year or accounting valuations	Description
1) Base salary	EUR1,000,000	EUR1,000,000	Gross annual fixed compensation of EUR1,000,000 from January 1, 2019 to December 31, 2019. Board decision of February 13, 2019. Date of approval by the Annual Shareholders' Meeting: April 25, 2019 (7th resolution).
2) Annual incentive	EUR1,489,800	EUR1,717,300	The annual incentive portion amounts to 130% of fixed compensation. The annual incentive may vary from 0 to 260% depending on the level of achievement of pre-set objectives. Its structure is unchanged since 2015. The annual incentive paid in 2019 was determined by the board at its meeting of 13 February 2019 based on the attainment rate of the objectives set for financial year 2018 which reached 149% (114.6% on base 100). It was paid after approval by the shareholders at their meeting of April 25, 2019 (5th resolution). At the board meeting held on February 19, 2020, annual incentive for 2019 due to be paid after the Annual Shareholders' Meeting if the latter approves it, were set at 171.7% of the fixed portion, which represents an achievement rate of 132.1% on a 100 baseline. This calculation is broken down as follows: 1) **Financial components (80%)** based on Group financial indicators, which are organic sales growth (40%), adjusted EBITA margin (org.) improvement (30%) and cash generation targets (10%), The achievement rate in connection with these criteria was 96.7%. 2) **Sustainability component (20%)** based on the Schneider Sustainability Impact, for which achievement rate was set at 35.4%. It was set in conformity with the compensation policy approved at the Annual Shareholders' Meeting of April 25, 2019 (7th resolution).
3) Multi-annual variable	N/A	N/A	Mr. Tricoire did not receive any multi-annual variable compensation.
4) Exceptional compensation	N/A	N/A	Mr. Tricoire did not receive any exceptional compensation.

Elements of compensation submitted to the vote	Amounts paid during the past financial year	Amounts awarded for the past financial year or accounting valuations	Description
5) Pension benefits			Complementary payments are intended to take account of the fact that, following the decision of the board of directors on February 18, 2015 to remove the benefit of the defined-benefit pension scheme (article 39) for corporate executive officers, Mr. Tricoire is personally responsible for building up his pension. To determine this authorized complementary compensation, the board of directors sought the recommendation of an independent expert, namely the firm Willis Towers Watson. The board of directors ensured that the mechanism implemented therefore, was in line with shareholders' interests.
Annual complementary fixed portion	EUR191,600	EUR191,600	Accordingly, Mr. Tricoire receives annually a complementary component, split into a fixed part and a variable part dependent on performance criteria. The variable part is aligned in terms of criteria and rate (target rate of 130% of the fixed complementary part and variable part varying from 0 to 260%) of the annual incentive (see above). These complementary payments are intended to enable Mr. Tricoire to build up his pension. He undertook to redirect these complementary payments, net of taxes, to investment vehicles devoted to financing his additional pension.
Annual complementary variable portion	EUR285,446	EUR329,035	The variable portion paid in 2019 was determined by the board at its meeting of 13 February 2019 and aligned on the attainment rate used for the purpose of the calculation of the annual incentive, ie. 149%. It was paid after approval by the shareholders at their meeting of April 25, 2019 (5th resolution). At the meeting held on February 19, 2020 the annual complementary variable portion for 2019 due to be paid after the Annual Shareholders' Meeting if the latter approves it, was set by the board of directors at 171.7% of the annual complementary fixed portion, i.e. an achievement rate of 132.1% on a 100 baseline. The calculation was broken down in the same way as that of the annual incentive presented in 2) above in line with the policy approved by the shareholders on 25 April 2019 (7th resolution). 30% of Mr. Tricoire's cash compensation described above (items 1) to 5)) is granted to him in consideration for his duties as a corporate officer (Chairman and CEO) of Schneider Electric SE exclusively. The remainder is granted to him for the discharge of his operational duties as Regional President Asia of Schneider Electric Asia Pacific and executive director of SE USA Inc.

7. Compensation Report

Elements of compensation submitted to the vote	Amounts paid during the past financial year	Amounts awarded for the past financial year or accounting valuations	Description
6) Long-term incentive (Performance shares)	–	EUR970,740 for 18,000 performance shares according to IFRS valuation EUR2,259,600 for 42,000 performance shares according to IFRS valuation	18,000 performance shares were granted under plan no. 32 to Mr. Tricoire in his capacity as Chairman and CEO of Schneider Electric SE. 42,000 performance shares were granted under plan no. 33 to Mr. Tricoire in his capacity as Regional President Asia of Schneider Electric Asia Pacific. 100% of these 60,000 performance shares are subject to performance criteria measured over a period of 3 years: • 40% of the shares are contingent on the level of achievement of an adjusted EBITA operating margin objective for 2019 to 2021 FY as follows: the Adjusted operational margin criterion is defined as the average of the annual rates of achievement of Adjusted EBITA margin improvement for the 2019 to 2021 financial years, set by the board of directors of Schneider Electric SE in line with the objectives usually announced to investors at the beginning of the year. For 2019, the board had decided that, if the Adjusted EBITA margin increased by 0 basis points or decreased before foreign exchange and perimeter impact vs. 2018, then the achievement rate in 2019 would be 0% and if it increased by +60 basis points or more before foreign exchange and perimeter impact, the achievement rate for this criterion for 2019 would be 100% with a linear distribution between any points on the performance scale. • 25% of the shares are conditional on Group Cash conversion rate. The target average rate ranges between 80% and 100% according to following scale: 0% if the average rate is below or equal to 80%, 100% if the average rate is equal to or higher than 100% with a linear distribution between any points on the scale. • 20% of the shares are contingent on the average of the performance rate of the Schneider Sustainability Impact (SSI) against predefined targets at the end of each of the three years. SSI measures the Group's progress with regard to environmental sustainability and social responsibility across various indicators. For 2019, the board had decided that if the index at the end of 2019 was equal or lower than 6, the achievement rate for 2019 would be 0% and if the index at the end of 2019 was equal to 7, the achievement rate would be 70% and if it is equal or superior to 8, the achievement rate for 2019 would be 100%, with a linear distribution between all points on the scale. • 15% of the shares are conditional on relative Total Shareholder Return (TSR) from January 1, 2019 to December 31, 2021: the TSR objective is set based on Schneider Electric's TSR ranking within the following panel of companies: ABB, Legrand, Siemens, Eaton, Emerson, Honeywell, Johnson Controls Industries, Rockwell, Fuji Electric, Mitsubishi Electric and Yokogawa, according to following scale: 0% if Schneider Electric TSR is ranked from 12th to 8th place, 25% for 7th place, 50% for 6th place, 75% for 5th, 100% for 4th and 150% for 3rd to 1st place. In case results are closely clustered, the board may exercise judgment to adjust the ranking. • Offsetting of financial criteria: shares subject to the achievement of a cash conversion rate objective will have the ability to offset non-achievement of Adjusted EBITA or TSR criteria, according to the scale described above, up to a limit of 50% of the number of shares originally subject to this criterion. Shares subject to the TSR objective will have the ability to offset the non-achievement of Adjusted EBITA or rate of cash conversion criteria according to the scale described above up to a limit of 50% of the shares originally subject to this criterion. Final acquisition of shares at the end of the three-year period will nevertheless be capped at 100 million of the shares originally subject to Adj. EBITA margin, Relative TSR and rate of cash conversion criteria. 25% of the shares vested are subject to a holding requirement until such time as Mr. Tricoire ceases his duties. Furthermore, in the event of vested shares being sold, Mr. Tricoire is required to reinvest 10% of the sale price in Schneider Electric shares (net of taxes and contributions). These obligations are suspended insofar as Mr. Tricoire holds Schneider Electric shares with a value representing 3 times his annual fixed compensation. The percentage of capital represented by Mr. Tricoire's share allocation is 0.01%. Date of authorization by the Annual Shareholders' Meeting: April 25, 2016, 19th resolution and April 25, 2019, 7th resolution. Date of the award decision by the board of directors: March 26, 2019.

Elements of compensation submitted to the vote	Amounts paid during the past financial year	Amounts awarded for the past financial year or accounting valuations	Description
7) Compensation related to the office as a director	EUR0	EUR0	Mr. Tricoire has waived his attendance fees.
8) Other benefits	–		This includes the following benefits as authorized by the board on February 13, 2019:
	EUR1,404	EUR1,404	• the employer matching contribution paid to subscribers to the capital increase reserved for employees, in an amount of EUR1,404.
	EUR800	EUR800	• the employer matching contribution paid to subscribers to the collective saving pension fund (Perco) in France, in an amount of EUR800.
	EUR7,970	EUR7,970	• Mr. Tricoire benefited from profit-sharing.
	EUR26,044	EUR26,044	• Mr. Tricoire benefited from a company car.
			Supplementary Life & Disability scheme Mr. Tricoire benefits from rights to (i) a life-time annuity to the benefit of his surviving spouse in the event of his death before retirement or if he leaves the Company after the age of 55 without taking up any other employment. This life-time annuity shall be equal to 60% of 25% of the average compensation paid (i.e. including annual complementary payments) over the 3 years preceding the date of his death, less any theoretical income that may have been obtained under insurance conditions as a result of complementary payments already made (see above) (ii) a disability pension, payable to the surviving spouse at a rate of 60%, in cases of disability leading to the cessation of any professional activity as from the date of his retirement, equal to 25% of the average compensation paid (i.e. including annual complementary payments) over the 3 years prior to his disability, minus 1.25% per missing quarter required for obtaining a full-rate pension and less the theoretical income that may have been obtained through insurance schemes at the time of disability resulting from any complementary payments already made. Board decision of February 18, 2015 reiterated on April 25, 2017 and February 14, 2018. Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (4th resolution). Moreover, in addition to the benefits of the collective welfare scheme applicable to Schneider Electric SE and Schneider Electric Industries SAS employees covering risks of illness, incapacity, disability and death, Mr. Tricoire also benefits from the complementary cover granted to French executives in the Group against risks of illness, incapacity, disability, death and accident. Welfare compensation and complementary cover are subject to performance conditions. Board decisions of 2009, 2012 and June 18-19, 2013 and 2015, reiterated on April 25, 2017 and February 14, 2018. Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (4th resolution).
9) Termination benefits	EUR0	EUR0	**Involuntary Severance Pay** Mr. Tricoire was entitled to involuntary termination benefits in case of change of control or strategy and taking into account the non-compete compensation described below, capped at twice the arithmetical average of his annual fixed and variable compensation (i.e. inclusive of compensation and complementary payments) paid over the last 3 years. (See page 273 of the 2019 URD). Board decision of June 18-19, 2013 reiterated on April 25, 2017 and February 14, 2018. Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (4th resolution).
	EUR0	EUR0	**Non-compete compensation** Mr. Tricoire was entitled to non-compete compensation for a period of one year capped at 6/10th of his average gross compensation – i.e. including annual complementary payments – fixed and target variable – over the last 12 months of service). (See page 273 of the 2019 URD). Board decisions of 2009, 2012, and 2013, reiterated and amended on April 25, 2017 and February 14, 2018. Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (4th resolution).

7. Compensation Report

Mr. Emmanuel BABEAU, Deputy CEO: Elements of compensation paid or awarded for 2019 financial year

Elements of compensation submitted to the vote	Amounts paid during the past financial year	Amounts awarded for the past financial year or accounting valuations	Description
1) Base salary	EUR680,000	EUR680,000	Gross annual fixed compensation of EUR680,000 from January 1, 2019 to December 31, 2019. Board decision of February 13, 2019. Date of approval by the Annual Shareholders' Meeting: April 25, 2019 (8th resolution).
2) Annual incentive	EUR779,280	EUR898,280	The annual incentive portion amounts to 100% of fixed compensation. The annual incentive may vary from 0 to 200% depending on the level of achievement of pre-set objectives. Its structure is unchanged since 2015. The annual incentive paid in 2019 was determined by the board at its meeting of 13 February 2019 based on the attainment rate of the objectives set for financial year 2018 which reached 114.6%. It was paid after approval by the shareholders at their meeting of April 25, 2019 (6th resolution). At the board meeting held on February 19, 2020, annual incentive for 2019 due to be paid after the Annual Shareholders' Meeting if the latter approves it, were set at 132.1% of the fixed portion, which represents an achievement rate of 132.1% on a 100 baseline. This calculation is broken down as follows: 1) **Financial components (80%)** based on Group financial indicators, which are organic sales growth (40%), adjusted EBITA margin (org.) improvement (30%) and cash generation targets (10%), The achievement rate in connection with these criteria was 96.7%. 2) **Sustainability component (20%)** based on the Schneider Sustainability Impact, for which achievement rate was set at 35.4%. It was set in conformity with the compensation policy approved at the Annual Shareholders' Meeting: April 25, 2019 (8th resolution).
3) Multi-annual variable	N/A	N/A	Mr. Babeau did not receive any multi-annual variable compensation.
4) Exceptional compensation	N/A	N/A	Mr. Babeau did not receive any exceptional compensation.

Elements of compensation submitted to the vote	Amounts paid during the past financial year	Amounts awarded for the past financial year or accounting valuations	Description
5) Pension benefits			Complementary payments are intended to take account of the fact that, following the decision of the board of directors on February 18, 2015 to remove the benefit of the defined-benefit pension scheme (article 39) for corporate executive officers, Mr. Babeau is personally responsible for building up his additional pension. To determine the amount of this authorized complementary compensation, the board of directors relied on the work of an independent expert, namely the firm Willis Towers Watson. The board of directors ensured that the mechanism implemented was in line with shareholders' interests.
Annual complementary fixed portion	EUR153,300	EUR153,300	Accordingly, Mr. Babeau receives annually a complementary component, split into a fixed part and a variable part dependent on performance criteria. The variable part is aligned in terms of criteria and rate (target rate of 100% of the fixed complementary part and variable part varying from 0 to 200%) of the annual variable part (see above). These complementary payments are intended to enable Mr. Babeau to build up his pension. He undertook to redirect these complementary payments, net of taxes, to investment vehicles devoted to financing his additional pension.
Annual complementary variable portion	EUR175,682	EUR202,509	The variable portion paid in 2019 was determined by the board at its meeting of 13 February 2019 and aligned on the attainment rate used for the purpose of the calculation of the annual incentive, ie. 114.6%. It was paid after approval by the shareholders at their meeting of April 25, 2019 (6th resolution). At the meeting held on February 19, 2020 the annual complementary variable portion for 2019 due to be paid after the Annual Shareholders' Meeting if the latter approves it, was set by the board of directors at 132.1% of the annual complementary fixed portion, i.e. an achievement rate of 132.1% on a 100 baseline. The calculation was broken down in the same way as that of the annual incentive presented in 2) above in line with the policy approved by the shareholders on April 25, 2019 (8th resolution).

7. Compensation Report

Elements of compensation submitted to the vote	Amounts paid during the past financial year	Amounts awarded for the past financial year or accounting valuations	Description
6) Long-term incentive (Performance shares)	–	EUR420,654 for 7,800 performance shares according to IFRS valuation EUR979,160 for 18,200 performance shares according to IFRS valuation	7,800 performance shares were granted under plan no. 32 to Mr. Babeau in his capacity as Deputy CEO of Schneider Electric SE. 18,200 performance shares were granted under plan no. 33 to Mr. Babeau in consideration for his specific technical and operational functions as head of the Group's Finance & Legal Affairs. 100% of these 26,000 performance shares are subject to performance criteria measured over a period of 3 years: • 40% of the shares are contingent on the level of achievement of an adjusted EBITA operating margin objective for 2019 to 2021 FY as follows: the Adjusted operational margin criterion is defined as the average of the annual rates of achievement of Adjusted EBITA margin improvement for the 2019 to 2021 financial years, set by the board of directors of Schneider Electric SE in line with the objectives usually announced to investors at the beginning of the year. For 2019, the board had decided that, if the Adjusted EBITA margin increased by 0 basis points or decreased before foreign exchange and scope impact vs. 2018, then the achievement rate in 2019 would be 0% and if it increased by +60 basis points or more before foreign exchange and perimeter impact, the achievement rate for this criterion for 2019 would be 100% with a linear distribution between any points on the performance scale. • 25% of the shares are conditional on Group Cash conversion rate. The target average rate ranges between 80% and 100% according to the following scale: 0% if the average rate is below or equal to 80%, 100% if the average rate is equal to or higher than 100% with a linear distribution between any points on the scale. • 20% of the shares are contingent on the average of the performance rate of the Schneider Sustainability Impact (SSI) against predefined targets at the end of each of the three years. SSI measures the Group's progress with regard to environmental sustainability and social responsibility across various indicators. For 2019, the board had decided that if the index at the end of 2019 was equal or lower than 6, the achievement rate for 2019 would be 0% and if the index at the end of 2019 was equal to 7, the achievement rate would be 70% and if it is equal or superior to 8, the achievement rate for 2019 would be 100%, with a linear distribution between all points on the scale. • 15% of the shares are conditional on relative Total Shareholder Return (TSR) from January 1, 2019 to December 31, 2021: the TSR objective is set based on Schneider Electric's TSR ranking within the following panel of companies: ABB, Legrand, Siemens, Eaton, Emerson, Honeywell, Johnson Controls Industries, Rockwell, Fuji Electric, Mitsubishi Electric and Yokogawa according to following scale: 0% if Schneider Electric TSR is ranked from 12th to 8th place, 25% for 7th place, 50% for 6th place, 75% for 5th, 100% for 4th and 150% for 3rd to 1st place. In case results are closely clustered, the board may exercise judgment to adjust the ranking. • Offsetting of financial criteria: shares subject to the achievement of a cash conversion rate objective will have the ability to offset non-achievement of Adjusted EBITA or TSR criteria, according to the scale described above, up to a limit of 50% of the number of shares originally subject to this criterion. Shares subject to the TSR objective will have the ability to offset the non-achievement of Adjusted EBITA or rate of cash conversion criteria according to the scale described above up to a limit of 50% of the shares originally subject to this criterion. Final acquisition of shares at the end of the three-year period will nevertheless be capped at 100 million of the shares originally subject to Adj. EBITA margin, Relative TSR and rate of cash conversion criteria. 15% of the shares vested are subject to a holding requirement until such time as Mr. Babeau ceases his duties. Furthermore, in the event of vested shares being sold, Mr. Babeau is required to reinvest 10% of the sale price in Schneider Electric shares (net of taxes and contributions). These obligations are suspended insofar as Mr. Babeau holds Schneider Electric shares with a value representing twice his annual fixed compensation. The percentage of capital represented by Mr. Babeau's share allocation is 0.004%. Date of authorization by the Annual Shareholders' Meeting: April 25, 2016, 19th resolution, and April 25, 2019, 8th resolution. Date of the award decision by the board of directors: March 26, 2019.

Elements of compensation submitted to the vote	Amounts paid during the past financial year	Amounts awarded for the past financial year or accounting valuations	Description
7) Attendance fees	EUR0	EUR0	Mr. Babeau has waived the attendance fees he would have been entitled to receive from directorships held in Group companies.
8) Other benefits			This includes the following benefits, as authorized by the board on February 13, 2019:
	EUR1,404	EUR1,404	• the employer matching contribution paid to subscribers to the capital increase reserved for employees, in an amount of EUR1,404.
	EUR800	EUR800	• the employer matching contribution paid to subscribers to the Group collective saving plan (PEG) in France, in an amount of EUR800.
	EUR7,970	EUR7,970	• Mr. Babeau benefited from profit-sharing.
	EUR4,569	EUR4,569	• Mr. Babeau benefited from a company car.
			Supplementary Life & Disability scheme Mr. Babeau benefits from rights to (i) a life-time annuity to the benefit of his surviving spouse in the event of his death before retirement or if he has left the Company after the age of 55 without taking up any other employment. This life-time annuity shall be equal to 60% of 25% of the average compensation paid (i.e. including annual complementary payments) over the 3 years preceding the date of his death, less any theoretical income that may have been obtained under insurance conditions as a result of complementary payments already made (see above) ii) a disability pension, payable to the surviving spouse, at a rate of 60%, in cases of disability leading to the cessation of any professional activity as from the date of his retirement, equal to 25% of the average compensation paid i.e. including annual complementary payments) over the 3 years prior to his disability, minus 1.25% per missing quarter required for obtaining a full-rate pension and less the theoretical income that may have been obtained through insurance schemes at the time of disability resulting from any complementary payments already made. Board decision of February 18, 2015 reiterated on April 25, 2017 and February 14, 2018. Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (5th resolution). Moreover, in addition to the benefits of the collective welfare scheme applicable to Schneider Electric SE and Schneider Electric Industries SAS employees covering risks of illness, incapacity, disability and decease, Mr. Babeau also benefits from the complementary cover granted to French executives in the Group against risks of illness, incapacity, disability, decease and accident. Welfare compensation and complementary cover are subject to performance conditions. Board decisions of 2009, 2012, 2013 and 2015, reiterated on April 25, 2017 and February 14, 2018. Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (5th resolution).
9) Termination benefits	EUR0	EUR0	**Involuntary Severance Pay** Mr. Babeau was entitled to involuntary termination benefits in case of change of control or strategy and taking into account the non-compete compensation described below, amounting to twice the arithmetical average of his annual fixed and variable compensation (i.e. inclusive of compensation and complementary payments) paid over the last 3 years. (See page 273 of the 2019 URD). Board decision of June 18-19, 2013, and February 18, 2015, reiterated on April 25, 2017 and February 14, 2018. Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (5th resolution).
	EUR0	EUR0	**Non-compete compensation** Mr. Babeau was entitled to non-compete compensation for a period of one year capped at 6/10th of his average gross compensation – i.e. including annual complementary payments – fixed and target variable – over the last 12 months of service). (See page 273 of the 2019 URD). Board decisions of June 18-19, 2013 amended in October 24, 2013 and February 18, 2015, reiterated and amended on April 25, 2017 and February 14, 2018. Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (5th resolution).

7.4 Compensation policy for the 2020 financial year

7.4.1 Executive Compensation Governance

Schneider Electric follows a rigorous process for determining executive compensation, under the leadership of committed and independent directors.

Role of the Governance and remunerations committee

The general principles and criteria forming part of the compensation policy for corporate officers, their individual assessment and their individual compensation packages are prepared and reviewed by the Governance and remunerations committee (the "Committee"), which makes proposals to the board of directors for decision. The board also hears the report and recommendations from the Human Resources and CSR committee on the incentive structure and performance criteria (annual incentive and performance shares) applied to other members of the Group Senior Management (the other members of the Executive Committee, see section 7.5), as well as the other Group's employees. To help the board in the decision process, the Governance and remunerations committee and the Human Resources and CSR committee are authorized to call upon external experts for specific topics and benchmarking data and analyses. The committees hold at least one joint meeting every year to discuss the compensation structure applicable to corporate officers and other employees of the Group. In 2019, there was one joint meeting between the Governance and remunerations committee and the Human Resources and CSR committee to study and discuss the definition of the new LTIP performance criteria and targets and to ascertain the alignment of the chosen approach with the compensation of other executives and employees of the Group (see page 251).

As part of its preparatory work for its proposals to the board, the Committee:

Defines incentive plan criteria	Benchmarks corporate officers' pay	Engages with shareholders
Defines incentive plan criteria based on Schneider Electric's executive compensation pillars and business strategy. Targets are determined at the beginning of the year in accordance with the goals of the Strategic Plan and individual performance objectives of each corporate officer. Based on circumstances and priorities, the targets also encompass risks raised by the Audit and risks committee as well as the recommendations of the Human Resources and CSR committee.	Benchmarks corporate officers' pay against the median of a peer group consisting of 24 French and international companies that are comparable to Schneider Electric in terms of market capitalization, revenue, industry, or that represent a potential source of recruitment or attrition. This benchmarking is used as an indicator, not as a target, and is done ex-post only for reference.	Relies on its Chair and independent lead director to directly engage with shareholders to ensure their perspectives and feedback on Schneider Electric's compensation policy are heard and considered in decision-making. The topic of corporate officers' compensation is usually discussed at four board meetings every year. Corporate officers do not take part to the debates of the board concerning their own compensation.

This process ensures consistency and alignment between the compensation policy applied to the other executives and managers and the compensation policy applied to corporate officers. They share the same objectives and priorities and their rewards are aligned with Group's performance and shareholder value creation.

Use of discretion

In determining executive compensation, the use of discretion is limited, and an appropriate disclosure on the use of discretion will be provided, if any, so that shareholders understand the basis for the board's decisions. This discretion is available to the board to ensure successful execution of the policy and to reflect the fact that there are no individual performance objectives in corporate officers' compensation:

- Flexibility to take account of unexpected changes in the industry environment and in compensation practice generally. This allows to respond to changes in circumstances, for example in modifying the benchmarking peer groups.
- Exercise discretion, upwards or downwards, to adjust the formulaic outcome for annual or long-term incentive awards resulting from the strict application of the approved policy, where a qualitative assessment of performance is required to ensure that the awarded compensation is fair in light of the corporate officers' actual contribution to the company's overall performance, its positioning vs. competition and the outcomes for shareholders.

Summary of changes for 2020

The compensation policy is intended to provide a clear link between delivery of Schneider Electric's strategy and corporate officers' compensation, while reflecting outcomes for shareholders. Set out below is the corporate officers and non-executive directors' compensation policy (the 'policy') for 2020. It will be submitted to the shareholders at the 2020 Annual Shareholders' Meeting (9th to 11th resolutions) and, subject to shareholders approval, will remain in force until the next policy is approved by the shareholders.

The Committee has reviewed the existing policy and concluded that the pillars and principles formulated in 2018 continue to provide market competitive pay, ensuring a strong link between pay and performance, strong alignment with shareholders and long-term focus. Therefore, based on the Committee's analyses and recommendation, the board decided at its meeting of December 13, 2019 to maintain the executive compensation pillars, namely, Pay-for-Performance, Alignment with Shareholders' Interests, and Competitiveness, and the seven principles that they translate into.

The Committee has also reassessed the compensation elements and criteria considering these principles and the shareholders' concerns expressed at the 2018 Annual Shareholders' Meeting and during the shareholder engagement process described above. Relying on the work and recommendations of the Governance and remunerations committee, the board, at its meeting of February 19, 2020, decided that the overall compensation structure of the corporate officers should remain largely the same as in 2019 as it satisfies the objectives of pay-for-performance and alignment with shareholders' interests, subject to a tightening of the post-mandate benefits.

The specific components of Mr. Babeau's compensation, which are proposed to be granted to him at his departure, are presented separately.

Compensation Element	Summary of changes	Rationale
Base salary	• Based on the Committee's recommendation, the board decided that the corporate officers' salaries should remain unchanged in 2020: – Jean-Pascal Tricoire: EUR1,000,000 – Emmanuel Babeau: EUR680,000 (prorated for time)	Considering the positioning of the corporate officers' salaries on the relevant markets, the Company performance and also pay conditions for other employees, the board decided that there were no special circumstances that would call for a salary increase in 2020.
Annual Incentive	• No change to the performance criteria and weighting since it was simplified in 2019 by reducing the number of performance criteria from 8 to 4 with 80% Financial and 20% Sustainability based criteria. • Continue to apply a more stringent approach to target setting: the maximum annual incentive will only be earned where a strong performance is delivered on each performance metric.	• The Annual Incentive structure focuses on what matters to Schneider Electric in delivering value to shareholders. It is 100% based on quantitative criteria. • The financial criteria – adj. EBITA margin, cash conversion and organic sales growth – represent 80% of the Annual Incentive and closely align pay outcomes for corporate officers with Schneider Electric's financial performance. • 20% is based on Schneider Sustainability Impact and reflects the importance of sustainability on Schneider Electric's business agenda.

7. Compensation Report

Compensation Element	Summary of changes	Rationale
Performance Shares (Long-Term Incentive Plan)	• Maintained the same number of shares to be granted to the Chairman and CEO Mr. Jean-Pascal Tricoise as in 2019, in line with the compensation policy; ie. 60,000 shares. • The award of shares represents the maximum potential and is subject to more stringent performance conditions. This is the fist plan that is subject to the new performance criteria, which are predominantly based on external and relative performance of Schneider electric versus peers on TSR and the demanding external indices on Sustainability. • From 2020, as approved by the shareholders at the 2019 General Meeting under the new LTIP authorization, the LTIP is simplified to reduce the number of performance criteria from 4 to 3 and remove duplicate performance criteria between the annual and long-term incentives. Also, the new plan: i. Introduced an adjusted EPS as performance criterion; ii. Modified TSR peer group to also include CAC40 companies in addition to the current peer group and to introduce a more demanding pay-out scale. iii. Introduced new relative and external Sustainability criteria which will measure Schneider Electric's progress as regards sustainability as assessed externally through independent, demanding and public indices. • Continue a more stringent approach to target setting – 100% of award can only be earned for stretching performance: e.g. for the Adj. EBITA, only 70% of award will be earned for achieving targets aligned with the objectives communicated to the market.	• In line with the compensation philosophy of the company, the board considers more appropriate to maintain in the remuneration policy a cap expressed as a number of awards as it wants to avoid the windfall effect that could come with a cap expressed in value. However, the number of awards is reviewed annually by the board. • In discussing the LTIP awards for the corporate officer, the board considered various inputs: – Reviewed the market practice and the competitive positioning of the corporate officer among the three key comparator panels as specified in the compensation principles and noted that the chairman and CEO's on-target compensation is becoming less competitive versus its US peers; – Discussed the outstanding Group's performance in 2019, and specifically the excellent returns to shareholders and increased enterprise value of Schneider Electric. – Observed that these LTIP awards would be subject, for 60% of the total, to stringent relative financial and non-financial performance criteria and for the remaining 40%, to the Group's performance measured in terms of Adj. EPS. • In the context described above, the board decided that the number of shares granted to the Chairman and CEO continues to be reasonable in terms of quantum and market practice for comparable roles; it rewards for excellent performance and supports the culture of ownership strongly promoted by Schneider Electric. • Having heard the reservations expressed by shareholders, the board decided to reduce from 30% to 25% the weight of the relative sustainability criterion measured through the combination of four external indices under the new Group indicator called SSERI and reviewed the acquisition scale to ensure that only leadership positions in the most demanding and relevant indices would allow the vesting of 100% of the shares. • The changes to the LTIP were largely supported and approved by the shareholders at the 2019 Annual Shareholders' Meeting (21st resolution). They will be implemented starting from 2020 LTIP awards.
Termination provisions	If the new policy is approved by the shareholders at the 2020 meeting: • **Severance indemnity** will exclude pension payments from the calculation. • **Circumstances of the termination:** Resignation may qualify as a forced departure only if the resignation is "requested". Voluntary resignation does not qualify as forced departure. • **Right to retain unvested shares:** Pro-rata rule will apply as a principle.	• The board listened to shareholders' feedback in 2019 and made the appropriate changes and clarification to the termination provisions previously approved as regulated agreements and commitments. • The detailed operation of the termination provisions is described in the Policy section further in this document.

How are performance criteria linked to Schneider Electric strategic priorities?

Variable pay is linked to performance metrics designed to deliver Schneider Electric strategy. At the start of each year, the board reviews the measures, targets and weightings to ensure they remain consistent with the annual priorities and Group strategy. For the annual incentive and the performance shares, the approach to performance measurement is intended to provide a balance of measures to assess performance focusing on execution of the Group's strategic priorities.

How the strategy links to the corporate officers' variable compensation

Group's strategic priorities

- **Organic growth**
- **Value for customers**
- **Sustainability**
- **Continuous efficiency**
- **Value & returns to shareholders**

Annual incentive plan

Delivering strong execution and creating value for customers and shareholders every year to contribute to Schneider Electric's long-term success

Group organic sales growth	Group adjusted EBITA margin improvement (org.)	Group cash conversion rate	Schneider Sustainability Impact
40%	30%	10%	20%

Long-term incentive plan

Building an integrated and leading company with strong sustainability focus and attractive returns to shareholders

Adjusted Earnings per share	Relative total shareholder return	Relative Sustainability Index
40%	35%	25%

Considerations of wider workforce compensation and shareholders' views

The board monitors and reviews the effectiveness of the compensation policy for corporate officers and senior management and has regard to its impact and consistency with compensation policies in the wider workforce. During the year the board is provided with information and context on pay in the wider workforce and various HR initiatives to enable its decision-making. This includes the approach to gender pay gap and living wage programmes rolled out globally, the annual incentive results, the total cost of LTIP awards. Employee shareholders representatives are provided with a detailed explanation of the corporate officers' compensation arrangements and can ask questions on the arrangements and how their compensation is aligned with the Company's performance.

The board is committed to an open and transparent dialogue with Schneider Electric's shareholders through the Vice-Chairman lead independent director. Where appropriate, Schneider Electric actively engages with shareholders and shareholder representative bodies, taking their views into account when making any decisions about the corporate officers' compensation. The Vice-Chairman lead independent director is also available to answer questions at the Annual Shareholders' Meeting.

2020 Compensation Pillars and Principles

Pay for Performance

- **Principle 1**: Prevalence of variable components: circa 80% for CEO and 75% for Deputy CEO (at target).
- **Principle 2**: Performance is evaluated *via* economic and measurable criteria.
- **Principle 3**: Financial and Sustainability objectives are fairly balanced and distributed between short-term (annual incentive) and medium-term (long-term incentive) components.

Alignment with shareholders' interest

- **Principle 4**: Significant proportion of the total compensation delivered in shares.
- **Principle 5**: Performance conditions support Schneider Electric's strategic priorities and are aligned with shareholders' expectations.

Competitiveness

- **Principle 6**: To benchmark Corporate Officers' compensation package "at target" in the median range of the Company's updated peer group.
- **Principle 7**: To reference the CAC40 3rd quartile and the Stoxx Europe 50 median.

Base salary

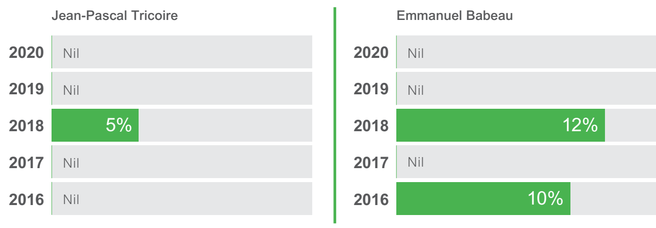
Purpose and Operation

Base salaries are fixed remuneration, reflecting the scale and complexity of the business and the level of responsibility attached to the role of a corporate officer.

The board reviews corporate officers' salaries regularly but usually awards increases only over a substantial period of time, unless there are specific circumstances that would warrant a salary increase, for example a major change in the corporate officer's duties. The board ensures that corporate officers' salaries are set reasonably comparing to similar roles in the market.

The board has decided there will be no increase in salaries in 2020.

Salary increases over the last five years



Corporate officer	FY 2020 (January 1, 2020)	FY 2019 (January 1, 2019)	% Change
Jean-Pascal Tricoire, Chairman and CEO	€1,000,000	€1,000,000	0%
Emmanuel Babeau, Deputy CEO	€680,000	€680,000	0%

The base salary paid to Mr. Babeau till his departure, calculated on a *prorata temporis* basis, would represent €226,667. (see page 297).

Annual Incentive

Purpose and Operation

Annual Incentive provides variable cash compensation which rewards achievement of the short-term financial and sustainability targets of the Group.

At the start of the financial year, performance criteria and weightings are determined, and annual financial and sustainability targets are reviewed in detail by the Committee and recommended to the board for approval. Outcomes will be determined based on performance against each of those targets. The board has the flexibility to review targets during the year to ensure continuous alignment with shareholders' interests.

The payment of the variable annual cash incentive is conditional upon approval by shareholders of the compensation granted to the corporate officers. The Company does not operate a clawback policy.

The pay-out opportunity at threshold performance is 0%, with 50% of maximum annual incentive payable for achieving target. Pay-outs between threshold and target, and between target and maximum, are determined on a straight-line basis.

Schneider Electric does not operate a deferral programme.

2020 Annual Incentive opportunity at target and maximum:

Jean-Pascal Tricoire, Chairman and CEO

Minimum	At target	Maximum
0% of salary	**130% of salary**	**260% of salary**
Nil	**EUR1,300,000**	**EUR2,600,000**

Emmanuel Babeau, Deputy CEO

Minimum	At target	Maximum
0% of salary	**100% of salary**	**200% of salary**
Nil	**EUR680,000**	**EUR1,360,000**

For 2020, the board proposes that the measurable financial performance criteria determine 80% and sustainability criteria, 20% of the variable cash compensation of Messrs. Tricoire and Babeau as follows:

100% measurable and quantifiable criteria	80% Financial and 20% Sustainability

For 2020, the board proposes that the measurable financial performance criteria determine 80% and sustainability criteria, 20% of the variable cash compensation of Mr. Tricorie as follows:

Performance Criteria	Description and link to strategy
40% Group Organic Sales Growth	Fostering organic growth through deployment of strategic priorities in key markets
30% Adjusted EBITA operating margin improvement	Enabling shareholder value creation through continuous efficiency
20% Schneider Sustainability Impact	Promoting continuous progress towards more sustainability and value for customers
10% Group Cash conversion	Enabling returns to shareholders

For business confidentiality reasons, the level of attainment required at target cannot be disclosed; however, the targets have been set by the board at the meeting of February 19, 2020 and will be communicated retrospectively.

Regarding specifically the Deputy CEO Mr. Babeau who leaves his position on April 30th, 2020, the target level set forth for the 2020 financial year, and not the maximum, would be deemed reached and applied to the annual incentive set at €680 000 with no change. Mr. Babeau would therefore be granted, on a prorata temporis basis until the termination date of his term of office as Deputy CEO, an amount of €226,667 (see page 297 for details).

Performance Shares (Long Term Incentive Plan)

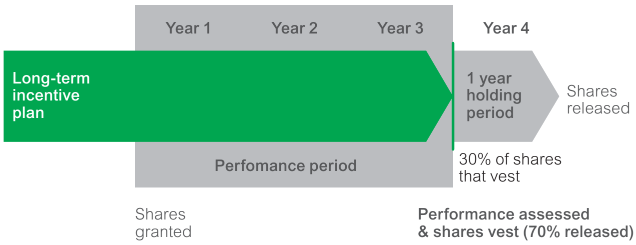
Purpose and Operation

LTIP links the largest part of corporate officers' compensation with the long-term performance of the Group and the actual outcome varies with performance against criteria linked directly to strategic priorities.

Shares granted are subject to a vesting period of three years with an additional mandatory one year holding period for 30% of shares which are granted under the Plan reserved to the corporate officers.

For threshold performance, 0% of shares granted will vest, for maximum 100% will vest. Vesting will normally operate on a straight-line basis between these points.

LTIP time horizon



In 2018, the board has undertaken a robust review of the performance criteria and target setting approach to ensure LTIP performance criteria reflect a holistic assessment of the Group's performance, continue to reinforce Schneider Electric's strategy; encourage management to deliver steady and sustainable growth and strong alignment with shareholders.

These proposals have been approved by shareholders under the new LTIP resolution at the 2019 Annual Shareholders Meeting on April 25, 2019 (21st resolution). Therefore, the 2020 LTIP share awards will be granted under the new structure.

In order to align the interests of the Group's executives to those of the shareholders, in 2020 the board will allocate performance shares to more than 2,000 beneficiaries who hold positions as Group executives (Plans No. 36 and 37). For Group Senior Management, 100% of shares allocated will be subject to a set of performance criteria with targets set by the board for each performance criteria and measured over 3 years. The total number of shares to be granted in 2020 is capped at 2.2 million shares.

The maximum annual award to the Chairman and CEO for 2020 remains the same as in 2019 – 60,000 shares ("policy maximum"). Under no circumstances, including in case of overachievement of all targets, the number of shares acquired may exceed the number of shares defined as policy maximum.

The volume of the maximum annual award was set in consideration of:

- The market practice and competitive positioning of the Chairman and CEO's compensation package;
- The outstanding group's performance in 2019, acknowledged by the market;
- The new structure of performance measurement governing the final acquisition of LTIP awards;
- The culture of ownership deeply rooted in Schneider Electric's DNA.

100% measurable and quantifiable criteria	75% Financial & TSR and 25% Sustainability

Performance criteria and weightings applicable to the 2020 LTIP:

- 40%, a target **improvement of Adj. EPS**;
- 35%, a **relative TSR** performance of Schneider Electric:
  - 17.5% measured vs a bespoke panel of 11 companies: ABB, Legrand, Siemens, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric and Yokogawa.
  - 17.5% measured vs CAC 40 companies
- 25%, based on **Schneider Sustainability External & Relative Index**.

Adjusted EPS (40%): The board introduced Adjusted EPS as the key long-term performance metric which promotes the execution of Schneider Electric's strategy to deliver profitable growth, thus reinforcing alignment with shareholders. The criterion is defined as the average of the annual rates of achievement of Adjusted EPS improvement targets for the 2020 to 2022 financial years. Adjusted EPS performance is published in the external financial communications and its annual variance will be calculated using adjusted EBITA at constant FX from year N-1 to year N. Foreign exchange impacts below adjusted EBITA will be taken in full. Significant unforeseen scope impact could be restated from this calculation upon decision of The board.

Relative TSR (35%): the weight of this criteria has more than doubled (previously was 15%) to strengthen even further the alignment between the shareholders' interests and compensation of the corporate officers.

- For 50% of the shares subject to the TSR criterion (i.e. 17.5% of the total), Schneider Electric TSR will be compared to a bespoke industry panel of 11 companies (ABB, Legrand, Siemens, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric and Yokogawa).
- For the remaining 50%, Schneider Electric TSR will be compared with the TSR of the companies in CAC40 index to reflect the macro-economic and stock-market specific trends which influence the performance of the share and in turn, the return to shareholders.

The TSR vesting scale is now as follows:

- No vesting at ranks 8 and below in the bespoke peer group: 0% at rank 8 and below, 100% at rank 4, 150% for ranks 1 to 3, linear between these points, as was already introduced in 2019 LTIP.
- For CAC40 TSR panel, there will be no vesting of shares for performance below the median: 0% below median, 50% at median (rank 20), 100% at rank 10, 120% in ranks 1 to 4, linear between these points.
- Overcompensation for exceptional performance will be permitted only if Schneider Electric's TSR is ranked within the top quartile of the bespoke industry panel or within top 10% of the CAC40 companies and may compensate for under-performance under the Adjusted EPS criterion up to the same number of shares.
- If the Schneider Electric TSR is closely clustered with that of other companies in the panel, then the board of directors will apply its judgment to decide whether Schneider Electric's TSR shall be deemed to be ranked in the same position as those companies.

Schneider Sustainability External and Relative Index (SSERI) (25%), referred to herein as Relative Sustainability Index: the long-term sustainability performance of the Group is also measured in terms of relative performance, through a combination of external indices which cover a range of environmental, social and governance indicators wider than and different from the Schneider Sustainability Impact. Using external indices will also ensure that the sustainability priorities governing the assessment of the long-term sustainability performance of the Group are at all times those which matter the most to the stakeholders.

For the 2020-22 plans, the board has selected some of the most challenging external indices (DJSI World, Euronext Vigeo, FTSE4GOOD and CDP Climate Change) which are objective, recognized and independent, covering main geographies in line with the Group's Global footprint and which complement each other as they cover different sustainability dimensions. Using external and relative indices for performance assessment encourages permanent progress as their content is dynamic and includes new and more relevant topics as they emerge, forcing participants to constantly anticipate the most demanding trends in global sustainability. In line with Schneider Electric sustainability strategy, external indices stand at the forefront of new academic research of sustainability practices (IPCC 1.5ºC report, TCFD recommendations, UN Global Compact SDGs…) and continuously raise the bar to deliver stronger impacts.

DJSI	Euronext Vigeo	FTSE4GOOD	CDP Climate Change
Covers 3 dimensions: economic, environmental and social.	Covers environment, community involvement, business behaviour, human rights, corporate governance, human resources.	Covers the complete range of E (Environment), S (Social), and G (Governance).	Covers climate change, water, forests and represents a major reference for climate change leadership globally.
3,400 companies assessed.	4,000 companies assessed.	4,700 companies assessed.	5,500 companies assessed.

Criteria	Weight (%)	Sustainability Index	Threshold	Mid-point	Target/Maximum
Pay-out %			**0%**	**50%**	**100%**
Relative Sustainability Index (25%)	25%	DJSIW	Not in World	Included in World	Sector Leader (#1)
	25%	Euronext Vigeo	Out	Included in World 120 OR Europe 120 index	Included in World 120 & Europe 120 index
	25%	FTSE4GOOD	Out	Included in Developed OR Environmental Leaders Europe 40 indexes	Included in Developed and Environmental Leaders Europe 40 indexes
	25%	CDP Climate Change	≤C score	B score (25% payout at B- score)	A score (75% payout at A- score)

The target values and performance rates for each of these performance criteria will be detailed in the board's report to the Annual Shareholders' Meeting once the performance period has finished.

The maximum annual award to the Chairman and CEO for 2020 remains the same as in 2019, ie. 60,000 shares ("policy maximum"). However, the board may decide to award a different number of shares, provided it does not exceed the existing policy maximum. Under no circumstances, including in case of overachievement of all targets, may the number of shares acquired exceed the number of shares defined as policy maximum.

Corporate officer	Number of Shares (Plan No. 36)(1)	Number of Shares (Plan No. 37)
Jean-Pascal Tricoire, Chairman and CEO	18,000	42,000

(1) The performance shares granted only to corporate officers are subject to a one year holding period after expiry of the three-year vesting period.

Mr. Babeau, who leaves the Group on April 30th, 2020 will not be granted any shares in 2020.

Pension Benefits

Purpose and Operation

The corporate officers receive complementary cash payments in lieu of participation in the defined benefit pension scheme (article 39) ("Top Hat"), which was discontinued for corporate officers following the decision of the board of directors on February 18, 2015.

The purpose of the pension cash payments is to provide a competitive retirement benefit in a way that is cost effective to the Company and that allows corporate officers to continue building their retirement benefits independently. The cash payments are a combination of fixed and variable payments that are considered "other benefits" to ensure consistency and comparability with other French or international companies. The maximum annual Complementary Pension Cash Benefit for 2020 remains unchanged and is detailed in the table below. Variable portion is subject to the same performance criteria and targets as the Annual Incentive. The corporate officers have committed to depositing these additional payments, after taxes, into investment vehicles dedicated to the supplementary financing of their pensions.

		Variable portion				
Corporate Officer	Fixed portion	Target (% of Fixed)	Minimum	At target	Maximum	Total at Target
Jean-Pascal Tricoire, Chairman and CEO	€191,600	130%	€0	€249,080	€498,160	€440,680

Mr. Babeau would receive, as complementary cash payments for pension building, the amounts prorated for time lapsed till the termination of his office as Deputy CEO, (i) of the fixed portion set at €153.300 on an annual basis with no change and (ii) of the variable portion calculated on the fixed portion, ie. €51,100 for the fixed portion and €51,100 for the variable portion (see page 297 for details).

7. Compensation Report

Other benefits

Schneider Electric aims to provide an appropriate level of benefits considering market practice and the level of benefits provided for other employees in the Group. The benefits currently provided are described below, but may also include, for example, relocation assistance if required and subject to the board's decision.

Employer Matching Contributions and Profit-Sharing

Corporate officers are eligible for profit-sharing and the employer matching contribution paid to subscribers to the capital increase reserved for employees.

Corporate officers are also eligible for the employer matching contribution paid to subscribers to the collective pension fund (PERCO), for the retirement of employees in France.

Company Car and Travel Expenses

Travel and business expenses for corporate officers are covered by the Group. The corporate officers may use the cars made available to Group Senior Management with or without chauffeur services. In addition, corporate officers are provided with a company car, but are not eligible to be reimbursed for other costs.

Health, Life and Disability schemes

Corporate officers are eligible for:

- **i.** The collective welfare plan applicable to employees of Schneider Electric SE and Schneider Electric Industries SAS covering the risks of illness, incapacity, disability and death;
- **ii.** Additional coverage of the Group's French executives for risks of illness, incapacity, disability and death. The main features of this coverage are:
  - **1)** In case of illness or accident resulting in a temporary stoppage or incapacity (of any category), the corporate officer shall be entitled to continue to receive 18 months' worth of his compensation (fixed and target variable) authorized by the board,
  - **2)** In case of death, the policyholder's beneficiaries shall be entitled to the compensation (fixed and target variable) authorized by the board of directors for the current month, along with a death benefit equal to 6 months of the average compensation authorized by the board of directors (monthly average of the fixed and variable compensation paid during the last 12 months of employment);
- **iii.** The entitlement to a life annuity pension paid to the surviving spouse in the event of death before his retirement, or if he left the company after the age of 55 without returning to work, equal to 60% of 25% of the average of compensation paid during the 3 years before the date of death, with a deduction made from the theoretical pension payment that may be obtained under insurance conditions from the additional payments that will have been made;
- **iv.** In the event of disability causing the corporate officer to completely stop working, the right to pension payments (payable to the surviving spouse at a rate of 60%) beginning from his retirement equal to 25% of the average of the total cash compensation paid over the 3 years preceding the date of disability minus 1.25% per quarter of absence so as to obtain a full rate of pension and minus the amount of additional compensation that may be obtained under insurance conditions at the time the disability occurred;
- **v.** In the event of an accident, the Group insurance covering the executive's accident risk, stipulating the payment of a benefit the sum of which may be up to 4 times the annual compensation based on the type and circumstances of the accident.

Eligibility for benefits (ii) through (v) above is conditional on the fulfilment of one of the following conditions:

- the average of the net income of the last 5 financial years preceding the event is positive;
- the average of the free cash flow of the last 5 financial years preceding the event is positive.

Compensation in relation to director's office

Mr. Tricoire has waived the attendance fees to which he is entitled in his capacity of Chairman of the board in pursuance of the distribution rules adopted by the board. Likewise, in accordance with the Group internal rules, Mr. Babeau will not receive attendance fees from any directorship held in Group companies until his departure.

Extraordinary Awards

The Compensation Policy does not include any provisions for extraordinary payments.

The board decided to maintain the prohibition of one-off payments that are not provided for in the compensation policy approved by the shareholders.

Recruitment Policy

On appointment of a new corporate officer, the board expects any new corporate officer to be engaged on terms that are consistent with, and in no case more favorable than, the policy approved by the shareholders at the last Shareholders' Meeting, until the next policy is approved. However, it is recognized that all circumstances in which corporate officer may be appointed cannot be anticipated. The board will aim to set compensation that is appropriate to attract, motivate, retain and reward an individual of the quality required to run the Group successfully, while avoiding paying more than is necessary. If the board determines that it is in the best interests of the Company and shareholders to secure the services of a particular individual not promoted within the Group, it may require considering the terms of that individual's existing employment and/ or their personal circumstances.

The table below summarises the policy on appointment of a new corporate officer.

Base Salary	Salaries are set by the board, taking into consideration a number of factors including the current pay for other corporate officers, the experience, skill and current pay level of the individual and external market forces. The board may choose to set the salary below that of the market or the other corporate officers with the intention of applying staged increases as the individual gains experience in the role.
Annual incentive	Annual incentive will be awarded within the parameters of the policy in force.
Pension	The board would set the pension cash supplementary payments at the appropriate level based on an individual's circumstances.
Other benefits	The board would expect any new corporate officer to participate in the benefit schemes that are open to other senior employees (where appropriate referencing the candidate's home country) but would take into account the individual's existing arrangements, market norms and their status as a corporate officer.
Buy-out awards	The board may offer compensatory payments or buy-out awards where an individual forfeits outstanding variable pay opportunities or contractual rights as a result of their appointment. The specifics of any buy-out awards would be dependent on the individual circumstances of recruitment and would be determined on a case-by-case basis. On assessing such awards, the board will seek to make awards on a like-for-like basis to ensure that the value awarded would be no greater than the value forfeited by the individual. The board may choose to apply performance conditions to these awards.
Relocation	Where an individual is relocating in order to take up the role, the board may approve certain one-off benefits such as reasonable relocation expenses, accommodation for a defined period following appointment, assistance with visa applications or other immigration issues and ongoing arrangements such as tax equalization, annual flights home and a housing allowance.
Internal promotion	Where an existing employee is appointed to the board, he/she will be required to resign from his/her employment contract and the board will consider all existing contractual commitments including any outstanding share awards or pension entitlements.

In making any decision on the compensation of a new corporate officer, the board would balance shareholder expectations, current best practice and the circumstances of any new corporate officer. It would strive not to pay more than is necessary to recruit the right candidate and would give full details in the next remuneration report.

Post–mandate benefits (formerly covered under the Regulated Agreements and Commitments)

The post-mandate benefits described below shall not apply to Mr. Babeau, Deputy CEO, whose specific post-mandate benefits in relation to his departure on April 30, 2020, are detailed in the next section. They shall exclusively apply to the Chairman and CEO Mr. Tricoire.

The board listened carefully to the concerns raised by the shareholders and taking their feedback into account, the board propose the following changes to the corporate officers' post-mandate benefits:

- Complementary payments for pension are proposed to be excluded from the severance indemnity calculation.
- A resignation may qualify as a forced departure only if the resignation was "requested", which may include reasons such as change in strategy. Voluntary resignation does not qualify as a forced departure.
- Pro-rata rule will now apply as a principle to determine the corporate officer's right to keep unvested shares after their constraint departure.

The table below presents a summary of the benefits that could be granted to the corporate officers on leaving office depending on the terms of the departure. The information provided in this summary is without prejudice to any decisions that may be made by the board. In determining overall termination arrangements, the board will ensure that termination benefits shall be granted only in case of forced departure and regardless of the form of the departure. In any case, Involuntary Severance Pay will not be paid if the resignation is a consequence of wrongful or gross misconduct.

	Voluntary resignation/ Removal from office for wrongful or gross misconduct	Forced departure[1]	Retirement	Change of assignment within the Group
Involuntary Severance Pay[2]	Not applicable	Maximum Amount(3) = twice the arithmetical average of the corporate officer's annual fixed and variable cash compensation, to the exclusion of complementary pension payments, paid over the last 3 years taking into account the non-compete compensation, if any, and subject to the attainment of performance conditions.	Not applicable	

7. Compensation Report

	Voluntary resignation/ Removal from office for wrongful or gross misconduct	Forced departure(1)	Retirement	Change of assignment within the Group
Non-compete indemnity(4)	If not waived by the board, 60% of annual fixed and target variable compensation (excluding pension payments)		Not applicable	
Retention of unvested share awards(5)	Forfeited in full	Rights retained on pro-rata basis to presence within Schneider Electric	Rights retained	

Notes:

1) The termination benefits only become payable if the departure of the corporate officer is forced, including requested resignation, in the following cases;
   a. Dismissal, non renewal or requested resignation of the corporate officer, within the 6 months following a material change in Schneider Electric's shareholder structure that could change the membership of the board of directors;
   b. Dismissal, non renewal or requested resignation of the corporate officer, in the event of a reorientation of the strategy pursued and promoted by the corporate officer until that time, whether or not in connection with a change in shareholder structure as described above; and
   c. Dismissal, non renewal or requested resignation of the corporate officer, although, on average, two-thirds of the Group performance criteria have been achieved for the last 4 financial years from the day of departure.
2) Payment of the Involuntary Severance Pay is subject to fulfilment of the following performance conditions based on the average rate of achievement of the Group's performance criteria used in the Annual Incentive for the last 3 financial years preceding the date of the board's decision:

Group criteria achievement	Severance payment
< 66%	No payment
66%-100%	75% – 100% of the Maximum Amount, calculated on a straight line basis
>100%	100% of the Maximum Amount

3) The aggregate amount of the Involuntary Severance Pay and the non-compete compensation, if any, shall not exceed the Maximum Amount.
4) Non-compete: Corporate officers are bound by a non-compete agreement in case of departure. The one-year agreement calls for compensation to be paid at 60% of annual fixed and target variable parts (excluding complementary payments). In line with the recommendations of the AFEP-MEDEF corporate governance code, the board will determine whether to apply the non-compete clause at the time of departure of the corporate officer.
5) If the corporate officer leaves the Group in circumstances of a forced departure, he will be entitled to retain unvested performance shares, which would typically vest at the end of the relevant vesting period, subject to the applicable performance conditions, and which will be pro-rated for the time the corporate officer remained with the Group in any capacity during the vesting period.

Corporate officers are responsible for building their own pension and are not entitled to any pension benefits in case of departure.

In conformity with the recommendations of the AFEP-MEDEF corporate governance code:

- The entitlement to involuntary severance pay is subject to strict performance conditions, assessed over a period not lesser than two years;
- Only circumstances of a forced departure, regardless of the form of the departure, could trigger the entitlement to involuntary severance pay;
- Together with the non-compete indemnity, if any, the involuntary severance pay could not exceed twice the average of the corporate officer's annual compensation (fixed and variable part, to the exclusion of the pension benefits);
- The board shall determine unilaterally whether or not to apply the non-compete clause at the time of the departure of the corporate officer;
- The corporate officer shall not be entitled to Involuntary Severance Pay in case he is entitled to benefit from his/her pension rights.

Corporate officer	Employment Contract	Top-Hat pension benefits	Payments or benefits that may be due in the event of termination of assignment	Payments in relation to a non-compete agreement
Jean-Pascal Tricoire, Chairman and CEO	NO	NO(1)	YES	YES

(1) The board of directors of February 18, 2015, decided to put an end to the benefits of the top-hat pension plan for corporate officers.

If the compensation policy for 2020 of the Chairman and CEO Mr. Jean-Pascal Tricorie is approved, those changes would apply immediately and supersede the terms of the Regulated Agreements and Commitments in relation to his status detailed in section 4.8 below and previously approved (4th resolution approved at the Annual Shareholders' Meeting of 24 April 2018).

Departure of the Deputy CEO Mr. Emmanuel Babeau

Mr. Emmanuel Babeau, Deputy CEO of Schneider Electric, will be leaving the Group with effect from 30 April 2020, under mutually agreed conditions that have been set forth in the Agreement executed on 2 March 2020 in accordance with the procedure of the regulated agreements of Article L. 225-38 of the French Commercial Code.

The board of directors, in its meeting of 28 February 2020, based on the works and recommendation of the Governance and remunerations committee, decided to grant him the compensation components listed hereinafter, subject to their approval by the general meeting to be held on 23 April 2020 under:

- the regulated agreements' procedure (5th resolution); and
- a specific resolution relating to the approval of the compensation policy applicable in 2020 to Mr. Babeau as part of his departure and the components of the compensation thus approved and already known that would be paid to him at his departure (10th resolution).

Base salary for the 2020 financial year

The amount of the annual base salary of the Deputy CEO would remain unchanged for 2020, ie. €680,000 for a full year. The base salary paid to Mr. Babeau would be calculated on a prorata temporis basis until the termination date of his term of office as Deputy CEO. He would therefore receive €226,667 until 30 April 2020 as base salary.

Annual incentive for the 2020 financial year

The board would like to acknowledge Mr. Babeau's contribution for the 2020 financial year and the assistance he provided to ensure a smooth transition in the best conditions. As a result, the target level (ie. 100% of the fixed compensation) - and not the maximum (ie. 200%) - of the annual incentive of €680,000 set forth for the 2020 financial year, would be deemed reached for the Deputy CEO Mr. Babeau and applied on a prorata temporis basis until the termination date of his term of office as Deputy CEO. The portion of the annual incentive due to Mr. Babeau for the 2020 financial year would thus be €226,667.

Mr. Emmanuel Babeau would not be granted any performance share under the 2020 performance share plans.

Complementary cash payments for pension building

Mr. Babeau would receive, as complementary cash payment for pension building for 2020, the following amounts, calculated on a prorata temporis basis until the termination date of his term of office as Deputy CEO:

- fixed portion: €51,100 (based on an annual amount of €153,300 euros); and
- variable portion (at target): €51,100 (based on an annual amount of €153,300 for a variable portion equal to 100% of the fixed portion if the target level is deemed reached for the 2020 financial year).

Application of a new non-compete agreement and other restrictive covenants

The board of directors reviewed the contractual conditions currently applicable to the corporate officers as part of their status, amended for the last time on 14 February 2018 and approved under the procedure of the regulated agreements and commitments at the Annual Shareholders' Meeting of 24 April 2018. This status is described in detail page 273 of this Universal Registration Document.

As per this status, the board of directors must decide whether or not the non-compete commitment shall apply.

The board of directors, after hearing the report of the Governance and remunerations committee and deliberating thereon, felt it necessary to further protect the company and Group's interests after the departure of the Deputy CEO. The board noted in this regard that Mr. Emmanuel Babeau had worked within the Group for more than ten years, including seven years in the capacity of Deputy CEO, and has in-depth knowledge of the Group's operations and future strategic development. As Vice Chairman and non-executive director of Aveva Group Plc. since 2018, he has also developed cross-disciplinary, strategic and operational skills in the engineering and industrial software sector, a sector which is seen as crucial for the current and future development of the Group.

As a result, the current non-compete commitment is deemed insufficient and does not protect the Group's interests to the full extent and would thus be replaced with a new non-compete commitment, the scope of which would extend to positions as employee, executive and non-executive officer (and in particular any participation in a governance body) and to any activity providing services or consultancy within or to the companies already covered by the initial non-compete agreement as well as companies in the engineering and industrial software sector. The term of the new non-compete commitment would extend to 2 years (instead of 12 months under the current commitment).

Mr. Babeau, whose contribution to the Group's good performance has been acknowledged by the board of directors, would waive the non-compete cash compensation equal to 60% of his annual target compensation (including complementary payments) that he would be entitled to receive pursuant to the non-compete agreement approved by the Annual Shareholders' Meeting of April 24th, 2018.

This fresh non-compete commitment would be supplemented by the following restrictive covenants resulting from the departure of the corporate officer: (i) non-solicitation, (ii) non-disparagement, (iii) confidentiality and (iv) cooperation in the context of legal or administrative proceedings involving the company, all binding Mr. Babeau for a period of two years.

7. Compensation Report

Subject to compliance with the terms of all these commitments and covenants, Mr. Babeau would be entitled to retain the unvested performance shares granted to him in 2018 and 2019, in proportion to the time of his presence over the vesting period of the performance share plans concerned and subject to the original performance conditions applicable to those shares and the plan rules.

Right to retain unvested performance shares
The continuous presence condition provided for in the performance share plans would be waived and Mr. Babeau would be entitled to retain the 52,000 unvested performance shares, which were granted to him in 2018 and 2019, in proportion to the time of his presence over the vesting period of the performance share plans concerned, i.e., a maximum of 27,445 performance shares, under the following conditions:

- 18,056 performance shares granted in 2018 under the plans 30 and 31 would be deemed vested on March 26, 2021, subject to the Deputy CEO's compliance with all the commitments and covenants above described until that date; and
- 9,389 performance shares granted in 2019 under the plans 32 and 33 would be deemed vested on March 28, 2022, subject to the Deputy CEO's compliance with all the commitments and covenants above described until that date.

The other conditions provided for in the performance share plans rules, and in particular the performance conditions, would remain applicable. The final number of performance shares that could be acquired by Mr. Babeau will be known at the end of the respective vesting periods, subject to continuous compliance with the commitments and covenants and to the achievement rates of the applicable performance conditions set by the board of directors.

Tax and legal support
Mr. Babeau would benefit from legal and tax support until the completion of the study relating to the consequences of him being based in the United-Kingdom from July 2014 to July 2018 for the purposes of the integration of Invensys Ltd.. This study is currently carried out by the external provider, and will be completed by 31 December 2020 at the latest. The cost of this support is capped at 15,000 euros.

In any event:

- Mr. Emmanuel Babeau will not receive any Involuntary Severance Pay insofar as his departure does not constitute a case of constraint departure;
- Mr. Emmanuel Babeau will not be entitled to any post-mandate retirement benefit;
- The above-mentioned compensation components would constitute the entirety of the compensation granted to him in connection with the termination of all his assignments within the company and any other company of the group, in any respect whatsoever.

While deliberating on the conditions of Mr. Babeau's departure, the board of directors emphasized the following circumstances:

- The priority is to protect the Group's interest by strengthening the post-mandate guarantees and assurances obtained from a departing corporate officer who was with the Group for more than ten years and whose scope of expertise extended to companies from the technology and engineering sectors;
- Mr. Emmanuel Babeau contributed to the solid performance of the Group, which translated into an annual average organic growth of the Adjusted EBITA margin of 6.4% between 2015 and 2019. Over the past three years, the achievement rate of the performance conditions which determine the corporate officers' annual incentive reached 133% on average;
- The right to retain unvested performance shares on a prorata temporis basis is proportionate, in value, to the commitments taken by Mr. Babeau and its term is matching the term of these commitments;
- The equivalent value of the performance shares that Mr. Babeau will be entitled to retain provided he complies with his new commitments will depend upon the Group's performance over the next two years and the successful implementation of the strategic plan to the conception of which he has contributed;
- In any event, this equivalent value will not exceed the Maximum Amount defined as twice the arithmetic average of the effective cash compensation, fixed and variable (excluding the complementary payments for pension building), for the past three years, ie. a cap of €2,958,733:
  - IFRS value of the 18,056 shares granted in 2018 and potentially retained: €987,447
  - IFRS value of the 9,389 shares granted in 2019 and potentially retained: €505,494;

    representing a potential total value of €1,492,941 for a commitment of two years, to be compared to (i) the total value of the current non-compete indemnity, for a one-year commitment, of €996,960, and to (ii) the equivalent of two years of effective cash compensation which represents an amount of €2,958,733 (excluding the complementary payments for pension building).

  At the closing share price of the day of the decision, ie. €90.50, and assuming that the performance conditions applicable to the unvested shares will all be fully satisfied, the equivalent value of the shares that Mr. Babeau would be entitled to keep is also below the Maximum Amount;
- The shares that would eventually be acquired by Mr. Babeau at the vesting date of the two performance share plans would be delivered from the existing treasury shares that have already been acquired by the company in the course of the share buy-back programme and allocated to the implementation of the performance share plans. The cash impact for the company would therefore be nil.

7.4.2 Compensation policy table – non-executive directors

The maximum amount that can be paid for non-executive directors is set in accordance with the Articles of Association.

At the 2019 Annual Shareholders' Meeting, the shareholders have approved under the 13th resolution the maximum total amount of the annual compensation that can be paid to the members of the board which since then stands at €2,500,000. It is proposed:

- To maintain the cap of annual total compensation payable to the members of the board at EUR2,500,000; and
- To keep the allocation rules unchanged and as detailed below.

The table below shows the allocation rules of the fixed payments allocated to the non-executive directors and implemented during the 2020 financial year.

Approach	Director's individual compensation	Compensation for travel time
• Amounts granted to the non-executive directors are determined taking account of a director's responsibilities, the expected commitment for the role and the competitive market rates among the international peers. • Besides the fixed base amount, the directors' compensation mostly depends upon the said directors' attendance to the board and committee meetings. • The board is responsible for setting the amounts due to be paid to each of the non-executive directors. • The total amount paid is subject to the aggregate limit set by the shareholders.	• Non-executive directors are paid a fixed basic amount of EUR25,000 for membership of the board with an additional amount of EUR7,000 per board meeting attended and EUR4,000 per committee meeting. • Additional payments are made to non executive directors who hold the position of Committee Chair to reflect the additional responsibilities and workload: – Audit committee: EUR20,000 per annum – Human Resources and CSR committee, Digital Committee, and Investment Committee: EUR15,000 per annum – Independent lead director, who is also the Chairman of the Governance and remunerations committee: EUR250,000 per annum • For non-voting members, a fixed payment of EUR20,000 per annum is paid, unless they become non-executive director at the next general meeting. In this case, they will receive the same fees for attending the board and committee meetings as non-executive directors. • All payments are pro-rated for time served during the year and are paid in cash.	• For intercontinental travel (e.g. USA), non-executive directors attending the meeting physically are paid EUR5,000 per board session. • For intra-continental travels (e.g. Switzerland) non-executive directors attending the meeting physically are paid EUR3,000 per board session. • Non-executive directors do not receive incentive pay or share awards or any benefits nor pension arrangements in relation to their office (unless they are former managers of the Group and were a member of a Group pension plan). • Employee directors are separately entitled to the compensation granted to them for the performance of their duties. As an employee, such compensation is not affected by their office as a director and is not disclosed. • The board also provided that the Vice-Chairman lead director could, in the performance of his/her duties use certain resources of the Group's management.

7. Compensation Report

7.5 Compensation of Group Senior Management (excluding corporate officers)

Scope of Senior Management in 2019

On December 31, 2019, Senior Management included the Chairman and CEO and Deputy CEO and other Executive Committee members. The Executive Committee is chaired by the Chairman and CEO (14 members excluding the Chairman and CEO). It includes, in addition to the Chairman and CEO and Deputy CEO in charge of Finance and Legal Affairs:

- Executive Vice-Presidents of Corporate Functions: Global Supply Chain, Digital, Strategy, Marketing, Global Human Resources
- Executive Vice-Presidents of Operations: North America Operations, China Operations, France Operations, Europe Operations, International Operations
- Executive Vice-Presidents of Activities: Industry Automation, Energy Management, Services

From January 2019, with the appointment of Barbara Frei to the executive committee, 29% of the group senior management is composed of women (versus 23% in 2018).

Compensation policy

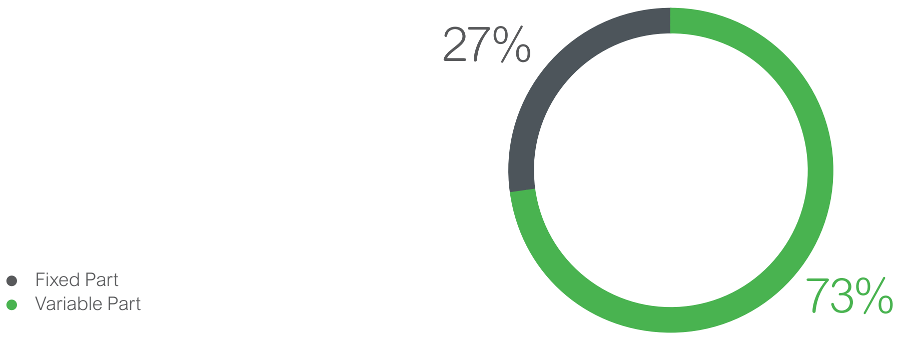
The compensation principles of Group Senior Management (excluding the corporate officers) and their individual analyses are reviewed by the Human Resources and CSR committee for information and consultation with the board of directors.

The Human Resources and CSR committee may consult external experts for specific missions and analyses.

The compensation policy of the Group Senior Management follows the principles of competitiveness, pay-for-performance and alignment with shareholders' long-term interests as detailed in the section above for corporate officers, with the following specificities:

- The competitiveness of their compensation is considered before a relevant panel considering the geography and the scope of responsibilities as set out by the consultancy firm Willis Towers Watson;
- The proportion of variable components within their compensation package is less than for the corporate officers: 75% vs. around 80% for the corporate officers.

On target compensation pay mix



Compensation paid in 2019

Gross compensation, including benefits in kind, paid by Group companies in 2019 to members of Group Senior Management other than corporate officers, amounted to EUR21.9m, including EUR6.1m in variable compensation paid in the 2019 financial year. The objectives for Group results for the financial year 2019 were:

- Group organic sales growth;
- Improvement of Group Adj EBITA margin on sales (org.);
- Group cash conversion rate;
- Schneider Sustainability Impact.

Long-term incentive plans

Performance shares were granted in 2019 to the Group Senior Management. As of December 31, 2019, as part of the long-term incentive plan, Group Senior Management other than corporate officers held:

- 905,802 shares, of which 694,000 are conditional;
- 0 options;
- 45,680 Stock Appreciation Rights (SARs).

Pension benefits

Schneider Electric policy concerning pension benefits states that:

- the Group's Senior Management not subject to the French Social Security System are covered by pension plan arrangements in line with local practices in their respective countries;
- the Group's Senior Management subject to the French Social Security system, with the exception of corporate officers, are covered by the additional defined-contribution pension (article 83) plans for employees, and/or Group Senior Management. Their defined-benefit pension plan (article 39) was cancelled on March 22, 2016.

7.6 Transactions in Schneider Electric shares in 2019

Share Ownership Guidelines

Mr. Tricoire is required to hold Schneider Electric shares with a value representing at least 3 times his base salary. Mr. Babeau is required to hold shares with a value representing at least twice his base salary till his departure. The number of shares to be retained is determined at the beginning of the calendar year, based on the VWAP average stock price for the past calendar year. The situation of the corporate officers as of December 31, 2019 stands as follows:

	Obligation for the FY 2019		
Officer	**In value**	**In number[(1)]**	**Number of shares held (as of December 31, 2019)**
Jean-Pascal Tricoire	**€ 3,000,000**	**43,478**	**191,933**
Emmanuel Babeau	**€ 1,360,000**	**19,710**	**33,344**

(1) Average stock price (VWAP) for FY 2018: €69.

7. Compensation Report

Transactions declared in application of article L.621-18-2 of the French Monetary and Financial Code

The following table details Schneider Electric stock transactions conducted by the corporate officers and those closely related to them:

Date	Name	Transaction Type	Unit Price	Total transaction amount
18/02/2019	Tricoire	Buy (LTIP – P.20))	–	–
14/03/2019	Tricoire	Disposal	€70.0189	€1,540,415.80
26/03/2019	Tricoire	Pledge – Share	–	–
27/03/2019	Tricoire	Buy (LTIP – P.22)	–	–
01/04/2019	Tricoire	Buy (LTIP – P.25)	–	–
02/07/2019	Tricoire	Buy*	€60.26	€28,235.97
02/07/2019	Tricoire	Buy*	€60.26	€9,374.42
11/09/2019	Tricoire	disposal	€80.1275	€2,389,402.00
27/03/2019	Babeau	Buy (LTIP – P.22)	–	–
01/04/2019	Babeau	Buy (LTIP – P.25)	–	–
02/07/2019	Babeau	Buy*	€60.26	€8,465.89
28/10/2019	Babeau	Disposal	€85.1028	€1,725,884.78
21/02/2019	Ma	Disposal	€69.5313	€139,062.60
27/03/2019	Ma	Buy (LTIP – P.22)	–	–
21/06/2019	Ma	Disposal	€79.1216	€394,421.20
21/06/2019	Ma	Exercise of stock options	€33.48	€166,897.80
02/07/2019	Ma	Buy*	€60.26	€5,090.87
18/12/2019	Ma	Disposal	€91.88	€91,880.00
02/07/2019	Montier	Buy*	€60.26	€22,680.5684
31/07/2019	Montier	Disposal**	€81.00	€14,515.6374
31/07/2019	Montier	Disposal **	€82.00	€14,515.64
01/11/2019	Montier	Disposal **	€87.00	€14,234.22
25/04/2019	Tan	Buy	€76.405	€76,405.00

* Subscription to Schneider Electric's WESOP. effective as of July 2, 2019 pursuant to orders made irrevocably on or before May 6, 2019.

** Disposal of shares in Schneider Electric's FCPE equivalent to respectively 179.2054, 177.02 and 163.6117 Schneider Electric shares at the date of the transactions.

8. Regulated agreements and commitments

8.1 Review of the Regulated Agreements and Commitments entered into by Schneider Electric SE

8.1.1 Agreements and commitments of the 2019 financial year

None.

8.1.2 Agreements and commitments signed during previous years and approved at the Annual Shareholders' Meeting

Regulated Agreements and Commitments related to the Corporate Officers' status (Mr. Jean-Pascal Tricoire and Mr. Emmanuel Babeau)

Pursuant to the provisions of the TEPA Act, at its meetings of April 25, June 18 and 19, 2013, October 24, 2013 and February 18, 2015, the board of directors:

- renewed the status of Jean-Pascal Tricoire as adopted by the supervisory board in 2012 subject to a number of adjustments primarily related to new recommendations of the AFEP-MEDEF Code;
- adopted the status of Mr. Emmanuel Babeau at the level of Schneider Electric SE when he resigned from Schneider Electric Industries SAS;
- put an end, for the Corporate Officers, to the benefit of the top hat pension schemes (Article 39) implemented in 1995 and 2012, except for life and disability coverage (death, invalidity) provided thereunder.

The Annual Shareholders' Meeting on May 6, 2014, pursuant to its 4th, 5th and 6th resolutions, approved the renewal of Mr. Tricoire's status and the adoption of Mr. Babeau's status. On April 21, 2015, it approved their amendments as regards the withdrawal of the top-hat pension scheme (5th and 6th resolutions).

Since these decisions, Mr. Tricoire's and Mr. Babeau's status have been strictly aligned.

The board of directors at its meeting of April 25, 2017, held after the Annual Shareholders' Meeting, took note of the renewal of the directorship of Mr. Tricoire and subsequently decided to renew the terms of Mr. Tricoire and Mr. Babeau as, respectively, Chairman and CEO, and Deputy CEO, and further, to reiterate the elements of the status granted to them, subject to an amendment concerning the right of the board of directors to waive unilaterally the non-compete agreement in case of departure of a corporate officer.

The board noted that the continuation of their functions under the same conditions of competitiveness, stability and exclusivity was essential to the implementation of the Group development strategy defined by the board and in the interest of the Group.

On February 14, 2018, the board further reviewed the status of the corporate officers and amended the scope of the right granted to them to retain, in case of involuntary severance, the free or performance shares or the stock options that would have been granted to them and that would have remained unvested or unexercised at the time of departure.

The corporate officers' right to retain shares and options granted as part of plans issued after February 14, 2018, that would remain unvested or unexercised at the time of their involuntary severance, was made proportionate to their time of presence within the Group during the vesting or acquisition period of the shares and options concerned. In accordance with the guidelines of the AFEP-MEDEF corporate governance Code, the board could however decide, in specific circumstances and *via* a motivated resolution, that the concerned corporate officer will be entitled to keep all shares or options granted, provided pre-set performance conditions are satisfied.

After these changes, the corporate officers' status was fully aligned with the recommendations of AMF and of the AFEP-MEDEF Corporate Governance Guidelines.

The change in the corporate officers' status was approved by the shareholders at the Annual Shareholders' Meeting of April 24, 2018, under the 4th and 5th resolutions.

In pursuance of articles L.225-37-2 and R.225-29-1-II of the French Commercial Code, the compensation components, indemnities or benefits due or likely to be awarded in relation to the termination of, or a change in, the corporate officer's assignment, or after such assignment, form part of the compensation policy submitted to the approval of the shareholders at the Annual Shareholders' Meeting under the 9th and 10th resolutions and no longer qualify as regulated agreement and commitments.

In case the 2020 compensation policy is approved, it shall supersede the Regulated Agreements and Commitments described above.

In case the 2020 compensation policy is not approved, the Regulated Agreements and Commitments described above shall survive and their terms form part of the policy.

8. Regulated agreements and commitments

8.1.3: Regulated agreements of the 2020 financial year

Schneider Electric executed on 2 March 2020 a new regulated agreement governing the conditions of the departure of Mr. Emmanuel Babeau, Deputy CEO, whose departure will be effective from 30 April 2020.

The board of directors would like to acknowledge Mr. Babeau's contribution for the 2020 financial year and the assistance he provided to ensure a smooth transition in the best conditions. It also felt it necessary to strengthen Mr. Babeau's post-mandate commitments in terms of non-compete and other restrictive covenants, which Mr. Babeau accepted.

The agreement of 2 March 2020 authorized by the board of directors on 28 February 2020 provides for the following:

- Base salary for 2020 due on monthly instalments as per the 2019 policy providing for an annual amount of €680,000, representing an aggregate amount at the date of departure of €226,667;
- Annual incentive for 2020 to be awarded at the target level, ie. 100% of the base salary, and calculated prorata temporis over the time of presence, representing therefore an accrued amount at the date of departure of €226,667;
- Corresponding complementary payments for pension building to be paid or awarded as per the 2019 policy in the same manner as the base salary and the annual incentive, representing therefore till 30 April 2020 €51,100 for the fixed portion (based on an annual amount of €153,300) and €51,100 for the variable portion;
- Non-compete commitment replaced with a fresh one, with a scope extended, notably, to companies from the technology and engineering sectors and a term prolonged to two years (vs. 12 months previously);
- Restrictive covenants of non-solicitation, non-disparagement, confidentiality and cooperation in the context of legal or administrative proceedings involving the company, for a term of 2 years after the date of departure;
- Payment of non-compete indemnity at 60% of the total effective target cash compensation waived by Mr. Babeau;
- By way of derogation, waiver of the presence condition applicable to the unvested performance shares granted to Mr. Babeau in 2018 and 2019, which gives him the right to retain such unvested performance shares in proportion to his time of presence within the Group over the total vesting period of the plans. This corresponds to 18,056 performance shares granted in 2018 and 9,389 performance shares granted in 2019, which remain subject to the original performance conditions and other terms of the plans;
- Legal and tax support until the completion of the study relating to the consequences of him being based in the United-Kingdom from July 2014 to July 2018, the cost of which is capped at 15,000 euros.

The entry into force of this agreement is subject to the condition precedent of the approval by the Annual Shareholders' Meeting of 23 April 2020, of the 10th resolution relating to the compensation policy and the components of the total compensation and benefits of all types paid during the 2020 financial year or awarded in respect of the said financial year to the Deputy Chief Executive Officer Mr. Emmanuel Babeau.
If this agreement is approved under the 5th resolution and the condition precedent satisfied, then the terms of this agreement will supersede the terms of the former status of Mr. Babeau previously approved under the regulated agreements and commitments on 24 April 2018, and again on 25 April 2019 as part of the 2019 compensation principles and criteria.

8.2 : Procedure for assessing agreements relating to ordinary business operations concluded under normal conditions

The board of directors, at its meeting of December 11, 2019, established a procedure for regularly assessing whether agreements relating to ordinary business operations concluded under normal conditions meet these conditions. Any persons directly or indirectly concerned by any of these agreements shall not participate in its assessment.

The procedure is comprised of two phases:

- the assessment of the application of Schneider Electric SE's internal charter for regulated agreements approved by the board of directors on February 19, 2020, which results in an annual business report drawn up jointly by the legal department and the secretary of the board. This report is made available to the Audit and risks committee for preparing the evaluation report it draws up for the board of directors;
- the assessment by the board of directors of criteria for qualifying agreements relating to ordinary business operations concluded under normal conditions which deliberates on the basis of the above-mentioned assessment report drawn up by the Audit and risks committee.

9. Participation of shareholders in Shareholders' Meeting

The provisions of the Articles of Association providing for the specific modalities for shareholders to participate in Shareholder's Meeting are described on page 393.

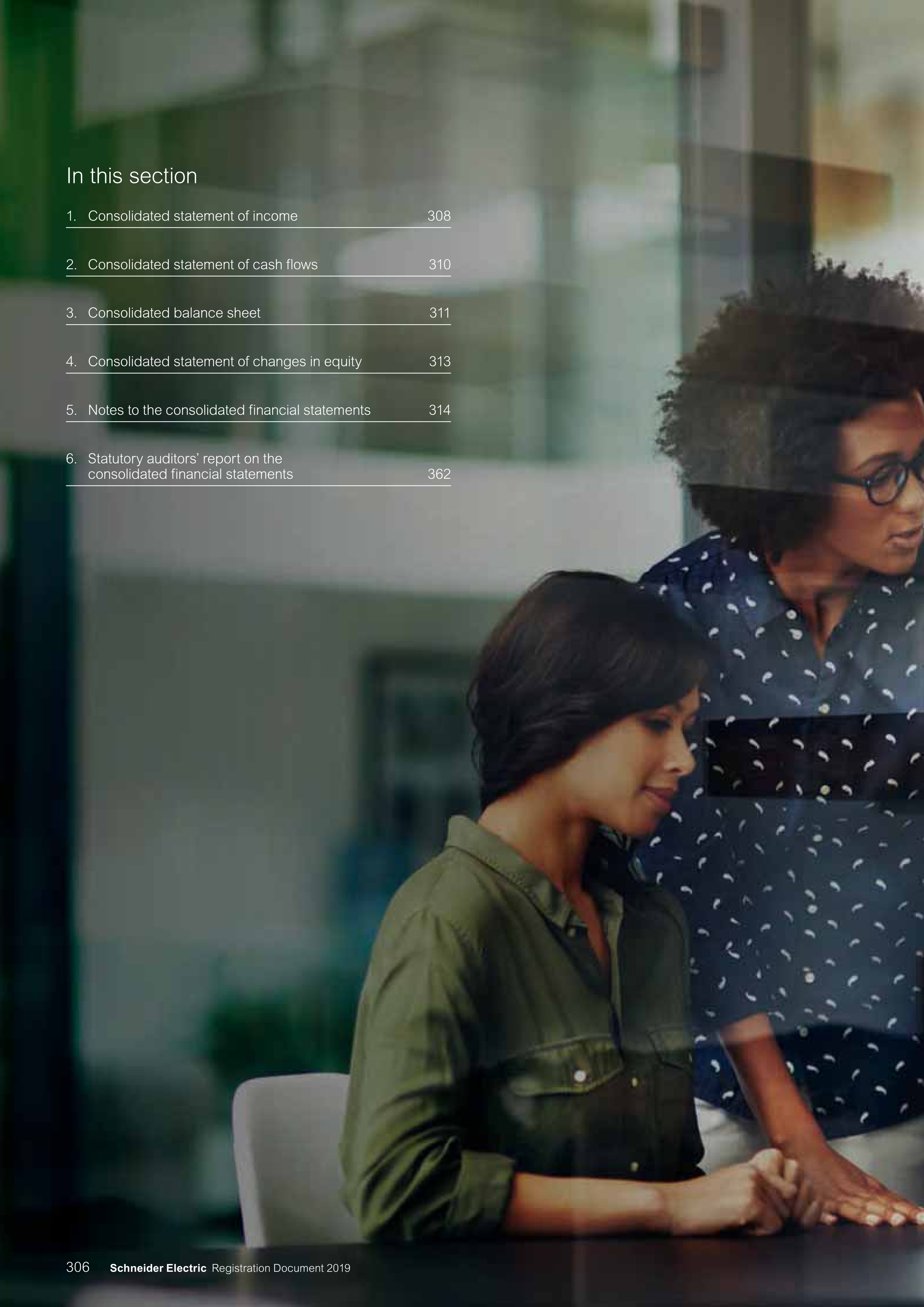
10. Table summarizing outstanding delegations relating to share capital increases granted by Shareholders' Meeting

The table summarizing the outstanding delegations granted by the Shareholders' Meeting in relation to share capital increases, in application of Articles L.225-129-1 and L.225-129-2 of the French Commercial Code, and stating the use of these delegations during the past financial year is described on page 396.

11. Publication of information of Article L.225-37-5 of the French Commercial Code

Items that could have an impact in the event of a public tender offer include:

- agreements calling for payments to the corporate officers (see page 273) or to employees if they resign or are terminated without real cause or if their employment ends due to a public tender offer;
- certain loans with: conditional provisions of anticipated reimbursement in the event of change of control. Under these provisions, the debt holders may request for repayment if a shareholder or shareholders acting together hold more than 50% of the Company's shares, and for the majority of contracts, this event triggers a downgrading of the Company's rating. As of December 31, 2019, EUR 6.9 billion of the Group's financing and lines of credit had these type of provisions; and
- statutory restrictions in the Articles of Association on the exercise of voting rights (see page 384) relating to the non-application of the ceiling on voting rights when a public tender offer is successfully completed.



In this section

Consolidated financial statements

at December 31, 2019

5

1. Consolidated statement of income

(in millions of euros except for earnings per share)	Note	Full year 2019	Full year 2018
Revenue	3	**27,158**	**25,720**
Cost of sales		(16,423)	(15,677)
Gross profit		**10,735**	**10,043**
Research and development	4	(657)	(597)
Selling, general and administrative expenses		(5,840)	(5,572)
Adjusted EBITA*	3	**4,238**	**3,874**
Other operating income and expenses	6	(411)	(103)
Restructuring costs		(255)	(198)
EBITA**		**3,572**	**3,573**
Amortization and impairment of purchase accounting intangibles	5	(173)	(177)
Operating income		**3,399**	**3,396**
Interest income		39	53
Interest expense		(168)	(235)
Finance costs, net		**(129)**	**(182)**
Other financial income and expense	7	(132)	(128)
Net financial income/(loss)		**(261)**	**(310)**
Profit from continuing operations before income tax		**3,138**	**3,086**
Income tax expense	8	(690)	(693)
Income of discontinued operations, net of income tax	1	(3)	(23)
Share of profit/(loss) of associates	12	78	61
PROFIT FOR THE PERIOD		**2,523**	**2,431**
attributable to owners of the parent		*2,413*	*2,334*
attributable to non controlling interests		*110*	*97*
Basic earnings (attributable to owners of the parent) per share (in euros per share)	19	4.38	4.21
Diluted earnings (attributable to owners of the parent) per share (in euros per share)	19	4.33	4.16

* Adjusted EBITA (Earnings Before Interest, Taxes, Amortization of Purchase Accounting Intangibles). Adjusted EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets, before goodwill impairment, other operating income and expenses and restructuring costs.

** EBITA (Earnings Before Interest, Taxes and Amortization of Purchase Accounting Intangibles). EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets and before goodwill impairment.

The accompanying notes are an integral part of the consolidated financial statements.

Other Comprehensive Income

(in millions of euros)	Note	Full year 2019	Full year 2018
Profit for the year		**2,523**	**2,431**
Other comprehensive income:			
Translation adjustment		333	307
Cash-flow hedges		26	(23)
Income tax effect of cash flow hedges	19	(7)	(6)
Net gains/(losses) on financial assets		(4)	(9)
Income tax effect of gains/(losses) on financial assets	19	–	–
Actuarial gains/(losses) on defined benefit plans	20	(408)	285
Income tax effect of actuarial gains/(losses) on defined benefit plans	19	82	(61)
Other comprehensive income for the year, net of tax		**22**	**493**
of which to be recycled in income statement		*352*	*270*
of which not to be recycled in income statement		*(330)*	*223*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,545**	**2,924**
attributable to owners of the parent		*2,400*	*2,793*
attributable to non-controlling interests		*145*	*131*

The accompanying notes are an integral part of the consolidated financial statements.

2. Consolidated statement of cash flows

(in millions of euros)	Note	Full year 2019	Full year 2018
Profit for the year		**2,523**	**2,431**
Losses/(gains) from discontinued operations		3	23
Share of (profit)/losses of associates		(78)	(61)
Income and expenses with no effect on cash flow:			
*Depreciation of property, plant and equipment**	11	*701*	*386*
Depreciation of intangible assets other than goodwill	10	*474*	*474*
Impairment losses on non-current assets		*63*	*66*
Increase/(decrease) in provisions	21	*56*	*(83)*
Losses/(gains) on disposals of assets		*206*	*(3)*
Difference between tax paid and tax expense		*(2)*	*90*
Other non-cash adjustments		*66*	*82*
Net cash provided by operating activities		**4,012**	**3,405**
Decrease/(increase) in accounts receivables		22	(51)
Decrease/(increase) in inventories and work in process		209	(287)
(Decrease)/increase in accounts payable		(41)	(98)
Decrease/(increase) in other current assets and liabilities		80	(97)
Change in working capital requirement		**270**	**(533)**
TOTAL I – CASH FLOWS FROM OPERATING ACTIVITIES		**4,282**	**2,872**
Purchases of property, plant and equipment	11	(506)	(486)
Proceeds from disposals of property, plant and equipment		38	54
Purchases of intangible assets	10	(338)	(338)
Net cash used by investment in operating assets		**(806)**	**(770)**
Acquisitions and disposals of businesses, net of cash acquired & disposed	2	(79)	(730)
Other long-term investments		59	(31)
Increase in long-term pension assets		(90)	(174)
Sub-total		**(110)**	**(935)**
TOTAL II – CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**(916)**	**(1,705)**
Issuance of bonds	22	964	740
Repayment of bonds	22	(500)	(749)
Sale/(purchase) of own shares		(266)	(829)
Increase/(decrease) in other financial debt*		(1,078)	220
Increase/(decrease) of share capital		168	164
Dividends paid to Schneider Electric's shareholders	19	(1,296)	(1,223)
Dividends paid to non-controlling interests		(117)	(80)
TOTAL III – CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(2,125)**	**(1,757)**
TOTAL IV – NET FOREIGN EXCHANGE DIFFERENCE		**(18)**	**61**
TOTAL V – EFFECT OF DISCONTINUED OPERATIONS		**(59)**	**(7)**
INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS: I +II +III +IV +V		**1,164**	**(536)**
Net cash and cash equivalents at January 1	18	2,231	2,767
Increase/(decrease) in cash and cash equivalents		1,164	(536)
NET CASH AND CASH EQUIVALENTS, AT DECEMBER 31	18	**3,395**	**2,231**

* Including impact from first application of IFRS 16, as described in Note 1.1.

The accompanying notes are an integral part of the consolidated financial statements.

3. Consolidated balance sheet

Assets

(in millions of euros)	Note	Dec. 31, 2019	Dec. 31, 2018
NON-CURRENT ASSETS:			
Goodwill, net	9	18,719	18,373
Intangible assets, net	10	4,647	4,874
Property, plant and equipment, net*	11	3,680	2,521
Total tangible and intangible assets		**8,327**	**7,395**
Investments in associates and joint ventures	12	533	530
Non-current financial assets	13	645	665
Deferred tax assets	14	2,004	2,040
TOTAL NON-CURRENT ASSETS		**30,228**	**29,003**
CURRENT ASSETS:			
Inventories and work in progress	15	2,841	3,091
Trade and other operating receivables	16	5,953	5,804
Other receivables and prepaid expenses	17	2,087	1,910
Current financial assets		19	30
Cash and cash equivalents	18	3,592	2,361
TOTAL CURRENT ASSETS		**14,492**	**13,196**
Assets held for sale & discontinued operations		283	60
TOTAL ASSETS		**45,003**	**42,259**

* Including impact from first application of IFRS 16, as described in Note 1.1.
The accompanying notes are an integral part of the consolidated financial statements.

3. Consolidated balance sheet

Liabilities

(in millions of euros)	Note	Dec. 31, 2019	Dec. 31, 2018
EQUITY:	19		
Share capital		2,328	2,317
Additional paid in capital		3,134	2,977
Retained earnings**		16,034	15,721
Translation reserve		65	(233)
Equity attributable to owners of the parent		**21,561**	**20,782**
Non controlling interests		1,579	1,482
TOTAL EQUITY		**23,140**	**22,264**
NON-CURRENT LIABILITIES:			
Pensions and other post-employment benefit obligations	20	1,806	1,558
Other non-current provisions**	21	940	1,253
Total non-current provisions		**2,746**	**2,811**
Non-current financial liabilities	22	6,405	5,923
Deferred tax liabilities	14	1,021	1,147
Other non-current liabilities*		883	10
TOTAL NON-CURRENT LIABILITIES		**11,055**	**9,891**
CURRENT LIABILITIES:			
Trade and other operating payables		4,215	4,142
Accrued taxes and payroll costs**		3,147	2,194
Current provisions**	21	794	878
Other current liabilities*		1,428	1,232
Current debt	22	979	1,574
TOTAL CURRENT LIABILITIES		**10,563**	**10,020**
Liabilities held for sale & discontinued operations		245	84
TOTAL EQUITY AND LIABILITIES		**45,003**	**42,259**

* Including impact from first application of IFRS 16, as described in Note 1.1.
** Including impact from first application of IFRIC 23, as described in Note 1.1.
The accompanying notes are an integral part of the consolidated financial statements.

4. Consolidated statement of changes in equity

(in millions of euros)	Number of shares (in thousands)	Capital	Additional paid-in capital	Treasury Shares	Retained earnings	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total
DEC. 31, 2017	**596,916**	**2,388**	**5,147**	**(2,153)**	**14,921**	**(506)**	**19,797**	**145**	**19,942**
Profit for the year					2,334		**2,334**	97	**2,431**
Other comprehensive income					186	273	**459**	34	**493**
Comprehensive income for the year	**–**	**–**	**–**	**–**	**2,520**	**273**	**2,793**	**131**	**2,924**
Capital increase	2,407	10	144				**154**		**154**
Exercise of stock option plans and performance shares	1,846	1	9				**10**		**10**
Dividends			(1,107)		(116)		**(1,223)**	(80)	**(1,303)**
Change in treasury shares	(22,000)	(88)	(1,126)	(829)	1,214		**(829)**		**(829)**
Share-based compensation expense					131		**131**	4	**135**
AVEVA acquisition impact							**–**	1,256	**1,256**
Other		6	(90)		33		**(51)**	26	**(25)**
DEC. 31, 2018	**579,169**	**2,317**	**2,977**	**(2,982)**	**18,703**	**(233)**	**20,782**	**1,482**	**22,264**
IFRIC 23 impact (Note 1.1)					(223)		**(223)**		**(223)**
JAN. 1, 2019	**579,169**	**2,317**	**2,977**	**(2,982)**	**18,480**	**(233)**	**20,559**	**1,482**	**22,041**
Profit for the year					2,413		**2,413**	110	**2,523**
Other comprehensive income					(311)	298	**(13)**	35	**22**
Comprehensive income for the year	**–**	**–**	**–**	**–**	**2,102**	**298**	**2,400**	**145**	**2,545**
Capital increase	2,676	10	151				**161**		**161**
Exercise of stock option plans and performance shares	224	1	6				**7**		**7**
Dividends					(1,296)		**(1,296)**	(117)	**(1,413)**
Change in treasury shares				(266)			**(266)**		**(266)**
Share-based compensation expense					148		**148**	6	**154**
Other					(152)		**(152)**	63	**(89)**
DEC. 31, 2019	**582,069**	**2,328**	**3,134**	**(3,248)**	**19,282**	**65**	**21,561**	**1,579**	**23,140**

The accompanying notes are an integral part of the consolidated financial statements.

5. Notes to the consolidated financial statements

Please note

All amounts in millions of euros unless otherwise indicated.

The following notes are an integral part of the consolidated financial statements.

The Schneider Electric Group's consolidated financial statements for the financial year ended December 31, 2019 were authorized for issue by the Board of Directors on February 19, 2020. They will be submitted to shareholders for approval at the Annual General Meeting of April 23, 2020.

The Group's main businesses are described in Chapter 1 of the Universal Registration Document.

Note 1: Accounting Policies

1.1 Accounting standards
The consolidated financial statements have been prepared in compliance with the international accounting standards (IFRS) as adopted by the European Union as of December 31, 2019. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2018, except for the application of the new standards IFRS 16 – *Leases* and IFRIC 23 – *Uncertainty over Income Tax Treatments* as of January 1, 2019.

The following standards and interpretations that were applicable during the period did not have a material impact on the consolidated financial statements as of December 31, 2019:

- amendments to IAS 28 – *Long-term Interests in Associates and Joint Ventures;*
- amendments to IAS 19 – *Plan Amendment, Curtailment or Settlement;*
- amendments to IFRS 9 – *Prepayment Features with Negative Compensation;*
- annual improvements to IFRS Standards 2015-2017 Cycle;

The Group did not apply the following standards and interpretations for which mandatory application is subsequent to December 31, 2019:

- standards adopted by the European Union:
  - amendments to IAS 1 and IAS 8 – *Definition of Material;*
  - amendments to IFRS 3 – *Definition of a business;*
  - amendments to References to the Conceptual Framework in IFRS Standards
  - Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

- standards not yet adopted by the European Union:
  - IFRS 17 – *Insurance Contracts;*

The Group is currently assessing the potential effect on the Group's consolidated financial statements of the standards not yet applicable as of December 31, 2019. At this stage of analysis, the Group does not expect any material impact on its consolidated financial statements.

First application of IFRS 16 – *Leases*
The standard IFRS 16 – *Leases*, adopted by European Union on October 31, 2017, replaces mainly the standards IAS 17 – *Leases*, and IFRIC 4 – *Determining whether an Arrangement contains a Lease*, and is mandatory starting January 1, 2019.

The standard establishes principles for the recognition, valuation, presentation, and disclosure of leases and requires lessees to account for all leases on the balance sheet using a single model, in the form of a right-of-use asset, with a lease obligation counterpart.

The Group has adopted IFRS 16 on January 1, 2019, according to the modified retrospective approach. Under this method, the standard is applied retrospectively with the cumulative effect of the initial application on the date of application.

Scope of the Group's contracts
The lease contracts identified within all the Group entities fall under the following categories:

- real estate: office buildings, factories, and warehouses;
- vehicles: cars and trucks;
- forklifts used mainly in factories or storage warehouses.

The Group has retained the exemption for low-value assets (i.e. assets with a cost lower than USD 5,000). Thus, the defined scope does not include small office or IT equipment, mobile phones or other small equipment, which all correspond to low-value equipment. Short-term contracts (i.e. less than 12 months without purchase option) are also exempted under the standard. In this case, for example, for occasional vehicle or accommodation rentals.

Effects of the adoption of IFRS 16
Key effects of the application of IFRS 16 on January 1, 2019:

(in millions of euros)	**Jan. 1, 2019**
ASSETS:	
Property, plant and equipment, net	1,242
TOTAL ASSETS	**1,242**
LIABILITIES:	
Other non-current liabilities	988
Other current liabilities	254
TOTAL LIABILITIES	**1,242**

5. Notes to the consolidated financial statements

The Group has applied a unique accounting and valuation approach for all leases. The standard provides specific transition requirements and practical solutions that have been applied by the Group.

The Group has recognized right-of-use assets and lease liabilities for contracts previously classified as operating leases.

Lease liabilities have been recognized based on the present value of the remaining lease payments, discounted using the country's marginal borrowing rate of the contracting entity at the date of the first application.

Assets related to the right-of-use of operating leases have been recognized based on an amount equal to the lease liability of the contract at transition date, adjusted for any prepaid or outstanding rents.

With respect to contracts formerly recorded under a financing lease, the Group did not change the book values of the assets and liabilities recorded on the original application date. The requirements of IFRS 16 have been applied to these leases since January 1, 2019. These contracts represent a small net book value for the Group (EUR 1 million as of January 1, 2019).

The Group has also applied the following simplification measures, available in the standard:

- application of IFRS 16 accounting model only to contracts previously identified as leases according to IAS 17 and IFRIC 4;
- single discount rate by country for a portfolio of leases with relatively similar characteristics;
- exemption for contracts with a residual enforceable term on January 1, 2019, of less than 12 months;
- exclusion of initial direct costs from the valuation of the right-of-use asset at the date of the first application;
- inclusion of the evaluation of contracts carried out immediately before January 1, 2019, by applying IAS 37 to determine whether certain contracts are in deficit (adjustment of the right-of-use asset if applicable) as an alternative to the depreciation review according to IAS 36.

Reconciliation between the rental obligation on January 1, 2019, and operating lease commitments presented under IAS 17 as of December 31, 2018

(in millions of euros)	
Commitments relating to the operating leases as of Dec. 31, 2018	**1,155**
Weighted average marginal loan rate as of Jan. 1, 2019	3.5%
Discounted obligations on simple lease contracts as of Dec.31, 2018	1,023
Minus:	
Obligations linked to short-term contracts and low-value assets	9
Plus:	
Renewal options not taken into account as of Dec. 31, 2018	228
Lease obligations as of Jan. 1, 2019	**1,242**

Accounting principles

The accounting principles below are effective for annual periods beginning on January 1, 2019. IAS 17 still applies for the 2018 comparative period.

Rental obligation:

At the inception date of the lease, the Group recognizes the lease liabilities, measured at the present value of the lease payments to be made over the term of the lease. The present value of payments is calculated mainly using the marginal borrowing rate of the contracting entity's country, at the contract starting date.

Rental payments include fixed payments (net of rental incentives receivable), variable payments based on an index or rate and amounts that should be paid under residual value guarantees. Besides, the simplification allowing not to split services components has not been elected by the Group. Therefore, only the rents are taken into account in the lease payments.

Lease payments also include, when applicable, the exercise price of a purchase option reasonably certain to be exercised by the Group and the payment of penalties for the termination of a lease, if the term of the lease takes into account the fact that the Group has exercised the termination option.

Variable lease payments that are not dependent on an index or rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

After the start date of the contract, the amount of rental obligations is increased to reflect the increase in interest and reduced for lease payments made.

In addition, the carrying amount of the lease liabilities is revalued in the event of a reassessment or modification in the lease (e.g. change in the term of the lease, change in lease payments, application of annual indexation, etc.).

Right-of-use assets:
The Group accounts for the assets related to the right-of-use on the lease starting date (i.e. the date on which the underlying asset is available). Assets are measured at cost, less accumulated amortization and impairment losses, and adjusted for the revaluation of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities, initial direct costs incurred and lease payments made on or before the effective date, minus lease inducements received. Unless the Group is reasonably certain that it will become the owner of the leased asset at the end of the lease term, the recorded right-of-use assets are depreciated using the linear method over the shortest period of time between estimated life of the underlying asset and the duration of the lease. The assets related to the right-of-use are subject to depreciation.

Determining the duration of contracts:
The duration of the Group's contracts varies according to geographies.

The real estate contracts have variable durations depending on the countries and local regulations. Vehicles and forklifts are generally contracted between 3 and 6 years.

In certain geographies, the Group's real estate contracts offer unilateral options for termination of contracts (particularly in France with contracts 3-6-9).

Thus, in determining the length of time to be used to calculate the rental obligation, the Group determines the enforceable duration of the contract (maximum term) and takes into account termination options if it is not reasonably certain that it will extend the contract beyond the option date. This estimate is made in collaboration with the Group's Real Estate Department, which determines the real estate strategy. In the majority of cases, the duration chosen is the enforceable duration of the real estate contracts, in particular on the most strategic buildings and factories.

In addition, the Group also holds tacit renewal contracts that are not enforceable (the lessee and the lessor may break the contracts by respecting a notice of less than one year). These contracts are exempted under the short-term criteria as they are non-binding beyond the notice period.

Amounts recognized on the balance sheet and 2019 profit and loss statement
The amounts of the assets and liabilities related to the Group's leases, as well as movements during the period are as follows:

(in millions of euros)	**Real estate**	**Vehicles & Forklifts**	**Total property, plants & equipments, net**	**Lease Obligations**
Jan. 1, 2019	**1,103**	**139**	**1,242**	**1,242**
Increase	134	53	**187**	**184**
Decrease	(25)		**(25)**	**(21)**
Amortization	(233)	(61)	**(294)**	
Reversal of amortization	2		**2**	
Interests			**–**	**39**
Payments			**–**	**(313)**
Translation adjustments & others	2	1	**3**	**(1)**
DEC. 31, 2019	**983**	**132**	**1,115**	**1,130**
of which other current liabilities				*258*
of which other non-current liabilities				*872*

First application of IFRIC 23 – *Uncertainty over income tax treatments*
IFRIC 23 – *Uncertainty over income tax treatments*, has been adopted by the European Union on October 23, 2018, and is applicable from January 1, 2019. IFRIC 23 clarifies the application of IAS 12 – *Income Taxes* regarding recognition and measurement of taxes when there is uncertainty over the income tax treatment. IFRIC 23 precise notably that the identification of tax risks must be carried out considering a detection risk at 100%, the approach to be used being the one that provides the best predictions of the resolution of the uncertainty.

In application of IFRIC 23, a tax asset or liability is recognized when there is uncertainty over income tax treatments. If the Group considers it likely that the tax authorities will not accept its chosen treatment, it recognizes a tax liability, and if it considers it likely that the tax authorities will reimburse a tax that has already been paid, it recognizes a tax asset. The tax assets and liabilities relating to these uncertainties are estimated on a case-by-case basis and stated at the most likely amount, or the weighted average of the various outcomes considered.

The Group applies IFRIC 23 retrospectively from January 1, 2019. The comparative period was not restated.

The analysis carried out in the light of this clarification, led the Group to increase its tax liabilities by EUR 223 million, against the opening consolidated reserves. Besides, tax exposures relating to corporate income taxes, which were previously classified as "provisions" in the balance sheet, (within the"Economic risks"), have been reclassified within "Accrued taxes and payroll costs" as of January 1, 2019.

5. Notes to the consolidated financial statements

Segment reporting

Until December 2018, Schneider Electric presented four distinct operating segments: *Low Voltage*, *Medium Voltage*, *Industrial Automation* and *Secure Power*.

Low Voltage, Medium Voltage and *Secure Power* sharing the same objective of managing efficiently and reliably the energy, the Group has decided to gather these three businesses into one single reporting segment, *Energy Management*.

This change reflects the convergence of economic characteristics of the three operating segments on the following criteria, in line with IFRS 8 – *Operating Segments*:

- the nature of the products and services;
- the nature of the production processes;
- the type or class of customer for their products and services;
- the methods used to distribute their products and their services.

Application of IFRS 5 – *Non-current assets held for sale and discontinued operations*

On April 20, 2017, the Group announced the disposal of its "Solar" activity, and started implementing the necessary measures and procedures to formalize this transaction. The initial plan has been reoriented, part of the business being sold or restructured, and part of it still being considered as discontinued operations. This activity used to be reported within the *Energy Management* business segment of Schneider Electric. Solar activity net loss of EUR 3 million has been reclassified to discontinued operations in the Group consolidated financial statements.

On October 24, 2019, the Group agreed to establish a Joint Venture with the Russian Direct Investment Fund (RDIF), to further strengthen the long-term outlook for the Group's Electroshield Samara business, which is currently consolidated under the *Energy Management* segment and generated revenues of EUR 168 million in 2019. The related assets and liabilities have been reclassified at fair value in the lines "assets and liabilities held for sale" in the balance sheet.

1.2 Basis of presentation

The financial statements have been prepared on a historical cost basis, except for derivative instruments and certain financial assets, which are measured at fair value. Financial liabilities are measured using the amortized cost model. The book value of hedged assets and liabilities, under fair-value hedge, corresponds to their fair value, for the part corresponding to the hedged risk.

1.3 Use of estimates and assumptions

The preparation of financial statements requires Group and subsidiary management to make estimates and assumptions that are reflected in the amounts of assets and liabilities reported in the consolidated balance sheet, the revenues and expenses in the statement of income and the commitments created during the reporting period. Actual results may differ.

These assumptions mainly concern:

- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (Note 1.8 and Note 1.9) and the measurement of impairment losses (Note 1.10);
- the measurement of the recoverable amount of non-current financial assets (Note 1.11 and Note 13);
- the realizable value of inventories and work in progress (Note 1.12);
- the recoverable amount of trade and other operating receivables (Note 1.13);
- the valuation of share-based payments (Note 1.19);
- the calculation of provisions or risk contingencies (Note 1.20);
- the measurement of pension and other post-employment benefit obligations (Note 1.18 and Note 20);
- the recoverability of deferred tax assets related to tax loss carryforward (Note 14).

1.4 Consolidation principles

Subsidiaries, over which the Group exercises exclusive control, either directly or indirectly, are fully consolidated.

Group investments in entities controlled jointly with a limited number of partners, such as joint ventures and companies over which the Group has significant influence ("associates") are accounted for by the equity method. Significant influence is presumed to exist when more than 20% of voting rights are held by the Group.

Companies acquired or sold during the year are included in or removed from the consolidated financial statements as of the date when effective control is acquired or relinquished.

Intra-group balances and transactions are eliminated.

The list of consolidated main subsidiaries, joint ventures and associates can be found in Note 29.

The reporting date for all companies included in the scope of consolidation is December 31, with the exception of certain immaterial associates accounted for by the equity method. For the latter however, financial statements up to September 30 of the financial year have been used (maximum difference of three months in line with the standards).

1.5 Business combinations

Business combinations are accounted for using the acquisition method, in accordance with IFRS 3 – *Business Combinations*. Acquisition costs are presented under "Other operating income and expenses" in the statement of income.

All acquired assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date, the fair value can be adjusted during a measurement period that can last for up to 12 months from the date of acquisition.

The excess of the cost of acquisition over the Group's share in the fair value of assets and liabilities at the date of acquisition is recognized in goodwill. Where the cost of acquisition is lower than the fair value of the identified assets and liabilities acquired, the badwill is immediately recognized in the statement of income.

Goodwill is not amortized, but tested for impairment at least annually and whenever there is an indication that it may be impaired (see Note 1.10 below). Any impairment losses are recognized under "Amortization expenses and impairment losses of purchase accounting intangible assets".

1.6 Translation of the financial statements of foreign subsidiaries

The consolidated financial statements are prepared in euros.

The financial statements of subsidiaries that use another functional currency are translated into euros as follows:

- assets and liabilities are translated at the official closing rates;
- income statement, backlog and cash flow items are translated at average annual exchange rates.

Gains or losses on translation are recorded in consolidated equity under "Cumulative translation reserve".

The Group applies IAS 29 – *Financial Reporting in Hyperinflationary Economies* to the Group's subsidiaries in hyperinflation countries (Venezuela and Argentina). The impacts are not significant for the Group in 2019.

1.7 Foreign currency transactions

Foreign currency transactions are recorded using the exchange rate in effect at the transaction date or at the hedging rate. At the balance sheet date, monetary items in foreign currency (e.g. payables, receivables, etc.) are translated into the functional currency of the entity at the closing rate or at the hedging rate. Gains or losses on translation of foreign currency transactions are recorded under "Net financial income/(loss)". Foreign currency hedging is described below, in Note 1.22.

However, certain long-term receivables and loans to subsidiaries are considered to be part of a net investment in a foreign operation, as defined by IAS 21 – *The effects of changes in foreign exchange rates*. As such, the impact of exchange rate fluctuations is recorded in equity and recognized in the statement of income when the investment is sold or when the long-term receivable or loan is reimbursed.

1.8 Intangible assets

Intangible assets acquired separately or as part of a business combination

Intangible assets acquired separately are initially recognized in the balance sheet at historical cost. They are subsequently measured using the cost model, in accordance with IAS 38 – *Intangible Assets*.

Intangible assets (mainly trademarks, technologies and customer lists) acquired as part of business combinations are recognized in the balance sheet at fair value at the combination date, appraised externally for the most significant assets and internally for the rest, and that represents its historical cost in consolidation. The valuations are performed using generally accepted methods, based on future inflows.

Intangible assets are generally amortized on a straight-line basis over their useful life or, alternatively, over the period of legal protection. Amortized intangible assets are tested for impairment when there is any indication that their recoverable amount may be less than their carrying amount.

Amortization expenses and impairment losses on intangible assets acquired in a business combination are presented on a separate statement of income line item, "Amortization expenses and impairment losses of purchase accounting intangible assets".

Trademarks

The trademarks fair value is determined using the royalty method at the date of acquisition.

Trademarks acquired as part of a business combination are not amortized when they are considered to have an indefinite life.

The criteria used to determine whether or not such trademarks have indefinite lives and, as the case may be, their lifespan, are as follows:

- brand awareness;
- outlook for the brand in light of the Group's strategy for integrating the trademark into its existing portfolio.

Non-amortized trademarks are tested for impairment at least annually and whenever there is an indication they may be impaired. When necessary, an impairment loss is recorded.

Internally-generated intangible assets

Research and development costs

Research costs are expensed in the statement of income when incurred. Development costs for new projects are capitalized if, and only if:

- the project is clearly identified and the related costs are separately identified and reliably monitored;
- the project's technical feasibility has been demonstrated and the Group has the intention and financial resources to complete the project and to use or sell the resulting products;
- the Group has allocated the necessary technical, financial and other resources to complete the development;
- it is probable that the future economic benefits attributable to the project will flow to the Group.

Development costs that do not meet these criteria are expensed in the financial year in which they are incurred.

Before the commercial launch, capitalized development projects are tested for impairment at least annually. From the date of the commercial launch, capitalized development projects are amortized over the lifespan of the underlying technology, which generally ranges from three to ten years. The amortization expenses of such capitalized projects are included in the cost of the related products and classified into "Cost of sales" when the products are sold.

As for development-related assets which are in the amortization period, they are tested for impairment in case an impairment risk has been identified.

Software implementation

External and internal costs relating to the implementation of Enterprise Resource Planning (ERP) applications are capitalized when they relate to the programming, coding and testing phase. They are amortized over the applications' useful lives. In accordance with paragraph 98 of IAS 38, the SAP bridge application currently being rolled out within the Group is amortized using the production unit method to reflect the pattern in which the asset's future economic benefits are expected to be consumed. Said units of production correspond to the number of users of the rolled-out solution divided by the number of target users at the end of the roll-out.

1.9 Property, plant and equipment

Property, plant and equipment is primarily comprised of land, buildings and production equipment and is carried at cost, less accumulated depreciation and any accumulated impairment losses, in accordance with the recommended treatment in IAS 16 – *Property, plant and equipment*.

Each component of an item of property, plant and equipment with a useful life that differs from that of the whole item is depreciated separately on a straight-line basis. The main useful lives are as follows:

- buildings: 20 to 40 years;
- machinery and equipment: 3 to 10 years;
- other: 3 to 12 years.

The useful life of property, plant and equipment used in operating activities, such as production lines, reflects the related products' estimated life cycles.

Useful lives of items of property, plant and equipment are reviewed periodically and may be adjusted prospectively if appropriate. The depreciable amount of an asset is determined after deducting its residual value, when the residual value is material.

Depreciation is expensed in the period and included in the production cost of inventory or the cost of internally-generated intangible assets. It is recognized in the statement of income under "Cost of sales", "Research and development costs" or "Selling, general and administrative expenses", as the case may be.

Items of property, plant and equipment are tested for impairment whenever there is an indication they may be impaired. Impairment losses are charged to the statement of income under "Other operating income and expenses".

Since 2019, property, plant and equipment also includes right-of-use assets, in accordance with the recommended treatment in IFRS 16 – *Leases*, and as described in Note 1.1.

1.10 Impairment of assets

In accordance with IAS 36 – *Impairment of Assets*, the Group assesses the recoverable amount of its long-lived assets as follows:

- for all property, plant and equipment subject to depreciation and intangible assets subject to amortization, the Group carries out a review at each balance sheet date to assess whether there is any indication that they may be impaired. Indications of impairment are identified based on external or internal information. If such an indication exists, the Group tests the asset for impairment by comparing its carrying amount to the higher of fair value minus costs to sell and value in use;
- non-amortizable intangible assets and goodwill are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

Value in use is determined by discounting future cash flows that will be generated by the tested assets. These future cash flows are based on Group management's economic assumptions and operating forecasts presented in business plans over a period generally not exceeding five years, and then extrapolated based on a perpetuity growth rate. The discount rate corresponds to the Group's Weighted Average Cost of Capital (WACC) at the measurement date. The WACC stood at 6.9% at December 31, 2019 (7.0% at December 31, 2018). This rate is based on (i) a long-term interest rate of 0.75%, corresponding to the average interest rate for 10-year OAT treasury bonds over the past few years, (ii) the average premium applied to financing obtained by the Group in 2019, and is completed by, for CGUs WACC only, (iii) the weighted country risk premium for the Group's businesses in the countries in question.

The perpetuity growth rate is 2.0%, unchanged from the previous financial year.

Impairment tests are performed at the level of the Cash-Generating Unit (CGU) to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets. The cash-generating units are *Low Voltage*, *Medium Voltage*, *Industrial Automation* and *Secure Power*. CGUs net assets were allocated to the CGUs at the lowest possible level on the basis of the CGU activities to which they belong; the assets belonging to several activities were allocated to each CGU (*Low Voltage*, *Medium Voltage* and *Industrial Automation* mainly).

The WACC used to determine the value in use of each CGU was 7.5% for *Low Voltage*, 7.6% for *Industrial Automation*, 7.7% for *Secure Power*, and 7.8% for *Medium Voltage*.

Goodwill is allocated when initially recognized. The CGU allocation is done on the same basis as used by Group management to monitor operations and assess synergies deriving from acquisitions.

Where the recoverable amount of an asset or CGU is lower than its book value, an impairment loss is recognized for the excess of the book value over the recoverable value. The recoverable value is defined as the highest value between the value in use and the fair value less costs to sell. Where the tested CGU comprises goodwill, any impairment losses are firstly deducted from goodwill.

1.11 Non-current financial assets

Investments in non-consolidated companies are initially recorded at their cost of acquisition and subsequently measured at fair value. The fair value of investments listed in an active market may be determined reliably and corresponds to the listed price at balance sheet date (Level 1 from the fair value hierarchy as per IFRS 7).

IFRS 9 standard allows two accounting treatments for equity instruments:

- change in fair value is recognized through "Other Comprehensive Income" in the comprehensive income statement, and in equity under "Other reserves" in the balance sheet, with no subsequent recycling in the income statement even upon sale;
- change in fair value, as well as gain or loss in case of sale, are recognized in the income statement.

The election between those two methods is to be made from inception for each equity investment and is irrevocable.

Venture capital (FCPR)/Mutual funds (SICAV) are recognized at fair value through income statement, in accordance with IFRS 9.

Loans, recorded under "Non-current financial assets", are carried at amortized cost. In accordance with IFRS 9, a depreciation is booked from inception to reflect the expected credit risk losses within 12 months. In case of significant degradation of the credit quality, the initial level of depreciation is modified to cover the entire expected losses over the remaining maturity of the loan.

1.12 Inventories and work in progress

Inventories and work in progress are measured at the lower of their initial recognition cost (acquisition cost or production cost generally determined by the weighted average price method) or of their estimated net realizable value.

Net realizable value corresponds to the estimated selling price net of remaining expenses to complete and/or sell the products. Inventory impairment losses are recognized in "Cost of sales". The cost of work in progress, semi-finished and finished products, includes the cost of materials and direct labor, subcontracting costs, all production overheads based on normal manufacturing capacity and the portion of research and development costs that are directly related to the manufacturing process (corresponding to the amortization of capitalized projects in production and product and range of products maintenance costs).

1.13 Trade and other operating receivables

Trade and other operating receivables are depreciated according to the simplified IFRS 9 model. From inception, trade receivables are depreciated to the extent of the expected losses over their remaining maturity.

The credit risk of trade receivables is assessed on a collective basis country by country, as the geographical origin of receivables is considered representative of their risk profile. Countries are classified by risk profile using the assessment provided by an external agency. The provision for expected credit losses is evaluated using (i) the probabilities of default communicated by a credit agency, (ii) historical default rates, (iii) aging balance, (iv) as well as the Group's assessment of the credit risk considering actual guarantees and credit insurance.

Once it is known with certainty that a doubtful receivable will not be collected, the doubtful account and its related depreciation are written off through the income statement.

Accounts receivable are discounted in cases where they are due in over one year and the discounting impact is significant.

1.14 Assets held for sale and liabilities of discontinued operations
Assets held for sale are no longer amortized or depreciated and are recorded separately in the balance sheet under "Assets held for sale" at the lower of its amortized cost and net realizable value.

1.15 Deferred taxes
Deferred taxes, related to temporary differences between the tax basis and accounting basis of consolidated assets and liabilities, are recorded using the balance sheet liability method, based on tax rates and tax rules enacted before the balance sheet date. The effect of any change in the tax rate is recognized in the income statement, apart from changes relating to items initially recognized directly in equity.

Future tax benefits arising from the utilization of tax loss carry forwards (including amounts available for carry forward without time limit) are recognized only when they can reasonably be expected to be realized. The carrying amount of deferred tax assets is tested for impairment at each balance sheet date and an impairment loss is recognized to the extent that it is no longer probable that sufficient taxable profits will be available against which the deferred tax asset can be fully or partially offset.

Deferred tax assets and liabilities are not discounted and are recorded in the balance sheet under non-current assets and liabilities. Deferred tax assets and liabilities related to the same unit and which are expected to reverse in the same period are offset.

1.16 Cash and cash equivalents
Cash and cash equivalents presented in the balance sheet consist of cash, bank accounts, term deposits of three months or less and marketable securities traded on organized markets. Marketable securities are short-term, highly-liquid investments that are readily convertible to known amounts of cash at maturity. They notably consist of commercial paper, mutual funds and equivalents. Considering their nature and maturities, these instruments represent insignificant risk of changes in value and are treated as cash equivalents.

1.17 Schneider Electric SE shares
Schneider Electric SE shares held by the parent company or by fully consolidated companies are measured at acquisition cost and deducted from equity.

Gains/(losses) on the sale of own shares are canceled from consolidated reserves, net of tax.

1.18 Pensions and other employee benefit obligations
Depending on local practices and laws, the Group's subsidiaries participate in pension, termination benefit and other long-term benefit plans. Benefits paid under these plans depend on factors such as seniority, compensation levels and payments into mandatory retirement programs.

Defined contribution plans
Payments made under defined contribution plans are recorded in the income statement, in the year of payment, and are in full settlement of the Group's liability. As the Group is not committed beyond these contributions, no provision related to these plans has been booked.

In most countries, the Group participates in mandatory general plans, which are accounted for as defined contribution plans.

Defined Benefit plans
Defined Benefit plans are measured using the projected unit credit method.

Expenses recognized in the statement of income are split between "Operating income" (for service costs rendered during the period) and "Net financial income/(loss)" (for financial costs and expected return on plan assets).

The amount recognized in the balance sheet corresponds to the present value of the obligation, and net of plan assets.

When this is an asset, the recognized asset is limited to the present value of any economic benefit due in the form of plan refunds or reductions in future plan contributions.

Changes resulting from periodic adjustments to actuarial assumptions regarding general financial and business conditions or demographics (i.e., changes in the discount rate, annual salary increases, return on plan assets, years of service, etc.) as well as experience adjustments are immediately recognized in the balance sheet as a separate component of equity in "Other reserves" and in comprehensive income as "Other comprehensive income".

Other commitments
Provisions are funded and expenses recognized to cover the cost of providing health-care benefits for certain Group retirees in Europe and the United States. The accounting policies applied to these plans are similar to those used to account for Defined Benefit pension plans.

The Group also funds provisions for all its subsidiaries to cover seniority-related benefits (primarily long service awards for its French subsidiaries). Actuarial gains and losses on these benefit obligations are fully recognized in profit or loss.

1.19 Share-based payments
The Group grants performance shares to senior executives and certain employees.

Pursuant to the application of IFRS 2 – *Share-based payments*, these plans are measured on the date of grant and an employee benefits expense is recognized on a straight-line basis over the vesting period, in general three or four years depending on the country in which it is granted.

The Group uses the Cox-Ross-Rubinstein binomial model to measure these plans.

For performance shares and stock options, this expense is offset in the equity. In the case of stock appreciation rights, a liability is recorded corresponding to the amount of the benefit granted, re-measured at each balance sheet date.

As part of its commitment to employee share ownership, Schneider Electric gave its employees the opportunity to purchase shares at a discounted price (Note 19).

1.20 Provisions and risk contingencies
A provision is recognized when it is probable that the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the loss or liability is not likely and cannot be reliably estimated, but remains possible, the Group discloses it as a contingent liability. Provisions are calculated on a case-by-case or statistical basis, and discounted when the impact from discounting is significant.

Provisions are primarily set aside to cover:

- **economic risks:** these provisions relate to probable tax risks arising on positions taken by the Group or its subsidiaries. Each position is assessed individually and not offset, and reflects the best estimate of the risk at the end of the reporting period. Where applicable, it includes any late-payment interest and fines. In accordance with IFRIC 23 – *Uncertainty over income tax treatments*, provisions covering uncertainties over income tax treatment have been reclassified within “Accrued taxes and payroll costs” as of 1st of January 2019;
- **customer risks:** provisions for customer risks mainly integrate the provisions for losses at completion for some of long term contracts. Provisions for expected losses are fully recognized as soon as they are identified;
- **product risks:** these provisions comprise:
  - statistical provisions for warranties: the Group funds provisions on a statistical basis for the residual cost of Schneider Electric product warranties not covered by insurance. The provisions are estimated with consideration of historical claim statistics and the warranty period;
  - provisions to cover disputes concerning defective products and recalls of clearly identified products;
- **environmental risks:** these provisions are primarily funded to cover clean-up costs. The estimation of the expected future outflows is based on reports from independent experts;
- **restructuring costs:** when the Group has prepared a detailed plan for the restructuring and has either announced or started to implement the plan before the end of the year. The estimation of the liability include only direct expenditure arising from the restructuring.

1.21 Financial liabilities
Financial liabilities primarily comprise bonds and short- and long-term bank borrowings. These liabilities are initially recorded at fair value, from which any direct transaction costs are deducted. Subsequently, they are measured at amortized cost based on their effective interest rate.

1.22 Financial instruments and derivatives
Risk hedging management is centralized. The Group’s policy is to use derivative financial instruments exclusively to manage and hedge changes in exchange rates, interest rates or prices of certain raw materials. The Group uses instruments such as FX forwards, FX options, cross currency swaps, interest rate swaps and commodities future, swaps or options, depending on the nature of the exposure to be hedged.

All derivatives are recorded in the balance sheet at fair value with changes in fair value recorded in the statement of income, except when they are qualified in a hedging relationship.

Foreign currency hedges
The Group periodically enters into FX derivatives to hedge the currency risk associated with foreign currency transactions. Whenever possible, monetary items (except specific financing items) denominated in foreign currency carried in the balance sheet of Group companies are hedged by rebalancing assets and liabilities per currency through FX spots realized with Corporate Treasury (natural hedge). The FX risk is thus aggregated at Group level and hedged with FX derivatives. When FX risk management cannot be centralized, the Group contracts FX forwards to hedge operating receivables and payables carried in the balance sheet of Group companies. In both cases, the Group does not apply hedge accounting because gains and losses generated on these FX derivatives naturally offset within “Net financial income/(loss)” with gains or losses resulting from the translation at end-of-year rates of payables and receivables denominated in foreign currency.

The Group also hedges future cash flows, including recurring future transactions and planned acquisitions or disposals of investments. In accordance with IFRS 9, these are treated as cash flow hedges. These hedging instruments are recognized at fair value in the balance sheet. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is accumulated in equity, under “Other reserves”, and then recognized in the income statement when the hedged item affects profit or loss.

The Group also hedges FX risk financing receivables or payables (including current accounts and loans with subsidiaries) using FX derivatives than can be documented either in Cash Flow Hedge or Fair Value Hedge depending on the nature of the derivative.

The Group may also designate FX derivatives or borrowings as hedging instruments of its investments in foreign operations (net investment hedge). Changes of value of those hedging instruments are accumulated in equity and recognized in the statement of income symmetrically to the hedged items.

The Group documents FX derivative based on the spot rate. The Group adopted the cost of hedging option offered by IFRS 9 to limit volatility in the statement of income related to forward points:

- For FX derivatives hedging a monetary item on the balance sheet: Forward points are amortized in statement of income on a straight-line basis. Forward points related to FX derivatives hedging financing transactions are included in “Finance costs, net”;
- For FX derivatives hedging future transactions not yet recorded on the balance sheet: Forward points are recorded in the statement of income when the hedged transaction impacts the statement of income.

Interest rate hedges

Interest rate swaps allow the Group to manage its exposure to interest rate risk. The derivative instruments used are financially adjusted to the schedules, rates and currencies of the borrowings they cover. They involve the exchange of fixed and floating-rate interest payments. The differential to be paid (or received) is accrued as an adjustment to interest income or expense over the life of the agreement. The Group applies hedge accounting as described in IFRS 9 for interest rate swaps. Gains and losses on re-measurement of interest rate swaps at fair value on the balance sheet are recognized in equity (for Cash Flow Hedges) or in profit or loss (for Fair Value Hedges).

Borrowings hedged by an interest rate derivative in a fair value hedge are reevaluated at fair value for the portion of risk being hedged, with offsetting entry in the statement of income.

Cross-currency swaps may be presented both as foreign exchange hedges and interest rate hedges depending on the characteristics of the derivative.

Commodity hedges

The Group also purchases commodity derivatives including forward purchase contracts, swaps and options to hedge price risks on all or part of its forecast future purchases. Under IFRS 9, these qualify as cash flow hedges. These instruments are recognized in the balance sheet at fair value at the period-end (mark to market). The effective portion of the hedge is recognized separately in equity (under “Other reserves”) and then recognized in income (gross margin) when the underlying hedge affects consolidated income. The effect of this hedging is then incorporated in the cost price of the products sold.

Shares hedges

Schneider Electric shares are hedged in relation to last Stock Appreciation Rights granted to US employees before 2012 using derivatives documented in cash flow hedge.

Time value of options documented in a hedging relationship is recorded using the same approach used for forward points. Any ineffectiveness arising from a derivative documented in a hedging relationship is recorded in “Net financial income/(loss)”.

Cash flows from financial instruments are recognized in the consolidated statement of cash flows in a manner consistent with the underlying transactions.

1.23 Revenue recognition

The Group’s revenues primarily include transactional sales and revenues from services, and system contracts (projects).

Some contracts may include the supply to the customer of distinct goods and services (for instance contracts combining build followed by operation and maintenance). In such situations, the contract is analyzed and segmented into several components (“performance obligations”), each component being accounted for separately, with its own revenue recognition method and margin rate. The selling price is allocated to each performance obligation in proportion to the specific selling price of the underlying goods and services. This allocation should reflect the share of the price to which Schneider Electric expects to be entitled in exchange for the supply of these goods or services.

Revenue associated with each performance obligation identified within a contract is recognized when the obligation is satisfied, i.e. when the control of the promised goods or services is transferred to the customer.

The following revenue recognition methods can be applied:

Recognition of revenue at a point of time

Revenue from sales is recognized at a point of time, when the control of the promised goods or services is transferred to the customer. This method is applicable for all transactional sales and for specific services such as spare parts deliveries, or on-demand services.

Recognition of revenue over time

To demonstrate that the transfer of goods is progressive and recognize revenue over time, the following cumulative criteria are required:

- the goods sold have no alternative use, and
- enforceable right to payment (corresponding to costs incurred, plus a reasonable profit margin) for the work performed to date exists, in the event of early termination for convenience by the customer.

When these criteria are fulfilled, revenue is recognized using the percentage-of-completion method, based on the percentage of costs incurred in relation to total estimated costs of the performance obligation. The cost incurred includes direct and indirect costs relating to the contracts.

Expected losses on contracts are fully recognized as soon as they are identified.

Penalties for late delivery or for the improper execution of a contract are recognized as a deduction from revenue.

This method is applicable for systems contracts (projects) as the constructed assets are highly customized, and thus the Group would incur significant economic losses to redirect the built solutions to other customers.

Revenue from the majority of services contracts is recognized over time, as the customer simultaneously receives and consumes the benefits of the services provided. When costs incurred are stable over the contract's period, revenue is linearized over the contract's length.

Provisions for the discounts offered to distributors are accrued when the products are sold to the distributor and recognized as a deduction from revenue. Certain Group subsidiaries also offer cash discounts to distributors. These discounts and rebates are deducted from sales.

Consolidated revenue is presented net of these discounts and rebates.

Backlog and balance sheet presentation

Backlog (as disclosed in Note 3) corresponds to the amounts of the selling price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at closing date.

The cumulated amount of revenue accounted for, less progress payments and accounts receivable (presented on a dedicated line of the balance sheet) is determined on a contract-by-contract basis. If this amount is positive, the balance is recognized under "Contract assets" in the balance sheet. If it is negative, the balance is recognized under "Contract liabilities" (see Note 16). Reserves for onerous contracts (so-called reserves for loss at completion) are excluded from contract assets and liabilities and presented among the "Provisions for customer risks" item.

1.24 Earnings per share

Earnings per share are calculated in accordance with IAS 33 – *Earnings Per Share*.

Diluted earnings per share are calculated by adjusting profit attributable to equity holders of the parent and the weighted average number of shares outstanding for the dilutive effect of the exercise of stock options outstanding at the balance sheet date. The dilutive effect of stock options is determined by applying the "treasury stock" method, which consists of taking into account the number of shares that could be purchased, based on the average share price for the year, using the proceeds from the exercise of the rights attached to the options.

1.25 Statement of cash flows

The consolidated statement of cash flows has been prepared using the indirect method, which consists of reconciling net profit to net cash provided by operations. The opening and closing cash positions include cash and cash equivalents, comprised of marketable securities, net of bank overdrafts and facilities.

Note 2: Changes in the scope of consolidation

The list of main consolidated companies can be found in Note 29.

2.1 Scope variations

Acquisitions & disposals of the period

Acquisitions

No significant acquisition occurred during 2019.

Disposals

On March 25, 2019, the Group announced having entered exclusive negotiations with Transom Capital Group regarding the sale of its Pelco business. On May 24, 2019, the sale of Pelco, which previously reported within the *Energy Management* segment, was finalized.

On December 5, 2019, the Group announced having signed an agreement with Vinci Energies regarding the sale of Converse Energy Projects GmbH, which reported within the *Energy Management* segment. On December 30, 2019, the sale was finalized.

Follow-up on acquisitions and divestments occurred in 2018 with significant effect in 2019

Acquisitions

AVEVA

On February 28, 2018, the Group finalized a transaction with AVEVA Group PLC to combine AVEVA and Schneider Electric Software business, and create a global leader in engineering and industrial software. Following the issue of ordinary shares in the capital of AVEVA to Schneider Electric, the Group owns 60 % of the enlarged AVEVA Group, on a fully diluted basis. AVEVA is fully consolidated in the *Industrial Automation* business since March 1, 2018. The consideration paid amounted EUR 1,994 million, of which EUR 577 million paid in cash (net of acquired cash).

As of June 30, 2019, the Group has finalized the purchase price allocation and recognized intangible assets for an amount of EUR 482 million (trademark, patents and customer relationship), and an amount of goodwill of EUR 1,434 million.

The impact on non-controlling interests reflects 40 % of the AVEVA total consideration combined with the carrying value of the Schneider Electric Software business evaluated at the time of the acquisition of INVENSYS Group by Schneider Electric.

IGE+XAO

On January 25, 2018, after the successful public tender offer for the shares of IGE+XAO, the Group announced that it had taken the control of the company.

IGE+XAO, is fully consolidated in the *Energy Management* business since February 1, 2018. The consideration paid amounts EUR 86 million (net of acquired cash).

As of June 30, 2019, the Group has finalized the purchase price allocation and recognized intangible assets for an amount of EUR 49 million (trademarks, technologies and customer relationships) and an amount of goodwill of EUR 100 million.

As of December 31, 2019 the Group owns 67.89 % of the share capital of IGE+XAO.

Disposals

No significant disposals occurred during 2018.

2.2 Impact of changes in the scope of consolidation on the Group cash flow

The effect of acquisitions and divestments during the year is a net cash outflow amounting to EUR 79 million in 2019:

(in millions of euros)	**Full year 2019**	Full year 2018
Acquisitions	(172)	(751)
Disposals	93	21
FINANCIAL INVESTMENTS NET OF DISPOSALS	**(79)**	**(730)**

In 2018, the cash outflow from acquisitions is mainly related to AVEVA acquisition.

Note 3: Segment information

The Group is structured into two reporting segments and organized as follow:

Energy Management leverages a complete end-to-end technology offering enabled by EcoStruxure. The Group's go-to-market is oriented to address customer needs across its four end-markets of Buildings, Data Centers, Industry and Infrastructure, supported by a worldwide partner network.

Industrial Automation includes Industrial Automation and Industrial Control activities, across discrete, process & hybrid industries.

Expenses concerning General Management that cannot be allocated to a particular segment are presented under "Central functions & digital costs".

The board of directors has been identified as the main "decision-making body" for allocating resources and evaluating segment performance. The data shared with the latter is presented by reporting segments, with a detail by operating segment for *Energy Management*. Performance and decisions on the allocation of resources are assessed by the board of directors notably based on Adjusted EBITA.

Share-based payment is presented under "Central functions & digital costs".

The board of directors does not review assets and liabilities by reporting segment.

The same accounting principles governing the consolidated financial statements apply to segment data. Details are provided in the Management report.

3.1 Information by reporting segment

Full Year 2019

(in millions of euros)	*Energy Management*	*Industrial Automation*	Central functions & digital costs	Total
Backlog	6,399	1,705		**8,104**
Revenue	20,847	6,311		**27,158**
Adjusted EBITA*	3,842	1,141	(745)	**4,238**
Adjusted EBITA (%)	*18.4%*	*18.1%*		**15.6%**

* Adjusted EBITA (Earnings Before Interest, Taxes, Amortization of Purchase Accounting Intangibles). Adjusted EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets, before goodwill impairment, other operating income and expenses and restructuring costs.

As of December 31, 2019, the amount of backlog to be executed over one year amounts to EUR 663 million.

Full Year 2018

(in millions of euros)	*Energy Management*	*Industrial Automation*	Central functions & digital costs	Total
Backlog	5,988	1,471		**7,459**
Revenue	19,520	6,200		**25,720**
Adjusted EBITA*	3,479	1,118	(723)	**3,874**
Adjusted EBITA (%)	*17.8%*	*18.0%*		**15.1%**

* Adjusted EBITA (Earnings Before Interest, Taxes, Amortization of Purchase Accounting Intangibles). Adjusted EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets, before goodwill impairment, other operating income and expenses and restructuring costs.

As of December 31, 2018, the amount of backlog to be executed over one year amounts to EUR 350 million.

3.2 Information by region

The geographic regions covered by the Group are:

- Western Europe,
- North America,
- Asia-Pacific,
- Rest of the World (Eastern Europe, Middle East, Africa, South America).

Non-current assets include net goodwill, net intangible assets and net property, plant and equipment.

(in millions of euros)	Western Europe	*of which France*	Asia-Pacific	*of which China*	North America	*of which USA*	Rest of the World	Total
Revenue by country market	7,132	*1,666*	7,808	*3,906*	7,874	*6,789*	4,344	**27,158**
Non-current assets as of Dec. 31, 2019	11,584	*1,870*	4,167	*970*	9,965	*7,316*	1,330	**27,046**

(in millions of euros)	Western Europe	*of which France*	Asia-Pacific	*of which China*	North America	*of which USA*	Rest of the World	Total
Revenue by country market	6,991	*1,643*	7,338	*3,666*	7,183	*6,101*	4,208	**25,720**
Non-current assets as of Dec. 31, 2018	11,121	*1,859*	3,859	*942*	9,617	*7,602*	1,171	**25,768**

Moreover, the Group follows the share of new economies in revenue:

(in millions of euros)	**Full year 2019**		Full year 2018	
Revenue – Mature countries	15,901	*59%*	14,987	*58%*
Revenue – New economies	11,257	*41%*	10,733	*42%*
TOTAL	**27,158**	**100%**	**25,720**	**100%**

5. Notes to the consolidated financial statements

Note 4: Research and development

Research and development costs break down as follows:

(in millions of euros)	**Full year 2019**	Full year 2018
Research and development costs in costs of sales	(408)	(387)
Research and development costs in R&D costs*	(657)	(597)
Capitalized development costs	(303)	(315)
TOTAL RESEARCH AND DEVELOPMENT COSTS IN THE YEAR **	**(1,368)**	**(1,299)**

* Including EUR 54 million of research and development tax credit in full year 2019 and EUR 41 million in full year 2018.
** Excluding amortization of R&D costs capitalized.

Amortization expenses of capitalized development amounted to EUR 243 million in 2019 and EUR 255 million in 2018.

Note 5: Impairment losses, depreciation and amortization expenses

(in millions of euros)	**Full year 2019**	Full year 2018
Depreciation and amortization included in cost of sales	(521)	(534)
Depreciation and amortization included in selling, general and administrative expenses*	(481)	(155)
Amortization expenses of purchase accounting intangible assets	(173)	(171)
Impairment losses of purchase accounting intangible assets	–	(6)
IMPAIRMENT LOSSES, DEPRECIATION AND AMORTIZATION EXPENSES	**(1,175)**	**(866)**

* Including impact from first application of IFRS 16, as described in Note 1.1.

Impairment tests performed in 2019 have not led to impairment losses being recognized on the CGUs' assets. The sensitivity analysis on the test hypothesis shows that no impairment losses would be recognized in the following scenarios:

- a 0.5 point increase of the discount rate;
- a 1.0 point decrease in the growth rate;
- a 0.5 point decrease in the margin rate.

Note 6: Other operating income and expenses

Other operating income and expenses break down as follows:

(in millions of euros)	**Full year 2019**	Full year 2018
Gains/(losses) on assets disposals	(1)	4
Gains/(losses) on business disposals & assets impairment	(289)	(36)
Costs of acquisitions and integrations	(98)	(69)
Others	(23)	(2)
OTHER OPERATING INCOME AND EXPENSES	**(411)**	**(103)**

"Gains/(losses) on business disposals" mostly includes the impacts from the disposals of Pelco and Converse Energy Projects GmbH, as well as the fair value adjustment of Electroshield Samara business in 2019 (see Note 1.1).

"Costs of acquisitions and integrations" relates to major acquisitions and disposals in 2019 and 2018.

Note 7: Other financial income and expenses

(in millions of euros)	**Full year 2019**	Full year 2018
Exchange gains and losses, net	(49)	(5)
Financial component of defined benefit plan costs	(53)	(61)
Dividends received	37	1
Fair value adjustment of financial assets	11	3
Other financial expenses, net*	(78)	(66)
OTHER FINANCIAL INCOME AND EXPENSES	**(132)**	**(128)**

* Including impact from first application of IFRS 16, as described in Note 1.1.

Note 8: Income tax expenses

When regulatory requirements are met, Group entities file consolidated tax returns. Schneider Electric SE has chosen this option for the French subsidiaries it controls directly or indirectly through Schneider Electric Industries SAS.

8.1 Analysis of income tax expense

(in millions of euros)	**Full year 2019**	Full year 2018
Current taxes	(724)	(635)
Deferred taxes	34	(58)
INCOME TAX (EXPENSE)/BENEFIT	**(690)**	**(693)**

8.2 Tax proof

(in millions of euros)	**Full year 2019**	Full year 2018
Profit attributable to owners of the parent	**2,413**	**2,334**
Income tax (expense)/benefit	(690)	(693)
Non-controlling interests	(110)	(97)
Share of profit of associates	78	61
Income of discontinued operations, net of income tax	(3)	(23)
Profit before tax	**3,138**	**3,086**
Geographical weighted average Group tax rate	23.4%	25.2%
Theoretical income tax expense	**(733)**	**(777)**
Reconciling items :		
Tax credits and other tax reductions	147	180
Impact of tax losses	(53)	(29)
Other permanent differences	(51)	(42)
Income tax (expense)/benefit before impact from tax reforms	**(690)**	**(668)**
EFFECTIVE TAX RATE BEFORE IMPACT FROM TAX REFORMS	**22.0%**	**21.6%**
Impact from the USA Tax reform	–	(25)
INCOME TAX (EXPENSE)/BENEFIT	**(690)**	**(693)**
EFFECTIVE TAX RATE	**22.0%**	**22.5%**

Theoretical tax expense from continuing operations is reconciled above from the Company's weighted-average global tax rate (rather than from the French domestic statutory tax rate), as the Company's consolidated income from continuing operations is predominantly generated outside of France.

In 2018, the tax reforms in the USA led to an additional negative adjustment of EUR 25 million.

Note 9: Goodwill

9.1 Main items of goodwill
Group goodwill is broken down by CGUs as follows:

(in millions of euros)	**Dec. 31, 2019**	Dec. 31, 2018
Energy Management:	**11,210**	**11,035**
Low Voltage	*6,040*	*5,999*
Medium Voltage	*1,957*	*1,855*
Secure Power	*3,213*	*3,181*
Industrial Automation	**7,509**	**7,338**
TOTAL GOODWILL	**18,719**	**18,373**

9.2 Movements during the year
The main movements during the year are summarized as follows:

(in millions of euros)	**Full year 2019**	Full year 2018
Net goodwill at opening	**18,373**	**16,423**
Acquisitions	64	1,634
Disposals	(33)	–
Reclassifications	(3)	53
Translation adjustment	318	263
NET GOODWILL AT END OF PERIOD	**18,719**	**18,373**
Including cumulative impairment	*(366)*	*(366)*

Acquisitions
Goodwill generated by acquisitions made during the year totaled EUR 64 millions. Last year, goodwill generated was mainly related to AVEVA and IGE+XAO acquisitions.

Impairment tests performed on all the Group's CGUs have not led to goodwill impairment losses being recognized.

Other changes
Translation adjustments concern principally goodwill in US dollars and UK pound sterling.

Note 10: Intangible assets

10.1 Change in intangible assets

Gross value

(in millions of euros)	Trademarks	Software	Development Projects (R&D)	Acquired technologies and customer relationships	Other	Total
Dec. 31, 2017	**2,877**	**861**	**2,843**	**2,251**	**240**	**9,072**
Acquisitions	–	18	315	1	4	**338**
Translation adjustments	90	16	23	90	20	**239**
Reclassifications	–	20	–	–	(20)	**–**
Changes in scope of consolidation and other	37	(25)	(58)	500	2	**456**
Dec. 31, 2018	**3,004**	**890**	**3,123**	**2,842**	**246**	**10,105**
Acquisitions	–	22	303	–	13	**338**
Translation adjustments	36	4	19	76	9	**144**
Reclassifications	–	45	7	–	(52)	**–**
Changes in scope of consolidation and other	(450)	(43)	(137)	(227)	(14)	**(871)**
DEC. 31, 2019	**2,590**	**918**	**3,315**	**2,691**	**202**	**9,716**

Amortization and impairment

(in millions of euros)	Trademarks	Software	Development Projects (R&D)	Acquired technologies and customer relationships	Other	Total
Dec. 31, 2017	**(760)**	**(762)**	**(1,662)**	**(1,370)**	**(183)**	**(4,737)**
Depreciations	–	(48)	(255)	(166)	(5)	**(474)**
Impairments	–	–	(13)	–	–	**(13)**
Translation adjustments	(13)	(1)	(24)	(21)	(10)	**(69)**
Reclassifications	–	–	–	–	–	**–**
Changes in scope of consolidation and other	25	20	42	(23)	(2)	**62**
Dec. 31, 2018	**(748)**	**(791)**	**(1,912)**	**(1,580)**	**(200)**	**(5,231)**
Depreciations	–	(51)	(243)	(171)	(9)	**(474)**
Impairments	–	–	(70)	–	–	**(70)**
Translation adjustments	1	(2)	(12)	(30)	(4)	**(47)**
Reclassifications	–	–	–	–	–	**–**
Changes in scope of consolidation and other	327	43	126	243	14	**753**
DEC. 31, 2019	**(420)**	**(801)**	**(2,111)**	**(1,538)**	**(199)**	**(5,069)**

Net value

(in millions of euros)	Trademarks	Software	Development Projects (R&D)	Acquired technologies and customer relationships	Other	Total
Dec. 31, 2017	**2,117**	**99**	**1,181**	**881**	**57**	**4,335**
Dec. 31, 2018	**2,256**	**99**	**1,211**	**1,262**	**46**	**4,874**
DEC. 31, 2019	**2,170**	**117**	**1,204**	**1,153**	**3**	**4,647**

In 2019, change in intangible assets is mainly related to the disposal of Pelco.

The amortization expenses and impairment losses of intangible assets other than goodwill restated in statutory cash flow are as follows:

(in millions of euros)	**Full year 2019**	Full year 2018
Depreciation expenses of intangibles assets other than goodwill	474	474
Impairments losses of intangible assets other than goodwill	70	13
TOTAL*	**544**	**487**

* Includes depreciation & impairment of intangible assets from purchase price allocation for EUR 173 million for the year 2019 (EUR 177 million in 2018).

10.2 Trademarks

At December 31, 2019, the main trademarks recognized were as follows:

(in millions of euros)	**Dec. 31,2019**	Dec. 31, 2018
APC (*Secure Power*)	1,650	1,619
Clipsal (*Low Voltage*)	159	157
Pelco (*Low Voltage*)	–	123
Asco (*Low Voltage*)	111	110
AVEVA (*Industrial Automation*)	83	79
Invensys – Triconex and Foxboro (*Industrial Automation*)	49	48
Digital (*Industrial Automation*)	45	43
Other	73	77
TRADEMARKS	**2,170**	**2,256**

All the above trademarks are considered to have an indefinite life. In 2019, the Group reviewed the value of the main trademarks in accordance with valuation model describe in Note 1.8 – *Intangibles assets*. Impairment tests carried out on main trademarks in 2019 did not led to additional impairments.

The sensibility analysis on the test hypothesis shows that no impairment losses would be recognized in the following scenarios:

- a 0.5 point increase in the discount rate;
- a 1.0 point decrease in growth rate;
- a 0.5 point decrease in the royalty rate.

Note 11: Property, plant and equipment

Changes in property, plant and equipment in 2019 are mainly related to the scope changes mentioned in the Note 2 and include the impacts of IFRS 16 – *Leases* that are detailed in Note 1-Effects of the adoption of IFRS 16.

Gross value

(in millions of euros)	Land	Buildings	Machinery and equipments	Other	Total
Dec. 31, 2017	**153**	**1,846**	**4,352**	**1,006**	**7,357**
Acquisitions	–	281	144	58	**483**
Disposals	(5)	(62)	(111)	(85)	**(263)**
Translation adjustments	–	2	6	(6)	**2**
Reclassifications	2	(135)	128	35	**30**
Changes in scope of consolidation and other	–	(65)	(10)	88	**13**
Dec. 31, 2018	**150**	**1,867**	**4,509**	**1,096**	**7,622**
IFRS 16 first application	–	1,103	139	–	**1,242**
Jan. 1, 2019	**150**	**2,970**	**4,648**	**1,096**	**8,864**
Acquisitions	–	172	190	336	**698**
Disposals	(2)	(73)	(178)	(41)	**(294)**
Translation adjustments	1	24	42	15	**82**
Reclassifications	–	106	121	(235)	**(8)**
Changes in scope of consolidation and other	(8)	(42)	(65)	(17)	**(132)**
DEC. 31, 2019	**141**	**3,157**	**4,758**	**1,154**	**9,210**

Amortization and impairment

(in millions of euros)	Land	Buildings	Machinery and equipments	Other	Total
Dec. 31, 2017	**(17)**	**(906)**	**(3,396)**	**(548)**	**(4,867)**
Depreciation and impairment	(4)	(89)	(256)	(64)	**(413)**
Reversals	1	36	110	67	**214**
Translation adjustments	–	(1)	(8)	4	**(5)**
Reclassifications	–	(13)	5	(22)	**(30)**
Changes in scope of consolidation and other	–	1	11	(12)	**–**
Dec. 31, 2018	**(20)**	**(972)**	**(3,534)**	**(575)**	**(5,101)**
IFRS 16 first application	–	–	–	–	**–**
Jan. 1, 2019	**(20)**	**(972)**	**(3,534)**	**(575)**	**(5,101)**
Depreciation and impairment	(1)	(324)	(315)	(64)	**(704)**
Reversals	1	36	173	34	**244**
Translation adjustments	–	(11)	(33)	(7)	**(51)**
Reclassifications	–	(38)	24	22	**8**
Changes in scope of consolidation and other	2	8	56	8	**74**
DEC. 31, 2019	**(18)**	**(1,301)**	**(3,629)**	**(582)**	**(5,530)**

Net value

(in millions of euros)	Land	Buildings	Machinery and equipments	Other	Total
Dec. 31, 2017	**136**	**940**	**956**	**458**	**2,490**
Dec. 31, 2018	**130**	**895**	**975**	**521**	**2,521**
DEC. 31, 2019	**123**	**1,856**	**1,129**	**572**	**3,680**

Reclassifications primarily correspond to assets put into use.

The cash impact of purchases of property, plant and equipment in 2019 was as follows:

(in millions of euros)	Full year 2019	Full year 2018
Increase in property, plant and equipment	(698)	(483)
Of which non-cash impact related to IFRS 16	187	–
Changes in receivables and liabilities on property, plant and equipment	5	(3)
TOTAL	**(506)**	**(486)**

The depreciation and impairment of property, plant and equipment restated in the statement of cash flows were as follows:

(in millions of euros)	Full year 2019	Full year 2018
Depreciation of property, plant and equipment	701	386
Impairment of property, plant and equipment	3	27
TOTAL	**704**	**413**

5. Notes to the consolidated financial statements

Note 12: Investments in associates and joint ventures

Investments in associates and joint ventures can be analyzed as follows:

(in millions of euros)	Delixi Sub-Group*	Fuji Electrics	Sunten Electric Equipments	Schneider Electric DMS	InnoVista Sensors	Delta Dore Finance	Other	**Total**
% of interest								
Dec. 31, 2018	50.0%	36.8%	25.0%	57.0%	30.0%	20.0%		
Dec. 31, 2019	50.0%	36.8%	25.0%	100.0%	30.0%	20.0%		
CLOSING VALUE DEC. 31, 2017	**278**	**116**	**48**	**44**	**27**	**19**	**15**	**547**
Net Income/(loss)	50	16	(1)	(7)	3	–	–	**61**
Dividends distribution	(57)	(4)	(1)	–	(28)	–	(1)	**(91)**
Perimeter changes	–	–	–	–	–	–	–	**–**
Translation impacts & others	(2)	8	(1)	7	1	–	–	**13**
CLOSING VALUE DEC. 31, 2018	**269**	**136**	**45**	**44**	**3**	**19**	**14**	**530**
Net Income/(loss)	65	9	1	(2)	3	1	1	**78**
Dividends distribution	(15)	(6)	(7)	–	(5)	–	(5)	**(38)**
Perimeter changes	–	–	–	(43)	–	–	(2)	**(45)**
Translation impacts & others	1	2	3	1	(1)	–	2	**8**
CLOSING VALUE DEC. 31, 2019	**320**	**141**	**42**	**–**	**–**	**20**	**10**	**533**

* In 2019, Delixi Electric Ltd. Expanded its business through two complementary acquisitions (Zhejiang Delixi International Electric Industry Co., Ltd and Delixi Instrument & Meter Co., Ltd.)

Note 13: Non-current financial assets

Non-current financial assets, primarily comprising investments, are detailed below:

		Dec. 31, 2019					Dec. 31, 2018
(in millions of euros)	% of interest	**Acquisitions disposals**	**Fair value through P&L**	**Fair value through Equity**	**FX & others**	**Fair value**	Fair value
LISTED FINANCIAL ASSETS:							
NVC Lighting	9.2%	–	–	(7)	–	9	16
PLEJD	15.1%	–	–	1	–	7	6
Gold Peak Industries Holding Ltd	4.4%	–	–	–	–	3	3
TOTAL LISTED FINANCIAL ASSETS		**–**	**–**	**(6)**	**–**	**19**	**25**
UNLISTED FINANCIAL ASSETS:							
Foundries		45	1	–	(2)	86	42
Sensetime & Stalagnate Fund China		9	–	–	–	33	24
FCPR Aster II (part A, B, C and D)	38.3%	1	8	–	–	47	38
Alpi	100.0%	26	–	–	–	26	–
FCPR Growth	100.0%	–	–	–	–	23	23
FCPR SEV1	100.0%	(1)	9	–	(1)	22	15
SICAV SESS	63.1%	–	–	–	–	11	11
FCPI Energy Access Ventures Fund	30.4%	3	(1)	–	1	9	6
Raise Fundation	4.8%	–	–	–	–	9	9
Easydrive	51.0%	8	–	–	–	8	–
SICAV Livehoods Fund SIF	15.2%	1	–	–	(1)	4	4
Schneider Electric Energy Access	81.1%	–	–	–	–	3	3
Itris Automation	100.0%	3	–	–	–	3	–
Others (Unit gross value lower than EUR 3 million)		–	(6)	–	10	7	3
TOTAL UNLISTED FINANCIAL ASSETS		**95**	**11**	**–**	**7**	**291**	**178**
PENSIONS ASSETS		**1**	**8**	**(133)**	**14**	**251**	**361**
OTHER		**12**		**17**	**(46)**	**84**	**101**
TOTAL NON-CURRENT FINANCIAL ASSETS		**108**	**19**	**(122)**	**(25)**	**645**	**665**

Changes in fair value for listed financial assets are recorded through "Other comprehensive income" since 2017 (Note 1.11). Gains or losses realized upon sale will be maintained in "Other comprehensive income" (no recycling in income statement).

The fair value of investments quoted in an active market corresponds to the stock price on the balance sheet date.

"Others" include mainly loans to non-consolidated companies, and securities given to third parties.

Note 14: Deferred taxes by Nature

Deferred taxes by type can be analyzed as follows:

(in millions of euros)	**Dec. 31, 2019**	Dec. 31, 2018
Tax loss carryforwards (net)	722	721
Provisions for pensions and other post-retirement benefit obligations (net)	347	278
Non-deductible provisions and accruals (net)	332	223
Differences between tax and accounting depreciation on tangible assets (net)	5	(55)
Differences between tax and accounting amortization on intangible assets (net)	(892)	(803)
Differences on working capital (net)	203	370
Other deferred tax assets/(liabilities) (net)	266	159
TOTAL NET DEFERRED TAX ASSETS/(LIABILITIES)	**983**	**893**
of which total deferred tax assets	*2,004*	*2,040*
of which total deferred tax liabilities	*1,021*	*1,147*

Deferred tax assets recorded in respect of tax losses carried forward at December 31, 2019 essentially concern France (EUR 577 million). These deficits can be carried forward indefinitely, and have been activated using the rate of 25.83%, in accordance with the applicable rate in the expected consumption horizon of 8 years. Unrecognized deferred tax losses amount EUR 189 million as of December 31, 2019, and are mainly related to Spain and Brazil.

Note 15: Inventories and work in progress

Inventories and work in progress changed as follows:

(in millions of euros)	**Dec. 31, 2019**	Dec. 31, 2018
COST:		
Raw materials	1,205	1,258
Production work in progress	228	275
Semi-finished and finished products	1,127	1,277
Finished goods	402	414
Solution work in progress	167	184
INVENTORIES AND WORK IN PROGRESS AT COST	**3,129**	**3,408**
IMPAIRMENT:		
Raw materials	(130)	(148)
Production work in progress	(4)	(9)
Semi-finished and finished products	(142)	(148)
Finished goods	(7)	(7)
Solution work in progress	(5)	(5)
IMPAIRMENT LOSS	**(288)**	**(317)**
NET:		
Raw materials	1,075	1,110
Production work in progress	224	266
Semi-finished and finished products	985	1,129
Finished goods	395	407
Solution work in progress	162	179
INVENTORIES AND WORK IN PROGRESS, NET	**2,841**	**3,091**

5. Notes to the consolidated financial statements

Note 16: Trade accounts receivable

(in millions of euros)	**Dec. 31, 2019**	Dec. 31, 2018
Accounts receivable	4,819	5,114
Unbilled revenue	1,137	851
Notes receivable	223	199
Advances to suppliers	233	119
Accounts receivable at cost	**6,412**	**6,283**
Impairment	(459)	(479)
ACCOUNTS RECEIVABLE, NET	**5,953**	**5,804**
On time	*5,135*	*4,855*
Less than one month past due	*391*	*461*
One to two months past due	*179*	*203*
Two to three months past due	*124*	*80*
Three to four months past due	*58*	*79*
More than four months past due	*66*	*126*

Accounts receivable result from sales to end-customers, who are widely spread both geographically and economically. Consequently, the Group believes that there is no significant concentration of credit risk.

In addition, the Group takes out substantial credit insurance and uses other types of guarantees to limit the risk of losses on trade accounts receivable.

Changes in provisions for impairment of short and long-term trade accounts receivable were as follows:

(in millions of euros)	**Full year 2019**	Full year 2018
Provisions for impairment on January 1	**(479)**	**(478)**
Additions	(107)	(74)
Utilizations	58	42
Reversal of surplus provisions	38	43
Translation adjustments	(6)	5
Changes in scope of consolidation and other	37	(17)
PROVISIONS FOR IMPAIRMENT ON DECEMBER 31	**(459)**	**(479)**

The contracts assets and liabilities, respectively reported within the "Trade and other operating receivables" and "Trade and other operating payables", are as follows:

(in millions of euros)	**Dec. 31, 2019**	Dec. 31, 2018
Unbilled revenue (contract assets)	1,137	851
Contract liabilities	(1,069)	(797)
NET CONTRACT ASSETS	**68**	**54**

Note 17: Other receivables and prepaid expenses

(in millions of euros)	**Dec. 31, 2019**	Dec. 31, 2018
Other receivables	680	549
Other tax receivables	1,097	992
Derivative instruments	75	45
Prepaid expenses	235	324
OTHER RECEIVABLES AND PREPAID EXPENSES	**2,087**	**1,910**

Strategic Report
Corporate Governance Report
Financial Statements
Shareholder Information

Note 18: Cash and cash equivalents

(in millions of euros)	Dec. 31, 2019	Dec. 31, 2018
Marketable securities	1,560	527
Negotiable debt securities and short-term deposits	193	25
Cash and cash equivalents	1,839	1,809
Total cash and cash equivalents	**3,592**	**2,361**
Bank overdrafts	(197)	(130)
NET CASH AND CASH EQUIVALENTS	**3,395**	**2,231**

Non-recourse factorings of trade receivables were realized in 2019 for a total amount of EUR 132 million, compared with EUR 180 million in 2018.

Note 19: Shareholder's equity

19.1 Capital

Share capital

The company's share capital at December 31, 2019 amounted to EUR 2,328,274,220 represented by 582,068,555 shares with a par value of EUR 4, all fully paid up.

At December 31, 2019, a total of 608,274,947 voting rights were attached to the 582,068,555 shares outstanding. Schneider Electric's capital management strategy is designed to:

- ensure Group liquidity;
- optimize its financial structure;
- optimize the weighted average cost of capital.

The strategy must also ensure the Group has access to different capital markets under the best possible conditions. Factors taken into account for decision-making purposes include objectives expressed in terms of earnings per share, ratings or balance sheet stability. Finally, decisions may be implemented depending on specific market conditions.

Changes in share capital and cumulative number of shares

Changes in share capital since December 31, 2017 were as follows:

(in number of shares and in euros)	Cumulative number of shares	Share capital
CAPITAL AT DEC. 31, 2017	**596,916,242**	**2,387,664,968**
Cancellation of own shares*	(22,000,000)	(88,000,000)
Exercise of stock options	1,845,942	7,383,768
Employee share issue	2,406,585	9,626,340
CAPITAL AT DEC. 31, 2018	**579,168,769**	**2,316,675,076**
Exercise of stock options	223,768	895,072
Employee share issue	2,676,018	10,704,072
CAPITAL AT DEC. 31, 2019	**582,068,555**	**2,328,274,220**

* Cancellation of 22 million treasury shares following the Board of Directors held on February 15, 2018.

The share premium account increased by EUR 157 million following the exercise of options and the increases in capital.

19.2 Earnings per share

	Full Year 2019		Full Year 2018	
(in thousands of shares and in euros per share)	Basic	Diluted	Basic	Diluted
Common shares (Net of treasury shares and own shares)	551,067	551,067	554,006	554,006
Performance shares	–	6,449	–	6,463
Stock options	–	–	–	118
AVERAGE WEIGHTED NUMBER OF SHARES	**551,067**	**557,516**	**554,006**	**560,587**
Earnings per share before tax	5.69	5.63	5.57	5.5
EARNINGS PER SHARE	**4.38**	**4.33**	**4.21**	**4.16**

19.3 Dividends paid and proposed

In 2019, the Group paid out the 2018 dividend of EUR 2.35 per share, for a total of EUR 1,296 million.

At the Shareholders' Meeting of April 23, 2020, shareholders will be asked to approve a dividend of EUR 2.55 per share for fiscal year 2019. At December 31, 2019 Schneider-Electric SE had distributable reserves in an amount of EUR 6,379 million (versus EUR 3,061 million at the previous year-end), not including profit for the year.

19.4 Share-based payments

Current stock option and stock grant plans

The Board of Directors of Schneider Electric SE and later the Management Board have set up stock option and performance shares plans for senior executives and certain employees of the Group. The main features of these plans were as follows at December 31, 2019:

Option plans

Plan no.	Date of the Board Meeting	Type of Plan*	Starting date of exercise period	Expiration date	Price *(in euros)*	Number of options initially granted	Options cancelled because targets not met
31	01/05/2009	S	01/05/2013	01/04/2019	23.78	1,358,000	135,625
33	12/21/2009	S	12/21/2013	12/20/2019	34.62	1,652,686	13,589
TOTAL						**3,010,686**	**149,214**

* S = Options to subscribe new shares.

Rules governing the stock options plans are as follows:

- to exercise the option, the grantee must generally be an employee or corporate officer of the Group. Vesting is also conditional on the achievement of performance criteria;
- the options expire after six years;
- the vesting period is three or four years in the United States and four years in the rest of the world.

Performance shares plans

Plan no.	Date of the Board Meeting	Vesting date	End of lock-up period	Number of shares initially granted	Grants cancelled because objectives not met
Plan 20 ter	02/18/2015	02/18/2019	02/18/2020	9,300	–
Plan 22	03/27/2015	03/27/2019	03/27/2019	2,095,610	718,432
Plan 22 bis	10/28/2015	10/28/2019	10/28/2019	32,650	15,248
Plan 22 ter	10/28/2015	10/28/2019	10/28/2019	24,570	–
Plan 24	03/23/2016	03/23/2020	03/23/2020	27,042	–
Plan 25	03/23/2016	03/30/2019	04/01/2021	744,540	73,699
Plan 26	03/23/2016	03/23/2020	03/23/2020	2,291,200	530,918
Plan 27	10/26/2016	10/26/2019	10/26/2019	35,700	4,568
Plan 28	03/24/2017	03/24/2020	03/24/2021	25,800	–
Plan 29	03/24/2017	03/24/2020	03/24/2020	2,405,220	250,350
Plan 29 bis	10/25/2017	10/25/2020	10/25/2020	32,400	600
Plan 30	03/26/2018	03/26/2021	03/26/2021	25,800	–
Plan 31	03/26/2018	03/26/2022	03/26/2022	2,318,140	123,150
Plan 31 bis	10/24/2018	10/24/2021	10/24/2021	28,000	–
Plan 32	03/26/2019	03/28/2022	03/28/2023	25,800	–
Plan 33	03/26/2019	03/28/2022	03/29/2022	2,313,650	23,070
Plan 34	07/24/2019	07/25/2022	07/26/2022	87,110	790
Plan 35	10/23/2019	10/24/2022	10/25/2022	17,450	–
TOTAL				**12,530,682**	**1,740,825**

Rules governing the performance shares plans are as follows:

- to receive the shares, the grantee must generally be an employee or corporate officer of the Group. Vesting is also conditional on the achievement of performance criteria;
- the vesting period is two to four years;
- the lock-up period is zero to three years.

Outstanding options and shares

In respect of subscription vesting conditions for current stock options and performance shares plans, Schneider Electric SE has created 223,768 shares in 2019. Changes in the number of outstanding number of options and shares in 2019 were as follows:

Change in the number of options

Plan no.	Number of options outstanding at Dec. 31, 2018	**Number of options exercised and/or created in 2019**	**Number of options cancelled or restated in 2019**	**Number of options outstanding at Dec. 31, 2019**
31	19,566	**(17,701)**	**(1,865)**	**–**
33	210,356	**(196,767)**	**(13,589)**	**–**
TOTAL	**229,922**	**(214,468)**	**(15,454)**	**–**

To exercise the options granted under plans 31 and 33, and the SARs ("Stock Appreciation Rights"), the grantee must generally be an employee or corporate officer of the Group. In addition, exercise of some options is generally conditional on the achievement of annual objectives based on financial indicators.

Plans 31 and 33 were the last remaining stock options plans at the end of 2019. As of January 1, 2020, there is no active stock options plan for any employee or corporate officer of the Group.

Change in the number of performance shares

Plan no.	Number of performance shares at Dec. 31, 2018	**Number of shares granted or to be granted**	**Number of shares cancelled in 2019**	**Number of performance shares at Dec. 31, 2019**
Plan 20 ter	9,300	(9,300)	–	–
Plan 22	1,408,618	(1,377,178)	(31,440)	–
Plan 22 bis	19,797	(17,402)	(2,395)	–
Plan 22 ter	24,570	(24,570)	–	–
Plan 24	27,042	–	–	27,042
Plan 25	714,140	(670,841)	(43,299)	–
Plan 26	1,962,900	–	(202,618)	1,760,282
Plan 27	33,700	(31,132)	(2,568)	–
Plan 28	25,800	–	–	25,800
Plan 29	2,259,170	–	(104,300)	2,154,870
Plan 29 bis	31,800	–	–	31,800
Plan 30	25,800	–	–	25,800
Plan 31	2,284,940	–	(89,950)	2,194,990
Plan 31 bis	28,000	–	–	28,000
Plan 32	–	25,800	–	25,800
Plan 33	–	2,313,650	(23,070)	2,290,580
Plan 34	–	87,110	(790)	86,320
Plan 35	–	17,450	–	17,450
TOTAL	**8,855,577**	**313,587**	**(500,430)**	**8,668,734**

For performance shares to vest, the grantee must be an employee or corporate officer of the Group. In addition, vesting of some performance shares is conditional on the achievement of annual objectives based on financial indicators.

Valuation of performance shares

In accordance with the accounting policies described in Note 1.19 the performance shares plans have been valued based on an average estimated life of 3 to 5 years using the following assumptions:

- a pay-out rate of between 3.0% and 3.5%;
- a discount rate of between 0% and 1.0%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).

Based on these assumptions, the expense recorded under "Selling, general and administrative expenses" breaks down as follows:

(in millions of euros)	**Full year 2019**	Full year 2018
Plan 18 & 18 bis	–	1
Plan 20 ter	–	–
Plan 22	3	19
Plan 22 bis & 22 ter	–	–
Plan 24	–	–
Plan 25 & 25 bis	2	9
Plan 26 & 26 bis	14	19
Plan 27	–	1
Plan 28	1	–
Plan 29 & 29 bis	42	44
Plan 30	1	–
Plan 31 & 31 bis	43	33
Plan 32	–	–
Plan 33	33	–
Plan 34	–	–
Plan 35	–	–
TOTAL	**139**	**126**

In 2019, the Group also recorded an additional expense of EUR 15 million in relation with AVEVA subgroup's performance shares plan, bringing the total Group expense to EUR 154 million.

Worldwide Employee Stock Purchase Plan

Schneider Electric gives its employees the opportunity to become group shareholders thanks to employee share issues. Employees in countries that meet legal and fiscal requirements have been proposed the classic plan.

Under the classic plan, employees may purchase Schneider Electric shares at a 15% discount to the price quoted for the shares on the stock market. Employees must then hold their shares for five years, except in certain cases provided for by law. The share-based payment expense recorded in accordance with IFRS 2 is measured by reference to the fair value of the discount on the locked-up shares. The lock-up cost is determined on the basis of a two-step strategy that involves first selling the locked-up shares on the forward market and then purchasing the same number of shares on the spot market (i.e., shares that may be sold at any time) using a bullet loan.

This strategy is designed to reflect the cost the employee would incur during the lock-up period to avoid the risk of carrying the shares subscribed under the classic plan. The borrowing cost corresponds to the cost of borrowing for the employees concerned, as they are the sole potential buyers in this market. It is based on the average interest rate charged by banks for an ordinary, non-revolving personal loan with a maximum maturity of five years granted to a natural person with an average credit rating.

In 2019, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR 60.26 per share, as part of its commitment to employee share ownership, on April 16th, 2019. This represented a 15% discount to the reference price of EUR 70.90 calculated as the average opening price quoted for the share during the 20 days preceding the Management Board's decision to launch the employee share issue.

Altogether, 2.7 million shares were subscribed, increasing the Company's capital by EUR 161 million as of July 10, 2019. Due to significant changes in valuation assumptions, specifically the interest rate available to market participant, the value of the lock-up period is higher than the discount cost since 2012. Therefore, the Group did not recognize any cost related to the transaction.

The tables below summarize the main characteristics of the plans, the amounts subscribed, the valuation assumptions and the plans' cost for 2019 and 2018.

	Full Year 2019		Full Year 2018	
(in millions of euros)	**%**	**Value**	%	Value
Plan characteristics:				
Maturity *(years)*		5		5
Reference price *(euros)*		70.9		75.86
Subscription price *(euros)*		60.26		64.47
Discount	15.0%		15.0%	
Amount subscribed by employees		161.3		155.2
Total amount subscribed		161.3		155.2
Total number of shares subscribed *(million of shares)*		2.7		2.4
Valuation assumptions:				
Interest rate available to market participant *(bullet loan)**	3.1%		3.4%	
Five-year risk-free interest rate *(euro zone)*	0.3%		0.3%	
Annual interest rate *(repo)*	1.0%		1.0%	
Value of discount (a)	**15.0%**	**28.5**	**15.0%**	**27.4**
Value of the lock-up period for market participant (b)	**26.4%**	**50**	**26.4%**	**48.1**
TOTAL EXPENSE FOR THE GROUP (a) – (b)		**–**		**–**
Sensitivity:				
decrease in interest rate for market participant**	(0.5)%	5.2	(0.5)%	5.1

* Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to an individual with an average credit rating.
** A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

19.5 Schneider Electric SE shares

At December 31, 2019, the Group held 31,046,884 Schneider Electric shares in treasury stock, which have been recorded as a deduction from retained earnings.

The Group has repurchased 3.5 million shares for a total amount of EUR 266 million in 2019.

19.6 Income tax recorded in equity

Total income tax recorded in Equity amounts to EUR 247 million as of December 31, 2019 and can be analyzed as follows:

(in millions of euros)	**Dec. 31, 2019**	Dec. 31, 2018	Change in tax
Cash-Flow hedges	48	55	(7)
Available-for-sale financial assets	(7)	(7)	–
Actuarial gains/(losses) on defined benefit plans	209	127	82
Other	(3)	(1)	(2)
TOTAL	**247**	**174**	**73**

19.7 Non-controlling interests

The main contributor is AVEVA, for which 40% of the shares correspond to non-controlling interests for the Group.

Note 20: Pensions and other post-employment benefit obligations

The Group has set up various post-employment benefit plans for employees covering pensions, termination benefits, healthcare, life insurance and other benefits, as well as long-term benefit plans for active employees.

Defined Benefit Pension Plans

The Group's main Defined Benefit pension plans are located in the United Kingdom (UK) and the United States (US). They respectively represent 63% (2018: 63%) and 22% (2018: 62%) of the Group's total Defined Benefit Obligations (DBO) on pensions. The majority of benefit obligations under these plans, which represent 93% of the Group's total commitment at December 31, 2019, are partially or fully funded through payments to external funds. These funds are never invested in Group assets.

United Kingdom

The Group companies operate several Defined Benefit pension plans in the UK. The main one is related to the Invensys Pension Scheme. Pensions payable to employees depend on average final salary and length of service within the Group. These plans are registered schemes under UK tax law and managed by independent Boards of Trustees. They are closed to new entrants, and for most of them, the vested rights were frozen as they have been replaced by Defined Contributions plans.

These plans are funded by employer contributions, which are negotiated every three years based on plan valuations carried out by independent actuaries, so that the long term financing services are ensured.

In relation to risk management and asset allocation, the Board of Trustees' aims of each plan are to ensure that it can meet its obligations to the plan's beneficiaries both in the short and long term. The Board of Trustees is responsible for the plan's long-term investment strategy, defines and manages long-term investment strategies to reduce risks, including interest rate risks and longevity risks. A certain proportion of assets hedges the liability valuation change resulting from the interest rates evolution. Those assets are primarily invested in fixed income investments, particularly intermediate and longer term instruments.

Following the agreement reached with the Trustee of the Invensys Pension Scheme on February 2014, Schneider Electric SE guaranteed all obligations of the Invensys subsidiaries which participate in the scheme, up to a maximum amount of GBP 1.75 billion. As of December 31, 2019, plan assets exceed the value of obligations subject to this guarantee and thus this guarantee cannot be called.

Schneider UK pension plans contain provisions of pension called Guaranteed Minimum Pension ("GMP"). GMPs were accrued for individuals who subscribed to the State Second Pension prior to April 6, 1997. Historically, there was an inequality in the benefits between male and female members concerning GMP.

A High Court case concluded on October 26, 2018, confirmed that all UK pension plans must equalize GMPs between men and women. In the light of these events and new information, the Group updated the related assumptions, leading to a net experience adjustment in "Other comprehensive income" of EUR 56 million in 2018.

United States

The United States' subsidiaries operate several Defined Benefit pension plans. These plans are closed to new entrants, frozen to future accruals and have been replaced by Defined Contributions plans. Pensions payable to employees depend on the average final salary and the length of service within the Group.

Each year, the Group companies contribute a certain amount to the Defined Benefit pension plans. This amount is determined actuarially and is comprised of service costs, administrative expenses and payments toward any existing deficits. Since the plans are closed and frozen, there is generally no service cost component.

The companies delegate various responsibilities to Pension Committees. These committees define and manage long-term investment strategies to reduce risks, including interest rate risks and longevity risks. A certain proportion of assets hedges the liability valuation change, resulting from the interest rates evolution. Those assets are primarily invested in fixed income investments, particularly intermediate and longer term instruments.

In 2018, Schneider Electric purchased annuities contracts to settle obligations in several of its defined benefits pension plans. The annuity contracts were purchased from high quality insurance companies in accordance with US regulations for such transactions. In total, DBO for USD 623 million was removed from the gross pension liability, requiring the use of USD 599 million of pension assets.

Assumptions

Actuarial valuations are generally performed each year. The assumptions used vary according to the economic conditions prevailing in the country concerned, as follows:

	Group weighted average rate		*Of which* United Kingdom		*Of which* United States	
	Dec. 31, 2019	Dec. 31, 2018	**Dec. 31, 2019**	Dec. 31, 2018	**Dec. 31, 2019**	Dec. 31, 2018
Discount rate	2.18%	3.00%	2.06%	2.85%	3.26%	4.33%
Rate of compensation increases	3.16%	3.25%	3.34%	3.53%	n.a.	n.a.

The discount rate is determined on the basis of the interest rate for investment-grade (AA) corporate bonds or, if a liquid market does not exist, government bonds with a maturity that matches the duration of the benefit obligation. In the United States, the average discount rate is determined on the basis of a yield curve for AA and AAA investment-grade corporate bonds.

In the Euro zone, the discount rate currently stands at 0.5% for a 10 years duration and 0.75% for a 15 years duration.

20.1 Changes in provisions for pensions and other post-employment benefit obligations

Annual changes in obligations, the market value of plan assets and the corresponding assets and provisions recognized in the financial statements can be analyzed as follows:

(in millions of euros)	DBO benefit obligations	Plan assets	Asset ceiling	Net Liability
DEC. 31, 2017	**(10,189)**	**8,686**	**(98)**	**(1,601)**
Service cost	(41)	–	–	(41)
Past service cost	6	–	–	6
Curtailments and settlements	528	(508)	–	20
Interest cost	(258)	–	(2)	(260)
Interest income	–	199	–	199
Net impact in P&L, (expense)/profit	**235**	**(309)**	**(2)**	**(76)**
of which UK	*(153)*	*148*	*(2)*	*(7)*
of which US	*444*	*(464)*	–	*(20)*
Benefits paid	593	(534)	–	59
Plan participants' contributions	(5)	5	–	–
Employer contributions	–	167	–	167
Changes in the scope of consolidation	(99)	94	–	(5)
Actuarial gains/(losses) recognized in equity	611	(237)	(89)	285
Translation adjustment	(57)	29	2	(26)
Other changes	–	–	–	–
DEC 31, 2018	**(8,911)**	**7,901**	**(187)**	**(1,197)**
of which UK	*(5,592)*	*6,009*	*(187)*	*230*
of which US	*(1,961)*	*1,384*	–	*(577)*
Service cost	(50)	–	–	(50)
Past service cost	10	–	–	10
Curtailments and settlements	(1)	–	–	(1)
Interest cost	(267)	–	(5)	(272)
Interest income	–	219	–	219
Net impact in P&L, (expense)/profit	**(308)**	**219**	**(5)**	**(94)**
of which UK	*(152)*	*163*	*(5)*	*6*
of which US	*(84)*	*50*	–	*(34)*
Benefits paid	532	(468)	–	64
Plan participants' contributions	(5)	5	–	–
Employer contributions	–	80	–	80
Changes in the scope of consolidation	5	–	–	5
Actuarial gains/(losses) recognized in equity	(1,024)	539	77	(408)
Translation adjustment	(354)	357	(8)	(5)
Other changes	–	–	–	–
DEC. 31, 2019	**(10,065)**	**8,633**	**(123)**	**(1,555)**
of which UK	*(6,312)*	*6,556*	*(123)*	*121*
of which US	*(2,209)*	*1,539*	–	*(670)*

5. Notes to the consolidated financial statements

The total present value of Defined Benefit Obligations breaks down as follows between wholly or partly funded plans and wholly unfunded plans:

(in millions of euros)	**Dec. 31, 2019**	Dec. 31, 2018
Present value of wholly or partly funded benefit obligation	(9,350)	(8,261)
Fair value on plan assets	8,633	7,901
Effect of assets ceiling	(123)	(187)
Net position of wholly or partly funded benefit obligation	**(840)**	**(547)**
Present value of wholly or partly unfunded benefit obligation	**(715)**	**(650)**
NET LIABILITY FROM FUNDED AND UNFUNDED PLANS	**(1,555)**	**(1,197)**
Balance Sheet impact:		
surplus of plans recognized as assets	*251*	*361*
provisions recognized as liabilities	*(1,806)*	*(1,558)*

Changes in gross items recognized in equity were as follows:

(in millions of euros)	**Full year 2019**	Full year 2018
Actuarials (gains)/losses on Defined Benefit Obligations arising from demographic assumptions	(37)	(182)
Actuarials (gains)/losses on Defined Benefit Obligations arising from financial assumptions	989	(523)
Actuarials (gains)/losses on Defined Benefit Obligations from experience effects	72	94
Actuarials (gains)/losses on plan assets	(539)	237
Effect of asset ceiling	(77)	89
TOTAL RECOGNIZED IN EQUITY DURING THE PERIOD	**408**	**(285)**
of which UK	*(162)*	*172*
of which US	*(70)*	*92*

Plans asset allocation:

(in millions of euros)	**Dec. 31, 2019**	Dec. 31, 2018
Equity	11%	11%
Bonds	74%	80%
Others	15%	9%
TOTAL	**100%**	**100%**

20.2 Sensitivity analysis

The effect of a ± 0.5% change in the discount rate on the 2019 Defined Benefit Obligations is as follows:

	Total		United Kingdom		United States		Rest of the World	
(in millions of euros)	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%
DBO Impact	(640)	709	(420)	472	(123)	132	(98)	104

Note 21: Provisions for contingencies and charges

(in millions of euros)	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
DEC. 31, 2017	**821**	**94**	**445**	**290**	**154**	**469**	**2,273**
of which long-term portion	*615*	*64*	*153*	*276*	*8*	*315*	*1,431*
Additions	93	13	146	12	87	98	449
Utilizations	(204)	(23)	(112)	(26)	(104)	(119)	(588)
Reversals of surplus provisions	(10)	(14)	(11)	(4)	(13)	(10)	(62)
Translation adjustments	4	2	(3)	11	(1)	11	24
Changes in the scope of consolidation and other	28	1	2	17	(1)	(12)	35
DEC. 31, 2018	**732**	**73**	**467**	**300**	**122**	**437**	**2,131**
of which long-term portion	*499*	*50*	*144*	*265*	*13*	*282*	*1,253*
IFRIC 23 reclassification*	(448)						(448)
Additions	51	13	199	10	256	87	616
Utilizations	(40)	(14)	(120)	(18)	(225)	(105)	(522)
Reversals of surplus provisions	(2)	(4)	(43)	(2)	(4)	(3)	(58)
Translation adjustments	2	1	6	5	–	7	21
Changes in the scope of consolidation and other	(3)	7	(10)	(2)	2	–	(6)
DEC. 31, 2019	**292**	**76**	**499**	**293**	**151**	**423**	**1,734**
of which long-term portion	*155*	*50*	*139*	*256*	*11*	*329*	*940*

* Following IFRIC 23 application described in Note 1, starting January 2019, income tax provisions are now reclassified in accrued taxes.

Provisions are primarily set aside to cover:

- **economic risks:** these provisions relate to probable tax risks arising on positions taken by the Group or its subsidiaries. Each position is assessed individually and not offset, and reflects the best estimate of the risk at the end of the reporting period. Where applicable, it includes any late-payment interest and fines. In accordance with IFRIC 23 – *Uncertainty over income tax treatments*, provisions covering uncertainties over income tax treatment have been reclassified within "Accrued taxes" as of 1st of January 2019;
- **customer risks:** provisions for customer risks mainly integrate the provisions for losses at completion for some of long term contracts. Provisions for expected losses are fully recognized as soon as they are identified;
- **product risks:** these provisions comprise
  - statistical provisions for warranties: the Group funds provisions on a statistical basis for the residual cost of Schneider Electric product warranties not covered by insurance. The provisions are estimated with consideration of historical claim statistics and the warranty period;
  - provisions to cover disputes concerning defective products and recalls of clearly identified products;
- **environmental risks:** these provisions are primarily funded to cover clean-up costs. The estimation of the expected future outflows is based on reports from independent experts;
- **restructuring costs**, when the Group has prepared a detailed plan for the restructuring and has either announced or started to implement the plan before the end of the year. The estimation of the liability include only direct expenditure arising from the restructuring.

Reconciliation with cash flow statement – the increase and decrease in provisions retreated at statutory cash flow were as follows:

(in millions of euros)	**Full year 2019**	Full year 2018
Increase of provision	616	449
Utilization of provision	(522)	(589)
Reversal of surplus provision	(58)	(61)
Provision variance including tax provisions but excluding employee benefit obligation	**36**	**(201)**
(Tax provision net variance)	–	92
Provision variance excluding tax provisions and pension benefit obligation	**36**	**(109)**
Employee benefit obligation net variance contribution to plan assets	20	26
INCREASE/(DECREASE) IN PROVISIONS IN CASH-FLOW STATEMENT	**56**	**(83)**

Note 22: Total current and non-current financial liabilities

The breakdown of net debt is as follows:

(in millions of euros)	**Dec. 31, 2019**	Dec. 31, 2018
Bonds	6,888	6,406
Bonds and other borrowings	22	17
Employee profit sharing	2	3
Short-term portion of convertible and non-convertible bonds	(500)	(500)
Short-term portion of long-term debt	(7)	(3)
NON-CURRENT FINANCIAL LIABILITIES	**6,405**	**5,923**
Commercial paper	–	610
Accrued interest	41	31
Other short-term borrowings	234	300
Drawdown of funds from lines of credit	–	–
Bank overdrafts	197	130
Short-term portion of convertible and non-convertible bonds	500	500
Short-term portion of long-term debt	7	3
SHORT-TERM DEBT	**979**	**1,574**
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**7,384**	**7,497**
CASH AND CASH EQUIVALENTS (SEE NOTE 18)	**(3,592)**	**(2,361)**
NET DEBT	**3,792**	**5,136**

22.1 Breakdown by maturity

	Dec. 31, 2019			Dec. 31, 2018
(in millions of euros)	**Nominal**	**Interests**	**Swaps**	Nominal
2019	–	–	–	1,591
2020	996	101	–	499
2021	599	86	–	599
2022	710	70	–	696
2023	796	51	–	795
2024	995	42	–	792
2025	1,044	34	–	1,043
2026	742	28	–	741
2027 and beyond	1,502	16	–	741
TOTAL	**7,384**	**428**	**–**	**7,497**

22.2 Breakdown by currency

(in millions of euros)	**Dec. 31, 2019**	Dec. 31, 2018
Euro	6,239	6,563
US Dollar	793	746
Brazilian Real	66	36
Indian Rupee	45	48
Sterling Pound	32	10
Russian Rouble	29	38
Algerian Dinar	20	28
Chilean Peso	18	26
Other	142	2
TOTAL	**7,384**	**7,497**

22.3 Bonds

(in millions of euros)	**Dec. 31, 2019**	Dec. 31, 2018	Effective interest rate	Maturity
Schneider Electric SE 2019	–	500	3.500% fixed	January 2019
Schneider Electric SE 2020	500	499	3.625% fixed	July 2020
Schneider Electric SE 2021	599	599	2.500% fixed	September 2021
Schneider Electric SE 2022	710	696	2.950% fixed	September 2022
Schneider Electric SE 2023	796	795	1.500% fixed	September 2023
Schneider Electric SE 2024	995	792	0.250% fixed	September 2024
Schneider Electric SE 2025	744	743	0.875% fixed	March 2025
Schneider Electric SE 2025	300	300	1.841% fixed	October 2025
Schneider Electric SE 2026	742	741	0.875% fixed	December 2026
Schneider Electric SE 2027	742	741	1.375% fixed	June 2027
Schneider Electric SE 2028	760	–	1.500% fixed	January 2028
TOTAL	**6,888**	**6,406**		

Schneider Electric SE has issued bonds on different markets:

- in the United States, through a private placement offering following SEC 144A rule, for USD 800 million worth of bonds issued in September 2012, at a rate of 2.95%, due in September 2022;
- as part of its Euro Medium Term Notes (EMTN) program, bonds traded on the Luxembourg stock exchange. Issues that had not yet matured as of December 31, 2019 are as follow:
  - EUR 500 million worth of bonds issued in July 2010, at a rate of 3.625%, maturing in July 2020,
  - EUR 600 million worth of bonds issued in September 2013, at a rate of 2.5%, maturing in September 2021,
  - EUR 800 million worth of bonds issued in September 2015 at a rate of 1.50%, maturing in September 2023,
  - EUR 800 million worth of bonds issued in September 2016, at a rate of 0.25%, maturing in September 2024,
  - EUR 200 million worth of bonds issued in July 2019, at a rate of 0.25%, maturing in September 2024,
  - EUR 750 million worth of bonds issued in March 2015, at a rate of 0.875%, maturing in March 2025,
  - EUR 200 million and EUR 100 million worth of Climate bonds issued successively in October and December 2015, at a rate of 1.841%, maturing in October 2025,
  - EUR 750 million worth of bonds issued in December 2017, at a rate of 0.875%, maturing in December 2026,
  - EUR 750 million worth of bonds issued in June 2018, at a rate of 1.375%, maturing in June 2027
  - EUR 500 million worth of bonds issued in January 2019 and EUR 250 million worth of bonds issued in May 2019, at a rate of 1.500%, maturing in January 2028.

For all those transactions, issue premium and issue costs are amortized per the effective interest rate method.

22.4 Reconciliation with cash flow statement

			Non-cash variations			
(in millions of euros)	Dec. 31, 2018	**Cash variations**	**Scope impacts**	**Forex impacts**	**Other**	**Dec. 31, 2019**
Bonds	6,406	464	–	18	–	6,888
Bank overdrafts and other short-term borrowings	1,091	(654)	–	59	–	496
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**7,497**	**(190)**	**–**	**77**	**–**	**7,384**

22.5 Other information

At December 31, 2019 Schneider Electric had confirmed credit lines of EUR 2,675 million, all unused.

Loan agreements and committed credit lines do not include any financial covenants or credit rating triggers in case of downgrading in the company's long-term debt.

Note 23: Classification of financial instruments

The Group uses financial instruments to manage its exposure to fluctuations in interest rates, exchange rates and metal prices. Financial assets and liabilities can be classified at the fair value following the hierarchy levels below:

1. Level 1: market value (non-adjusted) on active markets, for similar assets and liabilities, which the company can obtain on a given valuation date;
2. Level 2: data other than the market rate available for level 1, which are directly or indirectly observable on the market;
3. Level 3: data on the asset or liability that are not observable on the market.

23.1 Balance sheet exposure and fair value hierarchy

	Dec. 31, 2019					
(in millions of euros)	Carrying amount	Fair value through P&L	Fair value through equity	Financial assets/liabilities measured at amortized cost	Fair value	Fair value hierarchy
ASSETS:						
Listed financial assets	19	–	19	–	19	Level 1
Venture capital (FCPR)/mutual funds (SICAV)	116	116	–	–	116	Level 3
Other unlisted financial assets	175	–	175	–	175	Level 3
Other non-current financial assets	335	–	–	335	335	Level 3
TOTAL NON-CURRENT ASSETS	**645**	**116**	**194**	**335**	**645**	
Trade accounts receivables	5,953	–	–	5,953	5,953	Level 3
Current financial assets	19	19	–	–	19	Level 3
Marketable securities	1,560	1,560	–	–	1,560	Level 1
Derivative instruments – foreign currencies	63	50	13	–	63	Level 2
Derivative instruments – interest rates	–	–	–	–	–	Level 2
Derivative instruments – commodities	8	–	8	–	8	Level 2
Derivative instruments – shares	4	4	–	–	4	Level 2
TOTAL CURRENT ASSETS	**7,607**	**1,633**	**21**	**5,953**	**7,607**	
LIABILITIES:						
Long-term portions of bonds*	(6,388)	–	–	(6,388)	(6,738)	Level 1
Other long-term debt	(17)	–	–	(17)	(17)	Level 3
TOTAL NON–CURRENT LIABILITIES	**(6,405)**	**–**	**–**	**(6,405)**	**(6,755)**	
Short-term portion of bonds*	(500)	–	–	(500)	(500)	Level 1
Short-term debt	(479)	–	–	(479)	(479)	Level 3
Trade accounts payable	(4,215)	–	–	(4,215)	(4,215)	Level 3
Other	(44)	–	–	(44)	(44)	Level 3
Derivative instruments – foreign currencies	(30)	(23)	(7)	–	(30)	Level 2
Derivative instruments – interest rates	–	–	–	–	–	Level 2
Derivative instruments – commodities	(2)	–	(2)	–	(2)	Level 2
Derivative instruments – shares	–	–	–	–	–	Level 2
TOTAL CURRENT LIABILITIES	**(5,270)**	**(23)**	**(9)**	**(5,238)**	**(5,270)**	

* The majority of financial instruments listed in the balance sheet are accounted at fair value, except for bonds, for which the amortized cost in the balance sheet represents EUR 6,888 million compared to EUR 7,238 million at fair value.

(in millions of euros)	Dec. 31, 2018 Carrying amount	Fair value through P&L	Fair value through equity	Financial assets/ liabilities measured at amortized cost	Fair value	Fair value hierarchy
ASSETS:						
Listed financial assets	25	–	25	–	25	Level 1
Venture capital (FCPR)/mutual funds (SICAV)	97	97	–	–	97	Level 3
Other unlisted financial assets	81	–	81	–	81	Level 3
Other non-current financial assets	462	–	–	462	462	Level 3
TOTAL NON-CURRENT ASSETS	**665**	**97**	**106**	**462**	**665**	
Trade accounts receivables	5,804	–	–	5,804	5,804	Level 3
Current financial assets	43	43	–	–	43	Level 3
Marketable securities	527	527	–	–	527	Level 1
Derivative instruments – foreign currencies	39	25	14	–	39	Level 2
Derivative instruments – interest rates	–	–	–	–	–	Level 2
Derivative instruments – commodities	–	–	–	–	–	Level 2
Derivative instruments – shares	6	6	–	–	6	Level 2
TOTAL CURRENT ASSETS	**6,419**	**601**	**14**	**5,804**	**6,419**	
LIABILITIES:						
Long-term portions of bonds	(5,906)	–	–	(5,906)	(6,045)	Level 1
Other long-term debt	(17)	–	–	(17)	(17)	Level 3
TOTAL NON–CURRENT LIABILITIES	**(5,923)**	**–**	**–**	**(5,923)**	**(6,062)**	
Short-term portion of bonds	(500)	–	–	(500)	(500)	Level 1
Short-term debt	(503)	–	–	(503)	(503)	Level 3
Trade accounts payable	(4,142)	–	–	(4,142)	(4,142)	Level 3
Other	(40)	–	–	(40)	(40)	Level 3
Derivative instruments – foreign currencies	(40)	(27)	(13)	–	(40)	Level 2
Derivative instruments – interest rates	–	–	–	–	–	Level 2
Derivative instruments – commodities	(12)	–	(12)	–	(12)	Level 2
Derivative instruments – shares	–	–	–	–	–	Level 2
TOTAL CURRENT LIABILITIES	**(5,237)**	**(27)**	**(25)**	**(5,186)**	**(5,237)**	

23.2 Derivative instruments

(in millions of euros)	Dec. 31, 2019 Accounting qualification	Maturity	Nominal sales	Nominal purchases	Fair Value	Carrying amount in assets	Carrying amount in liabilities	Of which carrying amounts in OCI
Forwards contracts	CFH	< 1 year	127	(126)	–	3	(3)	–
Forwards contracts	CFH	< 2 years	10	(23)	–	–	–	–
Forwards contracts	CFH	> 2 years	4	(4)	–	–	–	–
Forwards contracts	FVH	< 1 year	1,236	(1,028)	45	49	(4)	–
Forwards contracts	NIH	< 1 year	1,191	–	10	10	–	10
Forwards contracts	Trading	< 1 year	525	(3,299)	(18)	1	(19)	–
Cross currency swaps	CFH	< 2 years	–	(108)	(4)	–	(4)	(4)
TOTAL FX DERIVATIVES			**3,093**	**(4,588)**	**33**	**63**	**(30)**	**6**
Forwards contracts	CFH	< 1 year	–	(233)	6	8	(2)	6
Commodities derivatives			**–**	**(233)**	**6**	**8**	**(2)**	**6**
Options	Trading	< 1 year	–	(4)	4	4	–	–
Shares derivatives			**–**	**(4)**	**4**	**4**	**–**	**–**
TOTAL			**3,093**	**(4,825)**	**43**	**75**	**(32)**	**12**

	Dec. 31, 2018								
(in millions of euros)	Accounting qualification	Maturity	Nominal sales	Nominal purchases	Fair Value	Carrying amount in assets	Carrying amount in liabilities	Carrying amounts in OCI
Forwards contracts	Trading	< 2 years	1,850	(1,008)	7	23	(16)	–
Forwards contracts	CFH	< 1 year	128	(28)	–	1	–	1
FX relatives related to operating			**1,978**	**(1,036)**	**7**	**24**	**(16)**	**1**
Forwards contracts	FVH	< 1 year	506	(945)	(2)	3	(5)	1
Forwards contracts	NIH	< 1 year	1,105	–	(3)	3	(6)	(2)
Forwards contracts	Trading	< 1 year	1,417	(2,413)	1	9	(11)	–
Cross currency swaps	CFH	< 2 years	–	(187)	(2)	–	(2)	(1)
FX relatives related to financing			**3,028**	**(3,545)**	**(6)**	**15**	**(24)**	**(2)**
TOTAL FX DERIVATIVES			**5,006**	**(4,581)**	**1**	**39**	**(40)**	**(1)**
Forwards contracts	CFH	< 1 year	–	(229)	(12)	6	(18)	(12)
Commodities derivatives			**–**	**(229)**	**(12)**	**6**	**(18)**	**(12)**
Options	Trading	< 1 year	–	(12)	6	6	–	–
Shares derivatives			**–**	**(12)**	**6**	**6**	**–**	**–**
TOTAL			**5,006**	**(4,822)**	**(5)**	**51**	**(58)**	**(13)**

23.3 Foreign currency hedges

Since a significant proportion of affiliates' transactions are denominated in currencies other than the affiliate's functional currency, the Group is exposed to currency risks. If the Group is not able to hedge these risks, fluctuations in exchange rates between the functional currency and other currencies can have a significant impact on its results and distort year-on-year performance comparisons. As a result, the Group uses derivative instruments to hedge its exposure to exchange rates mainly through FX forwards and natural hedges. Furthermore, some long-term loans and borrowings granted to the affiliates are considered as net investment in foreign operations according to IAS 21.

Schneider Electric's currency hedging policy is to protect its subsidiaries against risks on transactions denominated in a currency other than their functional currency. Hedging approaches are detailed in Note 1.22.

The breakdown of the nominal of FX derivatives related to operating and financing activities is as follows:

	Dec. 31, 2019		
(in millions of euros)	**Sales**	**Purchases**	**Net**
USD	2,251	(1,795)	456
CNY	28	(484)	(456)
EUR	167	(822)	(655)
DKK	37	(277)	(240)
SGD	13	(233)	(220)
SEK	9	(165)	(156)
JPY	5	(156)	(151)
CHF	4	(132)	(128)
AED	5	(75)	(70)
BRL	–	(63)	(63)
CAD	77	(23)	54
AUD	15	(68)	(53)
SAR	51	(5)	46
RUB	42	–	42
NOK	45	(4)	41
GBP	71	(40)	31
ZAR	28	–	28
HKD	116	(144)	(28)
Others	129	(102)	27
TOTAL	**3,093**	**(4,588)**	**(1,495)**

23.4 Interest rate hedges

Interest rate risk on borrowings is managed at the Group level, based on consolidated debt and taking into consideration market conditions to optimize overall borrowing costs. The Group uses derivative instruments to hedge its exposure to interest rates through swaps.

The Group didn't use any derivative instrument to hedge its exposure to interest rates during the fiscal year 2019.

	Dec. 31, 2019			Dec. 31, 2018		
(in millions of euros)	Fixed Rates	Floating rates	Total	Fixed Rates	Floating rates	Total
Total current and non-current financial liabilities	6,888	496	7,384	6,406	1,091	7,497
Cash and cash equivalent	–	(3,592)	(3,592)	–	(2,361)	(2,361)
NET DEBT BEFORE HEDGING	**6,888**	**(3,096)**	**3,792**	**6,406**	**(1,270)**	**5,136**
Impact of Hedges			–	–	–	–
NET DEBT AFTER HEDGING	**6,888**	**(3,096)**	**3,792**	**6,406**	**(1,270)**	**5,136**

23.5 Commodity hedges

The Group is exposed to fluctuations in energy and raw material prices, in particular steel, copper, aluminum, silver, lead, nickel, zinc and plastics. If the Group is not able to hedge, compensate for or pass on to customers any such increased costs, this could have an adverse impact on its financial results. The Group has, however, implemented certain procedures to limit exposure to rising non-ferrous and precious raw material prices. The Purchasing departments of the operating units report their purchasing forecasts to the Corporate Finance and Treasury department. Purchase commitments are hedged using forward contracts, swaps and, to a lesser extent, options.

All commodities instruments are futures and options designated as cash flow hedge under IFRS standards, of which:

(in millions of euros)	Dec. 31, 2019	Dec. 31, 2018
Carrying amount	6	(12)
Nominal amount	(233)	(230)

23.6 Share-based payment

Schneider Electric shares are hedged (cash flow hedges) in relation to the Stock Appreciation Rights granted to US employees. Details are as follows :

(in millions of euros except for the number of shares)	Dec. 31, 2019	Dec. 31, 2018
Outstanding shares	83,500	275,570
Carrying amount	4	6
Nominal amount	(4)	(13)

23.7 Financial assets and liabilities subject to netting

In accordance with IFRS 7 standards, this section discloses financial instruments that are subject to netting agreements.

	Dec. 31, 2019				
(in millions of euros)	Gross amounts	Gross amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Related amounts not offset in the statement of financial position	Net amounts as per IFRS 7
Financial assets	83	–	83	21	62
Financial liabilities	31	–	31	21	10

	Dec. 31, 2018				
(in millions of euros)	Gross amounts	Gross amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Related amounts not offset in the statement of financial position	Net amounts as per IFRS 7
Financial assets	45	–	45	24	21
Financial liabilities	63	–	63	24	39

The Group trades over-the-counter derivatives with tier-one banks under agreements which provide for the offsetting of amounts payable and receivable in the event of default by one of the contracting parties. These conditional offsetting agreements do not meet the eligibility criteria within the meaning of IAS 32 for offsetting derivative instruments recorded under assets and liabilities. However, they do fall within the scope of disclosures under IFRS 7 on offsetting.

5. Notes to the consolidated financial statements

23.8 Counterparty risk
Financial transactions are entered with carefully selected counterparties. Banking counterparties are chosen according to the customary criteria, including the credit rating issued by an independent rating agency.

Group policy consists of diversifying counterparty risks and periodic controls are performed to check compliance with the related rules. In addition, the Group takes out substantial credit insurance and uses other types of guarantees to limit the risk of losses on trade accounts receivable.

23.9 Financial risk management
Foreign currency risk arises from the Group undertaking a significant number of foreign currency transactions in the course of operations. These exposures arise from sales in currencies other than the Group's presentational currency of Euro.

The main exposure of the Group in terms of currency exchange risk is related to the US dollar, Chinese Yuan and currencies linked to the US dollar. In 2019, revenue in foreign currencies amounted to EUR 21.6 billion (EUR 20.4 billion in 2018), including around EUR 7.2 billion in US dollars and EUR 3.6 billion in Chinese yuan (respectively EUR 6.8 and EUR 3.4 billion in 2018).

The Group manages its exposure to currency risk to reduce the sensitivity of earnings to changes in exchange rates. The financial instruments used to hedge the Group's exposure to fluctuations in exchange rates are described above.

The table below shows the impact of a 10% change in the US dollar and the Chinese Yuan against the Euro on Revenue and Adjusted EBITA. It includes the impact from the translation of financial statements into the Group's presentation currency, and assumes no scope impact.

	Dec. 31, 2019		
(in millions of euros)	**Increase/ (decrease) in average rate**	**Revenue**	**Adj. EBITA**
USD	10%	728	105
	(10)%	(661)	(96)
CNY	10%	360	91
	(10)%	(328)	(82)

	Dec. 31, 2018		
(in millions of euros)	Increase/ (decrease) in average rate	Revenue	Adj. EBITA
USD	10%	676	89
	(10)%	(615)	(81)
CNY	10%	337	86
	(10)%	(307)	(79)

Note 24: Employees

24.1 Employees
The Group average number of permanent and temporary employees is as follows:

(in number of employees)	**Full year 2019**	Full year 2018
Production	79,337	81,474
Administration	71,960	73,812
TOTAL AVERAGE WORKFORCE	**151,297**	**155,286**
of which Europe, Middle-East, Africa and South America	*69,414*	*70,418*
of which North America	*32,640*	*32,300*
of which Asia-Pacific	*49,243*	*52,568*

24.2 Employee benefit expense

(in millions of euros)	**Full year 2019**	Full year 2018
Payroll costs	(7,120)	(6,082)
Profit-sharing and incentive bonuses	(59)	(64)
Stock options and performance shares	(154)	(135)
EMPLOYEE BENEFITS EXPENSE	**(7,333)**	**(6,281)**

24.3 Benefits granted to senior executives

In 2019, the Group paid EUR 1.8 million in attendance fees to the members of its Board of directors. The total amount of gross remuneration, including benefits in kind, paid in 2019 by the Group to the members of Senior Management, excluding executive directors, totaled EUR 21.9 million, of which EUR 6.1 million corresponded to the variable portion.

During the last three periods, 694,000 performance shares have been allocated, excluding Corporate Officers. No stock options have been granted during the last three financial years. Performance shares were allocated under the 2019 long-term incentive plan. Since December 16, 2011, 100% of performance shares are conditional on the achievement of performance criteria for members of the Executive Committee.

Net pension obligations with respect to members of Senior Management amounted to EUR 15 million at December 31, 2019 (EUR 5 million at December 31, 2018).

Please refer to Chapter 4 Section 5 of the Universal Registration Document for more information regarding the members of Senior Management.

Note 25: Related parties transactions

25.1 Associates

Companies over which the Group has significant influence are accounted through the equity method. Transactions with these related parties are carried out on arm's length terms.

Related party transactions were not material in 2019.

25.2 Related parties with significant influence

No transactions were carried out during the year with members of the supervisory board or management board. Compensation and benefits paid to the Group's top senior executives are described in Note 24.

Note 26: Commitments and contingent liabilities

26.1 Guarantees and similar undertakings

The following table discloses the maximum exposure on guarantees given and received:

(in millions of euros)	**Dec. 31, 2019**	Dec. 31, 2018
Market counter guarantees*	3,178	3,105
Pledges, mortgages and sureties**	113	7
Other commitments given	291	432
GUARANTEES GIVEN	**3,582**	**3,544**
Endorsements and guarantees received	49	48
GUARANTEES RECEIVED	**49**	**48**

* On certain contracts, customers require some commitments to guarantee that the contract will be fully executed by the subsidiaries of the Group. The risk linked to the commitment is assessed and a provision for contingencies is recorded when the risk is considered probable and can be reasonably estimated. Market counter guarantees also include the guaranteed obligations towards pension schemes.

** Some loans are secured by property, plant and equipment and securities lodged as collateral.

26.2 Contingent liabilities

As part of its normal operations, the Group is exposed to a number of potential claims and litigations. Except for those for which it is probable that the Group will incur a liability and for which a provision is established for such outcome (see Note 21), the Group is not aware of other potentially material claims and litigations.

Specifically, the Group has not been advised to date of any claim or allegations related to the investigation conducted in France by French public agencies or the antitrust investigation currently being conducted by public agencies in Spain. The Group is fully cooperating with the French and Spanish authorities on these matters.

Note 27: Subsequent events

27.1 Joint Venture with Russian Direct Investment Fund

On October 24, 2019, the Group agreed to establish a Joint Venture with the Russian Direct Investment Fund (RDIF) who would obtain joint control, to further strengthen the long-term outlook for the Group's Electroshield Samara business which is currently consolidated under *Energy Management* segment and generated revenues of EUR 168 million in 2019.

The transaction with the Russian Direct Investment Fund (RDIF) was closed on January 20, 2020.

27.2 Launch of a voluntary public tender for RIB Software SE acquisition

On February 13, 2020, the Group announced its intention to launch a voluntary public tender for the acquisition of 100% of the shares of RIB Software SE for a total valorization of EUR 1.4 billion. The acceptance period of the tender offer will begin following approval of the offer document by the German Federal Financial Supervisory Authority (BaFin) and is subject to regulatory approvals by antitrust authorities.

Note 28: Statutory Auditors' fees

Fees paid by the Group to the statutory auditors and their networks:

	Full Year 2019				
(in thousands of euros)	EY	%	Mazars	%	Total
Audit					
Statutory auditing	10,909	94%	8,191	90%	19,100
o/w Schneider Electric SE	*106*		*106*		*212*
o/w subsidiaries	*10,803*		*8,085*		*18,888*
Related audit services ("SACC")	292	3%	849	9%	1,141
o/w Schneider Electric SE	*236*		*23*		*259*
o/w subsidiaries	*56*		*826*		*882*
Audit sub-total	**11,201**	**97%**	**9,040**	**99%**	**20,241**
Non-audit services	**327**	**3%**	**115**	**1%**	**442**
TOTAL FEES	**11,528**	**100%**	**9,155**	**100%**	**20,683**

	Full Year 2018				
(in thousands of euros)	EY	%	Mazars	%	Total
Audit					
Statutory auditing	9,884	94%	7,948	91%	17,832
o/w Schneider Electric SE	*104*		*104*		*208*
o/w subsidiaries	*9,780*		*7,844*		*17,624*
Related audit services ("SACC")	424	4%	688	8%	1,112
o/w Schneider Electric SE	*232*		*13*		*245*
o/w subsidiaries	*192*		*675*		*867*
Audit sub-total	**10,309**	**98%**	**8,636**	**99%**	**18,945**
Non-audit services	**233**	**2%**	**96**	**1%**	**329**
TOTAL FEES	**10,541**	**100%**	**8,732**	**100%**	**19,273**

Note 29: Consolidated companies

The main companies included in the Schneider Electric Group scope of consolidation are listed below:

(in % of interest)		**Dec. 31, 2019**	Dec. 31, 2018
Europe			
Fully consolidated			
NXT Control GmbH	Austria	100	100
Schneider Electric Austria GmbH	Austria	100	100
Schneider Electric Power Drives GmbH	Austria	100	100
Schneider Electric Systems Austria GmbH	Austria	100	100
Schneider Electric Bel LLC	Belarus	100	100
Schneider Electric Belgium NV/SA	Belgium	100	100
Schneider Electric Energy Belgium SA	Belgium	100	100
Schneider Electric ESS BVBA	Belgium	100	100
Schneider Electric NV/SA	Belgium	100	100
Schneider Electric Services International SPRL	Belgium	100	100
Schneider Electric Bulgaria EOOD	Bulgaria	100	100
Schneider Electric d.o.o	Croatia	100	100
Schneider Electric a.s.	Czech Republic	98.3	98.3
Schneider Electric CZ sro	Czech Republic	100	100
Schneider Electric Systems Czech Republic sro	Czech Republic	100	100
Ørbaekvej 280 A/S	Denmark	100	100
Schneider Electric Danmark A/S	Denmark	100	100
Schneider Electric IT Denmark ApS	Denmark	100	100
Schneider Nordic Baltic A/S	Denmark	100	100
Schneider Electric Eesti AS	Estonia	100	100
Schneider Electric Finland Oy	Finland	100	100
Schneider Electric Fire & Security OY	Finland	100	100
Vamp OY	Finland	100	100
Behar sécurité	France	100	100
Boissière Finance	France	100	100
Construction Electrique du Vivarais	France	100	100
Dinel	France	100	100
Eckardt	France	100	100
Eurotherm Automation	France	100	100
France Transfo	France	100	100
IGE+XAO SA	France	67.9	67.9
Merlin Gerin Alès	France	100	100
Merlin Gerin Loire	France	100	100
Muller & Cie	France	100	100
Newlog	France	100	100
Rectiphase	France	100	100
Sarel – Appareillage Electrique	France	99	99
Scanelec	France	100	100
Schneider Electric Alpes	France	100	100
Schneider Electric Energy France	France	100	100
Schneider Electric France	France	100	100
Schneider Electric Holding Amérique du Nord	France	100	100
Schneider Electric Industries SAS	France	100	100
Schneider Electric International	France	100	100
Schneider Electric IT France	France	100	100
Schneider Electric Manufacturing Bourguebus	France	100	100
Schneider Electric SE (Société mère)	France	100	100
Schneider Electric Solar France	France	100	100
Schneider Electric Systems France	France	100	100
Schneider Electric Telecontrol	France	100	100
Schneider Toshiba Inverter Europe SAS	France	60	60
Schneider Toshiba Inverter SAS	France	60	60
Société d’Appareillage Electrique Gardy	France	100	100
Société d’Application et d’Ingenierie Industrielle et Informatique SAS – SA3I	France	100	100
Société Electrique d’Aubenas	France	100	100
Société Française de Construction Mécanique et Electrique	France	100	100
Société Française Gardy	France	100	100
Systèmes Equipements Tableaux Basse Tension	France	100	100
Transfo Services	France	100	100

5. Notes to the consolidated financial statements

(in % of interest)		**Dec. 31, 2019**	Dec. 31, 2018
Transformateurs SAS	France	100	100
ABN GmbH	Germany	100	100
Eberle Controls GmbH	Germany	100	100
Merten GmbH	Germany	100	100
Schneider Electric Automation GmbH	Germany	100	100
Schneider Electric Holding Germany GmbH	Germany	100	100
Schneider Electric GmbH	Germany	100	100
Schneider Electric Real Estate GmbH	Germany	100	100
Schneider Electric Sachsenwerk GmbH	Germany	100	100
Schneider Electric Systems Germany GmbH	Germany	100	100
Schneider Electric AEBE	Greece	100	100
Schneider Electric Energy Hungary LTD	Hungary	100	100
Schneider Electric Hungaria Villamossagi ZRT	Hungary	100	100
SE – CEE Schneider Electric Közep-Kelet Europai KFT	Hungary	100	100
Schneider Electric Ireland Ltd	Ireland	100	100
Schneider Electric IT Logistics Europe Ltd	Ireland	100	100
Validation technologies (Europe) Ltd	Ireland	100	100
Eliwell Controls S.r.l.	Italy	100	100
Eurotherm S.r.l.	Italy	100	100
Schneider Electric Industrie Italia Spa	Italy	100	100
Schneider Electric Spa	Italy	100	100
Schneider Electric Systems Italia Spa	Italy	100	100
Uniflair Spa	Italy	100	100
Lexel Fabrika SIA	Latvia	100	100
Schneider Electric Baltic Distribution Center	Latvia	100	100
Schneider Electric Latvija SIA	Latvia	100	100
UAB Schneider Electric Lietuva	Lithuania	100	100
Industrielle de Réassurance SA	Luxembourg	100	100
American Power Conversion Corporation (A.P.C.) BV	Netherlands	100	100
APC International Corporation BV	Netherlands	100	100
APC International Holdings BV	Netherlands	100	100
Pelco Europe BV	Netherlands	–	100
Pro-Face Europe BV	Netherlands	100	100
Schneider Electric Logistic Centre BV	Netherlands	100	100
Schneider Electric Manufacturing The Netherlands BV	Netherlands	100	100
Schneider Electric Systems Netherlands BV	Netherlands	100	100
Schneider Electric The Netherlands BV	Netherlands	100	100
ELKO AS	Norway	100	100
Eurotherm AS	Norway	100	100
Lexel Holding Norge AS	Norway	100	100
Schneider Electric Norge AS	Norway	100	100
Elda Eltra Elektrotechnika S.A.	Poland	100	100
Eurotherm Poland Sp. Z.o.o.	Poland	100	100
Schneider Electric Industries Polska Sp. Z.o.o.	Poland	100	100
Schneider Electric Polska Sp. Z.o.o.	Poland	100	100
Schneider Electric Systems Sp. Z.o.o.	Poland	100	100
Schneider Electric Transformers Poland Sp. Z.o.o.	Poland	100	100
Schneider Electric Portugal LDA	Portugal	100	100
Schneider Electric Romania SRL	Romania	100	100
AO Schneider Electric	Russia	100	100
DIN Elektro Kraft OOO	Russia	100	100
FLISR LLC	Russia	100	–
OOO Potential	Russia	100	100
OOO Schneider Electric Zavod Electromonoblock	Russia	100	100
Schneider Electric Innovation center LLC	Russia	100	100
Schneider Electric Systems LLC	Russia	100	100
Schneider Electric URAL LLC	Russia	100	100
ZAO Gruppa Kompaniy Electroshield	Russia	100	100
Schneider Electric DMS NS	Serbia	100	57
Schneider Electric Srbija doo Beograd	Serbia	100	100
Schneider Electric Slovakia Spol SRO	Slovakia	100	100
Schneider Electric Systems Slovakia SRO	Slovakia	100	100
Schneider Electric d.o.o.	Slovenia	100	100
Manufacturas Electricas SA	Spain	100	100
Schneider Electric Espana SA	Spain	100	100
Schneider Electric IT Spain, SL	Spain	100	100

(in % of interest)		**Dec. 31, 2019**	Dec. 31, 2018
Schneider Electric Systems Iberica S.L.	Spain	100	100
AB Crahftere 1	Sweden	100	100
AB Wibe	Sweden	100	100
Elektriska AB Delta	Sweden	100	100
Elko AB	Sweden	100	100
Eurotherm AB	Sweden	100	100
Lexel AB	Sweden	100	100
Schneider Electric Buildings AB	Sweden	100	100
Schneider Electric Distribution Centre AB	Sweden	100	100
Schneider Electric Sverige AB	Sweden	100	100
Telvent Sweden AB	Sweden	100	100
Eurotherm-Produkte (Schweiz) AG	Switzerland	100	100
Feller AG	Switzerland	83.7	83.7
Gutor Electronic GmbH	Switzerland	100	100
Schneider Electric (Schweiz) AG	Switzerland	100	100
Schneider Electric Ukraine	Ukraine	100	100
Andromeda Telematics Ltd	United Kingdom	100	100
AVEVA Group plc	United Kingdom	60	60
Avtron Loadbank Worldwide Co., Ltd	United Kingdom	100	100
BTR Property Holdings Ltd	United Kingdom	100	100
CBS Group Ltd	United Kingdom	100	100
Eurotherm Ltd	United Kingdom	100	100
Imserv Europe Ltd	United Kingdom	100	100
Invensys Holdings Ltd	United Kingdom	100	100
M&C Energy Group Ltd	United Kingdom	100	100
N.J. Froment & Co. Limited	United Kingdom	100	100
Samos Acquisition Company Ltd	United Kingdom	100	100
Schneider Electric (UK) Ltd	United Kingdom	100	100
Schneider Electric Buildings UK Ltd	United Kingdom	100	100
Schneider Electric Controls UK Ltd	United Kingdom	100	100
Schneider Electric IT UK Ltd	United Kingdom	100	100
Schneider Electric Ltd	United Kingdom	100	100
Schneider Electric Systems UK Ltd	United Kingdom	100	100
Serck Control and Safety Ltd	United Kingdom	100	100
Accounted for by equity method			
Aveltys	France	51	51
Delta Dore Finance SA (sub-group)	France	20	20
Energy Pool Development	France	24.98	27.86
Schneider Lucibel Managed Services SAS	France	47	47
Möre Electric Group A/S	Norway	34	34
Custom Sensors & Technologies Topco Limited	United Kingdom	30	30
North America			
Fully consolidated			
Power Measurement Ltd.	Canada	100	100
Schneider Electric Canada Inc.	Canada	100	100
Schneider Electric Solar Inc.	Canada	100	100
Schneider Electric Systems Canada Inc.	Canada	100	100
Viconics Technologies Inc.	Canada	100	100
Electronica Reynosa, S. de R.L. de C.V.	Mexico	100	100
Industrias Electronicas Pacifico, S.A. de C.V.	Mexico	100	100
Invensys Group Services Mexico	Mexico	100	100
Schneider Electric IT Mexico, S.A. de C.V.	Mexico	100	100
Schneider Electric Mexico, S.A. de C.V.	Mexico	100	100
Schneider Electric Systems Mexico, S.A. de C.V.	Mexico	100	100
Schneider Industrial Tlaxcala, S.A. de C.V.	Mexico	100	100
Schneider Mexico, S.A. de C.V.	Mexico	100	100
Schneider R&D, S.A. de C.V.	Mexico	100	100
Square D Company Mexico, S.A. de C.V.	Mexico	100	100
Telvent Mexico, S.A. de C.V.	Mexico	99.3	99.3
Adaptive Instruments Corp.	United States	100	100
American Power Conversion Holdings Inc.	United States	100	100
ASCO Power GP, LLC	United States	100	100
ASCO Power Services, Inc.	United States	100	100
ASCO Power Technologies, L.P.	United States	100	100
Foxboro Controles S.A.	United States	100	100
Invensys LLC	United States	100	100

5. Notes to the consolidated financial statements

(in % of interest)		**Dec. 31, 2019**	Dec. 31, 2018
Lee Technologies Puerto Rico, LLC	United States	100	100
Pelco, Inc	United States	–	100
Power Measurement, Inc.	United States	100	100
Pro-face America, LLC	United States	100	100
Schneider Electric Buildings Americas, Inc.	United States	100	100
Schneider Electric Buildings Critical Systems, Inc.	United States	100	100
Schneider Electric Buildings, LLC	United States	100	100
Schneider Electric Digital, Inc.	United States	100	–
Schneider Electric Engineering Services, LLC	United States	100	100
Schneider Electric Grid Automation, Inc.	United States	100	100
Schneider Electric Holdings, Inc.	United States	100	100
Schneider Electric IT America Corp.	United States	100	100
Schneider Electric IT Corporation	United States	100	100
Schneider Electric IT Mission Critical Services, Inc.	United States	100	100
Schneider Electric IT USA, Inc.	United States	100	100
Schneider Electric Motion USA, Inc.	United States	100	100
Schneider Electric Solar Inverters USA, Inc.	United States	100	100
Schneider Electric Systems USA, Inc.	United States	100	100
Schneider Electric USA, Inc.	United States	100	100
SE Vermont Ltd	United States	100	100
Siebe Inc.	United States	100	100
SNA Holdings Inc.	United States	100	100
Square D Investment Company	United States	100	100
Stewart Warner Corporation	United States	100	100
Summit Energy Services, Inc.	United States	100	100
Telvent USA, LLC	United States	100	100
Veris Industries LLC	United States	100	100
Asia-Pacific			
Fully consolidated			
Clipsal Australia Pty Ltd	Australia	100	100
Clipsal Technologies Australia Pty Limited	Australia	100	100
Nu-lec Industries Pty. Limited	Australia	100	100
Scada Group Pty Limited	Australia	100	100
Schneider Electric (Australia) Pty Limited	Australia	100	100
Schneider Electric Australia Holdings Pty Ltd	Australia	100	100
Schneider Electric Buildings Australia Pty Ltd	Australia	100	100
Schneider Electric IT Australia Pty Ltd	Australia	100	100
Schneider Electric Solar Australia Pty Ltd	Australia	100	100
Schneider Electric Systems Australia Pty Ltd	Australia	100	100
Serck Controls Pty Limited	Australia	100	100
Beijing Leader & Harvest Electric Technologies Co. Ltd	China	100	100
CITIC Schneider Electric Smart Building Technology (Beijing) Co. Ltd	China	51	51
Clipsal Manufacturing (Huizhou) Ltd	China	100	100
FSL Electric (Dongguan) Limited	China	54	54
Pelco (Shanghai) Trading Co. Ltd.	China	–	100
Proface China International Trading (Shanghai) Co. Ltd	China	100	100
Schneider (Beijing) Medium & Low Voltage Co., Ltd	China	95	95
Schneider (Beijing) Medium Voltage Co. Ltd	China	95	95
Schneider (Shaanxi) Baoguang Electrical Apparatus Co. Ltd	China	70	70
Schneider (Suzhou) Drives Company Ltd	China	90	90
Schneider (Suzhou) Enclosure Systems Co Ltd	China	100	100
Schneider (Suzhou) Transformers Co. Ltd	China	100	100
Schneider Automation & Controls Systems (Shanghai) Co., LTD	China	100	100
Schneider Busway (Guangzhou) Ltd	China	95	95
Schneider Electric (China) Co. Ltd	China	100	100
Schneider Electric (Xiamen) Switchgear Co. Ltd	China	100	100
Schneider Electric (Xiamen) Switchgear Equipment Co., Ltd	China	100	100
Schneider Electric Equipment an Engineering (X'ian) Co., Ltd	China	100	100
Schneider Electric IT (China) Co., Ltd	China	100	100
Schneider Electric IT (Xiamen) Co., Ltd.	China	100	100
Schneider Electric Low Voltage (Tianjin) Co. Ltd	China	75	75
Schneider Electric Manufacturing (Chongqing) Co. Ltd	China	100	100
Schneider Electric Manufacturing (Wuhan) Co. Ltd	China	100	100
Schneider Great Wall Engineering (Beijing) Co. Ltd	China	100	100
Schneider Shanghai Apparatus Parts Manufacturing Co. Ltd	China	100	100

(in % of interest)		**Dec. 31, 2019**	Dec. 31, 2018
Schneider Shanghai Industrial Control Co. Ltd	China	80	80
Schneider Shanghai Low Voltage Term. Apparatus Co. Ltd	China	75	75
Schneider Shanghai Power Distribution Electric Apparatus Co. Ltd	China	80	80
Schneider Smart Technology., Ltd	China	100	–
Schneider South China Smart Technology (Guangdong) Co. Ltd.	China	100	–
Schneider Switchgear (Suzhou) Co, Ltd	China	58	58
Schneider Wingoal (Tianjin) Electric Equipment Co. Ltd	China	100	100
Shanghai ASCO Electric Technology Co., Ltd	China	100	100
Shanghai Foxboro Co., Ltd	China	100	100
Shanghai Invensys Process System Co., Ltd	China	100	100
Shanghai Schneider Electric Power Automation Co. Ltd	China	100	100
Shanghai Tayee Electric Co., LTD	China	74.5	74.5
Telvent – BBS High & New Tech (Beijing) Co. Ltd	China	80	80
Tianjin Merlin Gerin Co. Ltd	China	75	75
Wuxi Proface Co., Ltd	China	100	100
Zircon Investment (Shanghai) Co., Ltd	China	74.5	74.5
Clipsal Asia Holdings Limited	Hong Kong	100	100
Clipsal Asia Limited	Hong Kong	100	100
Fed-Supremetech Limited	Hong Kong	54	54
Himel Hong Kong Limited	Hong Kong	100	–
Schneider Electric (Hong Kong) Limited	Hong Kong	100	100
Schneider Electric Asia Pacific Limited	Hong Kong	100	100
Schneider Electric IT Hong Kong Limited	Hong Kong	100	100
Eurotherm India Private Ltd	India	100	100
Luminous Power Technologies Private Ltd	India	100	100
Schneider Electric India Private Ltd	India	100	100
Schneider Electric Infrastructure Limited	India	94.6	94.6
Schneider Electric IT Business India Private Ltd	India	100	100
Schneider Electric President Systems Ltd	India	79.5	79.5
Schneider Electric Private Limited	India	100	100
Schneider Electric Solar India Private Limited	India	100	100
Schneider Electric Systems India Private Limited	India	100	100
PT Clipsal Manufacturing Jakarta	Indonesia	–	100
PT Schneider Electric Indonesia	Indonesia	100	100
PT Schneider Electric IT Indonesia	Indonesia	100	100
PT Schneider Electric Manufacturing Batam	Indonesia	100	100
PT Schneider Electric Systems Indonesia	Indonesia	95	95
Schneider Electric Japan, Inc.	Japan	100	100
Schneider Electric Solar Japan Inc.	Japan	100	100
Schneider Electric Systems Japan Inc.	Japan	100	100
Toshiba Schneider Inverter Corp.	Japan	100	100
Eurotherm Korea Co., Ltd.	Korea	100	100
Schneider Electric Korea Ltd.	Korea	100	100
Schneider Electric Systems Korea Limited	Korea	100	100
Clipsal Manufacturing (M) Sdn. Bhd.	Malaysia	100	100
Gutor Electronic Asia Pacific Sdn. Bhd.	Malaysia	100	100
Huge Eastern Sdn. Bhd.	Malaysia	100	100
Schneider Electric (Malaysia) Sdn. Bhd.	Malaysia	30	30
Schneider Electric Industries (M) Sdn. Bhd.	Malaysia	100	100
Schneider Electric IT Malaysia Sdn. Bhd.	Malaysia	100	100
Schneider Electric Systems (Malaysia) Sdn. Bhd.	Malaysia	100	100
Schneider Electric (NZ) Limited	New Zealand	100	100
Schneider Electric Systems New Zealand Limited	New Zealand	100	100
American Power Conversion Land Holdings Inc.	Philippines	100	100
Clipsal Philippines, Inc.	Philippines	100	100
Schneider Electric (Philippines) Inc.	Philippines	100	100
Schneider Electric IT Philippines Inc.	Philippines	100	100
Pelco Asia Pacific Pte. Ltd	Singapore	–	100
Schneider Electric Asia Pte. Ltd.	Singapore	100	100
Schneider Electric Export Services Pte Ltd	Singapore	100	100
Schneider Electric IT Logistics Asia Pacific Pte. Ltd.	Singapore	100	100
Schneider Electric IT Singapore Pte. Ltd.	Singapore	100	100
Schneider Electric Overseas Asia Pte Ltd	Singapore	100	100
Schneider Electric Singapore Pte. Ltd.	Singapore	100	100
Schneider Electric South East Asia (HQ) Pte. Ltd.	Singapore	100	100

5. Notes to the consolidated financial statements

(in % of interest)		**Dec. 31, 2019**	Dec. 31, 2018
Schneider Electric Systems Singapore Pte. Ltd.	Singapore	100	100
Schneider Electric Lanka (Private) Limited	Sri Lanka	100	100
Schneider Electric Systems Taiwan Corp.	Taiwan	100	100
Schneider Electric Taiwan Co., Ltd.	Taiwan	100	100
Pro-Face South-East Asia Pacific Co., Ltd.	Thailand	100	100
Schneider (Thailand) Limited	Thailand	100	100
Schneider Electric CPCS (Thailand) Co., Ltd.	Thailand	100	100
Schneider Electric Systems (Thailand) Co. Ltd.	Thailand	100	100
Clipsal Vietnam Co. Ltd	Vietnam	100	100
Invensys Vietnam Ltd	Vietnam	100	100
Schneider Electric IT Vietnam Limited	Vietnam	100	100
Schneider Electric Manufacturing Vietnam Co., Ltd	Vietnam	100	100
Schneider Electric Vietnam Co. Ltd	Vietnam	100	100
Accounted for by equity method			
Delixi Electric LTD (sub-group)	China	50	50
Sunten Electric Equipment Co., Ltd	China	25	25
Fuji Electric FA Components & Systems Co., Ltd (sub-group)	Japan	36.8	36.8
Foxboro (Malaysia) Sdn. Bhd.	Malaysia	49	49
Rest of the World			
Fully consolidated			
Himel Algerie	Algeria	100	100
Schneider Electric Algerie	Algeria	100	100
Schneider Electric Argentina S.A.	Argentina	100	100
Schneider Electric Systems Argentina S.A.	Argentina	100	100
American Power Conversion Brasil Ltda.	Brazil	100	100
CP Eletronica Ltda.	Brazil	100	100
Eurotherm Ltda.	Brazil	100	100
Schneider Electric Brasil Automação de Processos Ltda.	Brazil	100	100
Schneider Electric Brasil Ltda.	Brazil	100	100
Schneider Electric IT Brasil Industria e Comercio de Equipamentos Eletronicos Ltda.	Brazil	100	100
Steck da Amazonia Industria Electrica Ltda.	Brazil	100	100
Steck Industria Electrica Ltda.	Brazil	100	100
Telseb Serviços de Engenharia e Comércio de Equipamentos Eletrônicos e Telecomunicações Ltda	Brazil	100	100
Inversiones Schneider Electric Uno Limitada	Chile	100	100
Marisio S.A.	Chile	100	100
Schneider Electric Chile S.A.	Chile	100	100
Schneider Electric Systems Chile Limitada	Chile	100	100
Schneider Electric de Colombia S.A.S.	Colombia	100	100
Schneider Electric Systems Colombia Ltda.	Colombia	100	100
Schneider Electric Centroamerica Limitada	Costa Rica	100	100
Invensys Engineering & Service S.A.E.	Egypt	51	51
Schneider Electric Distribution Company	Egypt	87.4	87.4
Schneider Electric Egypt SAE	Egypt	91.9	91.9
Schneider Electric Systems Egypt S.A.E	Egypt	60	60
Schneider Electric DC MEA FZCO	United Arab Emirates	100	100
Schneider Electric FZE	United Arab Emirates	100	100
Schneider Electric Systems Middle East FZE	United Arab Emirates	100	100
Schneider Electric (Kenya) Ltd	Kenya	100	85
Schneider Electric Services Kuweit	Kuwait	49	49
Schneider Electric East Mediterranean SAL	Lebanon	96	96
Delixi Electric Maroc SARL AU	Morocco	100	100
Schneider Electric Maroc	Morocco	100	100
Schneider Electric Nigeria Ltd	Nigeria	100	100
Schneider Electric Systems Nigeria Ltd	Nigeria	100	100
Schneider Electric OM LLC	Oman	100	100
Schneider Electric Pakistan (Private) Limited	Pakistan	80	80
Schneider Electric Peru S.A.	Peru	100	100
Schneider Electric Systems del Peru S.A.	Peru	100	100
Schneider Electric Plants Saudi Arabia Co.	Saudi Arabia	100	100
Schneider Electric Saudi Arabia For Solutions & Services Co	Saudi Arabia	100	100
Schneider Electric System Arabia Co., LTD	Saudi Arabia	100	100
Schneider Electric South Africa (Pty) Ltd	South Africa	74.9	74.9
Uniflair South Africa (Pty) Ltd	South Africa	100	100
Gunsan Elektrik	Turkey	100	100
Himel Elektric Malzemeleri Ticaret A.S.	Turkey	100	100

(in % of interest)		**Dec. 31, 2019**	Dec. 31, 2018
Schneider Elektrik Sanayi Ve Ticaret A.S.	Turkey	100	100
Schneider Enerji Endustrisi Sanayi Ve Ticaret A.S.	Turkey	100	100
Schneider Electric Systems de Venezuela, C.A.	Venezuela	100	100
Schneider Electric Venezuela, S.A.	Venezuela	93.6	93.6

6. Statutory auditors' report on the consolidated financial statements

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

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Schneider Electric S.E. for the year ended December 31, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Risks Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics *(Code de déontologie)* for statutory auditors.

Emphasis of Matter

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

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of goodwill and trademarks with an indefinite useful life

Notes 1.3, 1.8, 1.10, 5, 9 and 10 to the consolidated financial statements

Key audit matter

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

As described in Note 1.10 to the consolidated financial statements, the Cash Generating Units (CGUs), which the goodwill and the trademarks with an indefinite useful life are allocated to, are tested for impairment at least once a year and whenever there is an indication of impairment risk.

The Group's CGUs are Low Voltage, Medium Voltage, Industrial Automation, and Secure Power, and correspond to the smallest identifiable groups of assets generating cash inflows that are largely independent from the cash inflows from other assets or groups of assets.

The recoverable value of a CGU is defined as the highest value between its value in use and its realizable value, net of costs. The value in use of a CGU is determined by discounting future cash flows that will be generated by its underlying assets and which are based on the Group Management's economic assumptions and operating forecasts.

An impairment loss is recognized when the recoverable value of a CGU is lower than its book value, for the excess amount of the book value over the recoverable value. When the tested CGU comprises goodwill, any impairment loss is primarily deducted there from.

The measurement of goodwill and trademarks with an indefinite useful life is considered to be a key audit matter as these assets account for a large part of the Group's consolidated balance sheet and because of the level of Management's judgment required to:

- define the CGUs, as an improper mapping could lead your Group to not recognize or under-estimate an impairment of goodwill;
- determine the assumptions used for the impairment tests of goodwill and trademarks, particularly the discount rates, perpetuity growth rates and the expected margin rates or royalty rates.

Our response

As regards goodwill, our audit work consisted in:

- assessing the Group's definition of the CGUs in light of the applicable accounting standards;
- reconciling the carrying amount of assets tested with the accounting data;
- assessing the procedures implemented by the Group to evaluate the future discounted cash flows underlying the determination of the value in use of each CGU;
- assessing the business forecasts underlying the future cash flows by comparing past estimates to actual results;
- with the assistance of our valuation experts, assessing the assumptions used such as discount rates, perpetuity growth rates and expected margin rates, as well as the sensitivity of tests results to a variation of these assumptions;
- reconciling the sensitivity analyses performed by the Group with our sensitivity calculations;
- verifying the arithmetical accuracy of the computations underlying the impairment tests.

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

- assessing the method used to evaluate their recoverable amount and the assumptions used, including the discount rate, the perpetuity growth rate and the royalty rate, as well as the sensitivity of the results of these tests to changes in these assumptions;
- assessing the business forecasts underlying the future cash flows by comparing past estimates to actual results;
- verifying the arithmetical accuracy of the impairment tests.

Capitalization and measurement of development costs

Notes 1.3, 1.8, 1.10, 4 and 10.4 to the consolidated financial statements

Key audit matter

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

As described in notes 1.8 and 1.10 to the consolidated financial statements, the costs the Group incurs as part of its new projects are capitalized when certain criteria are strictly met and, in particular, when it is probable that future economic benefits attributable to the project will flow to the Group.

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

Capitalized development costs which are not amortized yet are tested for impairment at least on an annual basis and whenever there is an indication of impairment risk. As for capitalized development costs which are in the amortization period, they are tested for impairment when an impairment risk has been identified. The Group recognizes an impairment loss when the recoverable amount of a development-related asset is lower than the corresponding capitalized costs.

We considered the capitalization and the measurement of development costs to be a key audit matter due to their materiality when compared to the consolidated assets of the Group, and to the Management's judgment exercised when initially determining whether such development costs should be accounted for as intangible assets and when subsequently carrying out impairment tests.

Our response

We analyzed the processes the Group implemented for the initial recognition in intangible assets of development costs, for the identification of projects to be potentially impaired and for the determination of estimates used for the purpose of testing the development-related assets for impairment. Based on a selection of projects, our work consisted in:

- ensuring the criteria for recognizing an intangible asset, as set out in IAS 38 and in the Group's internal procedure, were met and consistently applied;
- reconciling, on a sample basis, the costs capitalized as at December 31, 2019 with the underlying supporting documentation;
- assessing, with the assistance of our valuation experts, the data and assumptions used by the Group when testing capitalized development-costs for impairment, mainly sales forecasts, discount rates and long-term growth rates, by inquiring of Management and by comparing future cash flows to past performance;
- comparing the sensitivity analyses performed by the Group to our sensitivity calculations;
- verifying the arithmetical accuracy of Management's computations.

Statutory auditors’ report on the consolidated financial statements

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

Notes 1.3, 1.15 and 14 to the consolidated financial statements

Key audit matter

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

As described in Note 1.15 to the consolidated financial statements, the Group recognizes future tax benefits, arising from the utilization of tax losses carried forward, to the extent they can reasonably be expected to be achieved, including when such amounts can be indefinitely carried forward.

Management assesses at year-end the recoverability by the Group of its deferred tax assets on tax losses carried forward based on its consumption plan. The recognition and appropriate estimation of these deferred tax assets relies on the Group’s ability to accurately forecast its future taxable incomes.

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

Our response

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

- inquiring about the consumption plans of tax losses carried forward for the subsidiaries or tax consolidation groups at stake;
- assessing the data and assumptions underlying the consumption plans of tax losses carried forward supporting the recognition and the measurement of deferred tax assets by the Group.

Risk assessment and measurement of provisions, uncertain tax positions and contingent liabilities

Notes 1.1, 1.3, 1.20, 21 and 26.2 to the consolidated financial statements

Key audit matter

The Group operates in many countries and is thus exposed to different environments in terms of law, regulation and tax. The Group is also subject to the inherent risks of its operations, especially with regard to commercial and industrial aspects.

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

As described in note 1.20 to the consolidated financial statements, the Group recognizes a provision when it has an obligation towards a third party prior to the balance sheet date, and when the loss or liability is likely and can be reliably measured. If the loss or liability is not likely and cannot be reliably estimated, but remains possible, the Group discloses it as a contingent liability.

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

The recognition and measurement of provisions, uncertain tax positions and contingent liabilities is considered to be a key audit matter given the various risks the Group is exposed to and to the judgment required from Management to estimate the risks and the provisions amounts, if any. In case of an incomplete identification of the risks and/or an incorrect evaluation of its exposure, the Group could under- or overestimate its provisions and contingent liabilities.

Our response

Our audit approach consisted mainly in:

- assessing the procedures implemented by the Group to identify and gather the different types of risks it is exposed to;
- obtaining an understanding of the risk analyses performed by the Group, with the relating supporting documentation, and studying written statements from internal and external legal advisors, where applicable;
- assessing, for the main risks identified, the assumptions used by Management to measure the provisions and tax liabilities accounted for, with the assistance of our experts, if necessary.
- reading the information provided by the Group with regards to these liabilities and contingent liabilities.

Specific verifications
We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the Board of Directors' management report.

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

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

Report on Other Legal and Regulatory Requirements
Appointment of the Statutory Auditors
We were appointed as statutory auditors of Schneider Electric S.E. by your Annual General Meeting held on May 6, 2004 for MAZARS and on June 25, 1992 for ERNST & YOUNG et Autres.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Risks Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Objectives and audit approach
Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Statutory auditors' report on the consolidated financial statements

Report to the Audit and Risks Committee

We submit to the Audit and Risks Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risks Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risks Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit and Risks Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, March 10, 2020

The Statutory Auditors
French original signed by

MAZARS	**ERNST & YOUNG et Autres**
Loïc Wallaert	Jean-Yves Jégourel
Mathieu Mougard	Alexandre Resten

In this section

Parent company financial statements

6

1. Balance sheet

Assets

(in thousands of euros)	Notes	Gross	A. & D. or Prov.	Dec. 31, 2019 Net	Dec. 31, 2018 Net
NON-CURRENT ASSETS					
Intangible assets	1.1				
Intangible rights		27,474	(27,474)	–	–
Property, plant and equipment	1.2				
Land		2,785	–	2,785	2,932
Buildings		48	(48)	–	–
Other		1,468	(242)	1,226	1,226
Total intangible assets and property, plant and equipment		**31,775**	**(27,764)**	**4,011**	**4,158**
Financial investments					
Shares in subsidiaries and affiliates	2.1	5,596,996	(111,288)	5,485,708	5,485,704
Other investment securities	2.2	1,518,569	(77)	1,518,492	1,727,117
Advances to subsidiaries and affiliates	2.3	3,223,997	–	3,223,997	3,210,570
Other		10	–	10	–
Total financial investments		**10,339,572**	**(111,365)**	**10,228,207**	**10,423,391**
Total non-current assets		**10,371,348**	**(139,129)**	**10,232,219**	**10,427,549**
CURRENT ASSETS					
Accounts receivable					
Accounts receivable – trade		455,460	–	455,460	202
Other	3	102,049	–	102,049	106,019
Total accounts receivable		**557,509**	**–**	**557,509**	**106,221**
Marketable securities and cash					
Marketable securities	4	450,722		450,722	22,940
Advances to the Group cash pool	5	5,411,588	–	5,411,588	6,899,820
Other		2,006	–	2,006	217
Total marketable securities and cash		**5,864,316**		**5,864,316**	**6,922,977**
Total current assets		**6,421,826**		**6,421,826**	**7,029,198**
PREPAYMENTS AND OTHER ASSETS					
Prepaid expenses	6.1	351	–	351	387
Deferred charges	6.2	14,568	–	14,568	14,435
Call premiums	6.3	7,123	–	7,123	26,201
Translation losses		90,653	–	90,653	77,214
TOTAL ASSETS		**16,905,868**	**(139,129)**	**16,766,739**	**17,574,984**

The notes form an integral part of these parent company financial statements.

Equity and liabilities

(in thousands of euros)	Notes	Dec. 31, 2019	Dec. 31, 2018
EQUITY	7		
Share capital	7.1	2,328,274	2,316,675
Additional paid-in capital	7.2	3,133,188	2,976,940
Reserves			
Legal reserve		243,027	243,027
Retained earnings	7.3	3,246,040	84,171
Net income for the financial year		57,108	4,457,4994
Untaxed provisions		2	2
Total equity		**9,007,639**	**10,078,809**
PROVISIONS FOR CONTINGENCIES:	8		
Provisions for contingencies		452,634	1,432
Total provisions for contingencies and expenses		**452,634**	**1,432**
LIABILITIES:			
Bonds	9	7,062,368	6,598,934
Other borrowings	10	66,480	51,384
Amounts payable to subsidiaries and affiliates		14	14
Borrowings and financial liabilities	11	–	610,000
Accounts payable – trade		779	543
Accrued taxes and payroll costs		80,313	151,819
Other		5,762	4,682
Total liabilities		**7,215,718**	**7,417,375**
Deferred income		98	154
Translation gains		90,649	77,214
TOTAL EQUITY AND LIABILITIES		**16,766,739**	**17,574,984**

The notes form an integral part of these parent company financial statements.

2. Statement of income

(in thousands of euros)	Notes	Full year 2019	Full year 2018
Sales of services and other		2,385	174
Reversals of provisions, depreciation and amortization and expense transfers		0	0
Operating revenues		**2,385**	**174**
Purchases and external expenses		(10,079)	(8,887)
Taxes other than on income		(1,612)	(1,640)
Payroll expenses		(4,321)	(3,554)
Depreciation and provision expense		–	–
Other operating expenses and joint-venture losses		(1,821)	(1,597)
Operating expenses		**(17,833)**	**(15,678)**
Operating profit/(loss)		**(15,447)**	**(15,504)**
Dividend income	14	49,896	4,500,507
Interest income		49,863	50,725
Reversals of impairment provisions for long-term receivables and other		–	–
Financial income		**99,759**	**4,551,232**
Interest expense		(111,639)	(126,008)
Provision expense		(7,103)	(8,691)
Financial expenses		**(118,741)**	**(134,699)**
Net financial income/(loss)	14	**(18,983)**	**4,416,533**
Current result before tax		**(34,430)**	**4,401,029**
Proceeds from fixed asset disposals		2,078	120
Reinvoicing performance share		515,434	–
Provision reversals and expense transfers		375	67
Other		–	–
Non-recurring income		**517,887**	**187**
Carrying amount of fixed asset disposals		(148)	(311)
Provisions, depreciation and amortization		17,717	(9,902)
Other		(515,602)	(226)
Non-recurring expenses		**(498,033)**	**(10,439)**
Net non-recurring income/(loss)	15	**19,854**	**(10,252)**
Net income tax benefit	16	**71,684**	**67,216**
NET INCOME		**57,108**	**4,457,994**

The notes form an integral part of these parent company financial statements.

Strategic Report

Corporate Governance Report

Financial Statements

Shareholder Information

3. Notes to the financial statements

(All amounts are in thousands of euros unless otherwise indicated)

3.1 Significant events of the financial year

During the financial year, Schneider Electric SE carried out a capital increase for EUR167 million, as follows:

- the employee share issuance carried out on July 10, 2019 as part of the worldwide Employee Stock Purchase Plan, for EUR160 million;
- the exercise of performance shares, for EUR7 million.

The company issued three bonds of respectively EUR200, 250 and 500 million.

On May 2019, the company paid out the 2018 dividend of EUR2.35 per share, amounting EUR1,296 million.

The company also proceeded to buy back 3,476,691 of its own shares for EUR266 million.

Finally, in December 2019, the company decided to serve some free shares plans on existing shares, and to reinvoice the Group companies. As a consequence, the company recorded a provision of EUR451 million and a revenue of the same amount.

3.2 Accounting principles

As in the prior financial year, the financial statements for the financial year ended December 31, 2019 have been prepared in accordance with French generally accepted accounting principles and with the ANC no. 2016-07 code.

Non-current assets

Non-current assets of all types are stated at cost.

Intangible assets

Intangible rights are amortized over a maximum of 5 years.

Property, plant and equipment

Items of property, plant and equipment are depreciated on a straight- line basis over their estimated useful lives, ranging from 3 to 10 years.

Shares in subsidiaries and affiliates

Shares in subsidiaries and affiliates are stated at acquisition cost.

Provisions for impairment may be funded where the carrying amount is higher than the estimated value in use at the end of the financial year. This estimate is primarily determined on the basis of the underlying net assets, earnings outlook and economic forecasts. For the more recently-acquired investments, the analysis also takes account of the acquired business goodwill. For listed securities, the average stock price over the month before the closing is used. Unrealized gains resulting from such estimates are not recognized.

Own shares

Treasury stocks are assessed by category (shares in subsidiaries and affiliates, marketable securities), according to the FIFO. method “first-in, first-out”.

The accounting classification of treasury stocks depends on the purpose for which they are held:

- own shares are classified in marketable securities if they are the object of an explicit allocation in the cover of stock option plans or if they are bought to regulate the share price of the Group;
- own shares are classified in long-term investments if they are not the object of an explicit allocation to cover an option plan or if they are bought with the aim of their use within the context of a liquidity contract by an investment services provider, or of their later cancellation within the framework of a capital reduction.

The accounting of an impairment of own shares depends on the purpose for which they are held:

- when own shares are allocated to cover of stock option plans, there is no reason to record a provision for impairment;
- in other cases, it is necessary to book an impairment if the average stock market price of the month before the closing is lower than the weighted average cost.

Pension obligations

The present value of termination benefits is determined using the projected unit credit method. Provisions are funded for the supplementary pension benefits provided by the company on the basis of the contractual terms of top-hat agreements, granting a level of benefits exceeding the general regimes. The company applies the corridor method to actuarial gains and losses arising from changes in estimates. Under this method, the portion of net cumulative actuarial gains and losses exceeding 10% of the projected benefit obligation is amortized over 10 years.

3. Notes to the financial statements

Currency risk

When necessary, a contingency provision is put in place for unrealized exchange losses. However, when there are unrealized exchange gains and losses on back-to-back transactions in the same currency and with the same maturity, the amount of the provision is then limited to the net loss.

Bonds

Redemption premiums and issue costs are amortized over the life of the bonds.

3.3 Notes

Note 1: Non-current assets

1.1 Intangible assets

This item primarily consists of share issue and merger expenses, which are fully amortized.

1.2 Property, plant and equipment

(in thousands of euros)

Property, plant and equipment	Dec. 31, 2018	Additions	Disposals	**Dec. 31, 2019**
Cost	4,448	–	(147)	4,301
Depreciation	(290)	–	–	(290)
NET	**4,158**	**–**	**–**	**4,011**

Property, plant and equipment are mainly comprised of land not built.

Note 2: Investments

2.1 Shares in subsidiaries and affiliates

(in thousands of euros)

Shares in subsidiaries and affiliates	Dec. 31, 2018	Additions	Disposals	**Dec. 31, 2019**
Cost	5,599,974	4	(2,982)	5,596,996
Provisions	(114,270)	–	2,982	(111,288)
NET	**5,485,704**	**4**	**–**	**5,485,708**

During the year, there was no movement in equity shares.

The main investments at December 31, 2019 were as follows:

Shares in subsidiaries and affiliates	**Carrying value**
Schneider Electric Industries SAS	5,343,544
Cofimines	139,077
Schneider Electric Japan Holding	2,049
Other (less than EUR5 million)	1,038
TOTAL	**5,485,708**

2.2 Other investment securities

(in thousands of euros)

Other investment securities	Dec. 31, 2018	Increases	Decreases	**Dec. 31, 2019**
Schneider Electric SE shares	1,727,063	266,322	(474,946)	1,518,439
Other	131	–	–	131
Provisions for other Shares and own shares	(77)	–	–	(77)
NET	**1,727,117**	**266,322**	**(474,946)**	**1,518,493**

Other investment securities primarily include Schneider Electric SE shares acquired for allocation on the exercise of certain stock options.

In compliance with the resolution adopted by the Shareholders' Meeting dated April 24, 2018, the company proceeded in 2019 to the share buyback of 3 476 691 own shares for a total amount of EUR266 million.

In compliance with the Board resolution of December 2019 to allocate the performance share plans 26, 29, 31, 33 and 35, with SESE own shares, 9,140,459 shares for a total amount of EUR475m has been booked in Marketable securities.

Strategic Report
Corporate Governance Report
Financial Statements
Shareholder Information

2.3 Advances to subsidiaries and affiliates

(in thousands of euros)

Advances to subsidiaries and affiliates	Dec. 31, 2018	Increases	Decreases	**Dec. 31, 2019**
Cost	3,210,570	13,537	(110)	3,223,997
NET	**3,210,570**	**13,537**	**(110)**	**3,223,997**

At December 31, 2019, this item mainly consisted of a loan of EUR2,500 million granted to Schneider Electric Industries SAS with a maturity date of 2020, a loan granted in 2012 to Boissière Finance for a total amount of EUR712 million with a maturity date of 2022 and of accrued interest for a total amount of EUR12 million.

Note 3: Accounts receivables

(in thousands of euros)

	Dec. 31, 2019	Dec. 31, 2018
Trade receivables	455,460	202
Other	102,049	106,019
NET	**557,509**	**106,221**

Trade receivables mainly include the reinvoicing of the performance shares to SEISAS.

At December 31, 2019, the “Other receivables” are mainly composed of tax receivables and R&D tax credits.

Note 4: Marketable securities

	Dec. 31, 2018		Acquisitions	Disposals	**Dec. 31, 2019**	
(in thousands of euros)	Number of shares	Value	Value	Value	**Value**	**Number of shares**
TREASURY SHARES						
Gross	1,417,918	40,657	474,902	(64,836)	450,722	8,437,254
Provisions	–	(17,717)		17,717	–	–
TOTAL NET	**–**	**22,940**	**474,902**	**(47,119)**	**450,722**	**–**

Marketable securities primarily represent own shares held by the company for allocation to future performance shares plans and, if appropriate, stock-options.

In 2017, following the decision of the board to assign own shares to the performance shares plan 25, a provision of EUR8 million has been recognized. In 2018, a complement of EUR10 million of this provision has been recognized. This plan vested on March 2019.

In 2019, following the decision to reinvoice the performance shares to the subsidiaries, a provision for risk of EUR450 was booked, as these free shares concern employees of other Schneider Electric Group entities.

Note 5: Cash and cash equivalent Group

This item consists of interest-bearing advances by Schneider Electric SE to the Group cash pool (Boissière Finance) that are immediately recoverable on demand.

3. Notes to the financial statements

Note 6: Prepayment and other assets

6.1 Prepaid expenses

The prepaid expenses relates mainly on insurance costs and fees.

6.2 Bond issue expenses

(in thousands of euros)

Bond issue expenses	Dec. 31, 2018	Increases	Decreases	Dec. 31, 2019
July 20, 2010 due 2020 (EUR500 million)	275	–	(166)	109
Sep. 22, 2011 due 2019 (EUR500 million)	14	–	(14)	–
Sep. 27, 2012 due 2022 (USD800 million)	1,409	–	(423)	986
Sep. 6, 2013 due 2021 (EUR600 million)	900	–	(323)	577
Mar. 11, 2015 due 2025 (EUR750 million)	1,979	–	(311)	1,668
Sep. 8, 2015 due 2023 (EUR800 million)	1,907	–	(386)	1,521
Oct. 13, 2015 due 2025 (EUR200 million)	651	–	(65)	586
Oct. 13, 2015 due 2025 (EUR100 million)	264	–	(36)	228
Sep. 9, 2016 due 2024 (EUR800 million)	2,538	–	(442)	2,096
Dec. 13, 2017 due 2026 (EUR750 million)	2,344	–	(296)	2,048
June. 21, 2018 due 2027 (EUR750 million)	2,153	–	(253)	1,900
Sept. 9, 2019 due 2024 (EUR200 million)		565	(52)	513
Jan. 15, 2019 due 2028 (EUR250 million)		773	(53)	720
Jan. 15, 2019 due 2028 (EUR500 million)		1,807	(193)	1,614
TOTAL	**14,435**	**3,145**	**(3,013)**	**14,568**

6.3 Redemption premiums

(in thousands of euros)

Redemption premiums	Dec. 31, 2018	Increases	Decreases	Dec. 31, 2019
July 20, 2010 due 2020 (EUR500 million)	820	–	(495)	325
Sep. 22, 2011 due 2019 (EUR500 million)	32	–	(32)	–
Sep. 27, 2012 due 2022 (USD800 million)	599	–	(199)	400
Sep. 6, 2013 due 2021 (EUR600 million)	540	–	(193)	347
Mar. 11, 2015 due 2025 (EUR750 million)	5,567	–	(873)	4,694
Sep. 8, 2015 due 2022 (EUR800 million)	2,659	–	(538)	2,121
Oct. 13, 2015 due 2025 (EUR100 million)	(1,241)	168	–	(1,073)
Sep. 9, 2016 due 2024 (EUR800 million)	5,761	–	(1,000)	4,761
Dec. 13,2017 due 2026 (EUR750 million)	4,615	–	(579)	4,036
June 21,2018 due 2027 (EUR750 million)	6,848	–	(808)	6,040
Sept. 9, 2019 due 2024 (EUR200 million)		(3,032)	280	(2,752)
Jan. 15, 2019 due 2028 (EUR250 million)		(12,763)	874	(11,889)
Jan. 15, 2019 due 2028 (EUR500 million)		125	(13)	112
TOTAL	**26,201**	**(15,502)**	**(3,576)**	**7,123**

Note 7: Shareholders' equity and retained earnings

(in millions of euros)	Share capital	Additional paid-in capital	Reserves and retained earnings	Net income for the year	Regulated provisions	Total
December 31, 2017 before allocation of net income for the year	**2,388**	**5,147**	**237**	**121**	**–**	**7,893**
Change in share capital	(71)	153	(6)	–	–	76
Allocation of 2017 net income	–	–	121	(121)	–	–
2017 dividend	–	(1,198)	(25)	–	–	(1,223)
Cancellation of own shares		(1,126)				(1,126)
2018 net income	–	–	–	4,457	–	4,457
December 31, 2018 before allocation of net income for the year	**2,317**	**2,976**	**327**	**4,457**	**–**	**10,078**
Change in share capital	11	156	–	–	–	167
Allocation of 2018 net income	–	–	3,161	(3,161)	–	–
2018 dividend	–	–		(1,296)	–	(1,296)
Cancellation of own shares	–	–	–	–	–	–
2019 net income	–	–	–	57	–	57
DECEMBER 31, 2019 BEFORE ALLOCATION OF NET INCOME FOR THE YEAR	**2,328**	**3,133**	**3,489**	**57**	**–**	**9,007**

7.1 Capital

Share capital

The company's share capital at December 31, 2019 amounted to EUR 2,328,274,220 consisting of 582,068,555 shares with a par value of EUR4, all fully paid up.

Changes in share capital

During the financial year, the EUR11 million increase in share capital breaks down as follows:

- EUR10 million share capital increase as part of the worldwide Employee Stock Purchase Plan with an issuance of 2,676,018 new shares;
- EUR1 million share capital increase for the exercise of performance shares with an issuance of 223,768 new shares.

Own shares

The total number of own shares held at the reporting date was 31,045,826 representing a net amount of EUR1,518 million.

7.2 Additional paid-in capital

Additional paid-in capital increased by EUR156 million over the financial year, mainly coming from the worldwide Employee Stock Purchase Plan.

7.3 Allocation of previous year net income

Pursuant to the 3rd resolution of the Ordinary and Extraordinary Shareholders' Meeting of April 25, 2019, the 2018 gain of EUR3,161 million was allocated to retained earnings. EUR1,296 million of dividends were distributed in 2019.

Note 8: Provisions for contingencies and pension accruals

(in thousands of euros)	Dec. 31, 2018	Increases	Decreases	**Dec. 31, 2019**
PROVISIONS FOR CONTINGENCIES				
Disputes	15	–	–	15
Risk variation own shares		450,722		450,722
Other	1,417	510	(30)	1,897
TOTAL	**1,432**	**451,232**	**30**	**452,635**

Management is confident that overall the balance sheet provisions for disputes of which it is currently aware and in which the company is involved should be sufficient to ensure that these disputes do not have a material impact on its financial position or income.

In 2019, a provision for risk of EUR450 million was booked to cover the decision of the board to allocate performance shares plans with SESE own shares.

3. Notes to the financial statements

Note 9: Bonds

(in thousands of euros)	Share capital Dec. 31, 2019	Dec. 31, 2018	Interest rate	Maturity
Schneider Electric SE 2019	150,244	150,244	Euribor +0.60% Floating	July 25, 2019
Schneider Electric SE 2020	500,000	500,000	3.625% Fixed	July 20, 2020
Schneider Electric SE 2019	–	500,000	3.50% Fixed	Jan. 22, 2019
Schneider Electric SE 2022	712,124	698,690	2.95% Fixed	Sep. 27, 2022
Schneider Electric SE 2021	600,000	600,000	2.50% Fixed	Sep. 06, 2021
Schneider Electric SE 2025	750,000	750,000	0.875% Fixed	Mar. 11, 2025
Schneider Electric SE 2023	800,000	800,000	1.50% Fixed	Sep. 08, 2023
Schneider Electric SE 2025	200,000	200,000	1.841% Fixed	Oct. 13, 2025
Schneider Electric SE 2025	100,000	100,000	1.841% Fixed	Oct. 13, 2025
Schneider Electric SE 2024	800,000	800,000	0.25% Fixed	Sep. 09, 2024
Schneider Electric SE 2024	200,000	–	0.25% Fixed	Sep. 09, 2024
Schneider Electric SE 2026	750,000	750,000	0.875% Fixed	Dec. 13, 2026
Schneider Electric SE 2027	750,000	750,000	1.375% Fixed	June 21, 2027
Schneider Electric SE 2028	500,000	–	1. 5% Fixed	Jan. 15, 2028
Schneider Electric SE 2028	250,000	–	1. 5% Fixed	Jan. 15, 2028
TOTAL	**7,062,368**	**6,598,934**		

Fixed: fixed rate.
Floating: floating rate.

Schneider Electric SE has issued bonds during past years on different markets:

- in the United States, through a private placement offering following (SEC 144A rule) for USD800 million worth of bonds issued in September 2012, at a rate of 2.950%, due in September 2022;
- as part of its Euro Medium-Term Notes (EMTN) program, for which bonds are traded on the Luxembourg stock exchange.

During the year, the company reimbursed one bond amounting EUR500 million matured on January 22, 2019.

The company issued three bonds as follows:

- EUR200 million at 0.25%, maturing on September 9, 2024;
- EUR500 million at 1.375%, maturing on January, 15 2028;
- EUR250 million at 1.375%, maturing on January, 15 2028.

At December 31, 2019, the other remaining bonds are as follows:

- EUR800 million worth of 0.25% bonds issued in September 2016 and maturing on September 9, 2024 and described above;
- EUR600 million worth of 2.50% bonds issued in September 2013 and maturing on September 6, 2021;
- EUR500 million worth of 3.625% bonds issued in July 2010 and maturing on July 20, 2020;
- EUR177 million worth of floating-rate bonds issued in July 2008 and maturing on July 25, 2018, decreased to EUR150 million through the repayment in June 2014 of EUR27 million;
- EUR100 million worth of 1.841% bonds issued in October 2015 and maturing on October 13, 2025;
- EUR200 million worth of 1.841% bonds issued in October 2015 and maturing on October 13, 2025;
- EUR800 million worth of 1.50% bonds issued in September 2015 and maturing on September 8, 2023;
- EUR750 million worth of 0.875% bonds issued in March 2015 and maturing on March 11, 2025;
- EUR750 million worth of 0.875% bonds issued in December 2017 and maturing on December 13, 2026;
- EUR750 million worth of 1.375% bonds issued in June 2018 and maturing on June 21, 2027.

The issue premiums and issuance costs are amortized in line with the effective interest method.

Note 10: Other borrowings

Other borrowings at December 31, 2019 included accrued interest on bonds and other debt issued by the company. Accrued interest amounted to EUR44 million, compared to EUR51 million at end-2018.

Note 11: Interest-bearing liabilities

Interest-bearing liabilities *(in thousands of euros)*	Dec. 31, 2018	Increase	Decrease	**Dec. 31, 2019**
Commercial paper	610,000	4,955,000	(5,565,000)	–
Overdrafts	–	–	–	–
Other	–	–	–	–
NET	**610,000**	**4,955,000**	**(5,565,000)**	**–**

In 2019, fixed rate commercial papers were reimbursed over the period.

Note 12: Maturities of receivables and payables

(in thousands of euros)	Total	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
NON-CURRENT ASSETS				
Advances to subsidiaries and affiliates	3,223,997	2,511,871	712,126	
CURRENT ASSETS				
Accounts receivable – trade	455,460	455,460	–	–
Other receivables	102,049	102,049	–	–
Marketable securities	450,722	450,722	–	–
Prepaid expenses	351	351	–	–
DEBT				
Bonds	7,062,368	500,000	3,262,368	3,300,000
Other borrowings	66,481	66,481	–	–
Commercial paper	–	–	–	–
Amounts payable to subsidiaries and affiliates	14	–	14	–
Accounts payable – trade	779	779	–	–
Accrued taxes and payroll costs	80,313	80,313	–	–
Other	5,762	5,762	–	–
Deferred income	98	98	–	–

Invoices received and issued during the period have not been subject to late payment.

Note 13: Related-party transactions (minimum 10% stake)

(in thousands of euros)	Gross	**Net**
Shares in subsidiaries and affiliates	5,596,996	5,485,708
Advances to subsidiaries and affiliates	3,223,997	3,223,997
Accounts receivable	453,930	453,930
Cash and cash equivalents	5,411,588	5,411,588
Revenues:		
• rebilled performance shares	515,602	2,207
• interest		25,347

3. Notes to the financial statements

Note 14: Net financial income/(loss)

(in thousands of euros)	**Full year 2019**	Full year 2018
Dividends	49,896	4,500,507
Net interest income (expense)	(61,776)	(75,283)
Other	(7,103)	(8,691)
NET FINANCIAL INCOME/(LOSS)	**(18,983)**	**4,416,533**

In 2019, the company received EUR50 million of dividends from Schneider Electric Industries SAS.

Note 15: Net non-recurring income/(loss)

(in thousands of euros)	**Full year 2019**	Full year 2018
Net gains/(losses) on fixed asset disposals	1,930	(191)
Provisions net of reversals	18,092	(9,835)
Other non-recurring income/(expense)	(168)	(226)
NET NON-RECURRING INCOME/(LOSS)	**19,854**	**(10,252)**

Note 16: Net income tax benefit

The "income tax expense" line item in the statement of income mainly consists of the Group tax relief recorded by the tax Group headed by Schneider Electric SE, net of 2019 income tax due, for EUR71 million.

Schneider Electric SE is the parent company of the tax Group comprising all French subsidiaries that are over 95%-owned. Tax loss carry forwards available to the company in this capacity totaled EUR2,289 million at December 31, 2019.

Note 17: Pension benefit commitment

The company had taken commitments towards its executives, active managers and retirees. In 2015, the company closed the top-hat executive pension plans. Since 2015, there is no more active beneficiary. The company has outsourced to AXA France VIE the commitments towards the retires beneficiaries the top-hat executive pension plans.

Note 18: Off-balance sheet commitments

18.1 Partnership obligations
The share of liabilities of "SC" non-trading companies attributable to Schneider Electric SE as partner is not material.
The share of liabilities of "SNC" flow-through entities attributable to Schneider Electric SE as partner is not material.

18.2 Guarantees given and received

Commitments given
Counter-guarantees of bank guarantees: None.
Other guarantees given: EUR2,084 million, mainly to Group companies

Commitments received
Bank counter-guarantees: None.

18.3 Financial instruments
Schneider Electric Group hedging transactions, exchange guarantees and the establishment of financial instruments are carried out by the manager of the Group cash pool, Boissière Finance, a wholly-owned subsidiary of Schneider Electric Industries SAS, which in turn is wholly-owned by Schneider Electric SE.

Schneider Electric SE does not hold any hedging instruments at December 31, 2019.

Note 19 Contingencies

As part of its operations, the entity is exposed to a number of potential claims and litigations. Except for those for which it is probable that the entity will occur a liability and a provision established for such outcome, the entity is not aware of other potentially material claims and litigations. Specifically, the entity has not been advised to date of any claim/allegations related to the investigation conducted in France by French public agencies. The entity is fully cooperating with the French authorities on these matters.

Note 20 Other information

20.1 Workforce
The average number of employees is 1 over 2019.

20.2 Consolidated financial statements
Schneider Electric SE is the parent company of the Group and accordingly publishes the consolidated financial statements of the Schneider Electric Group.

20.3 Subsequent events
At the date of financial statements approval by the board of directors, there is no material subsequent event.

4. Statutory auditors' report on the financial statements

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

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Schneider Electric S.E. for the year ended December 31, 2019.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Risks Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics *(Code de déontologie)* for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of investments in subsidiaries and affiliates and advances to subsidiaries and affiliates

"Accounting principles" and note 2 "Investments" to the financial statements

Key audit matter

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

As described in the accounting principles of the notes to the financial statements, investments are recognized at their acquisition cost and impaired, should their carrying amount exceed their estimated value in use at closing date. The estimated value in use of these investments is determined primarily based on the subsidiaries' and affiliates' net assets as well as on their earnings outlook and the underlying economic forecasts.

Due to the judgment exercised by Management as part of this estimate, especially when relying on forecasts, we considered the valuation of investments in subsidiaries and affiliates, as well as the valuation of related advances, to be a key audit matter.

Our response

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

- comparing the share in the subsidiaries' and affiliates' net assets, when used as a proxy for their value in use, with their underlying accounting data, which were subject to an audit or to analytical procedures;
- assessing the appropriateness of the valuation method used to determine the value in use when based on forecasts;
- assessing the reasonableness of key assumptions used to estimate values in use, mainly the long-term growth rate and the discount rate, by inquiring of Management and with the assistance of our experts, when needed;
- verifying the arithmetical accuracy of the computations performed by your Company to determine the values in use.

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

Specific verifications

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

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

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

Information relating to Corporate Governance

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

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by, or allocated to the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlled thereby which are included in the consolidation scope. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code *(Code de commerce)*, we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Risks Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

Rapport des commissaires aux comptes sur les comptes annuels

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit and Risks Committee

We submit to the Audit and Risks Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risks Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risks Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit and Risks Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, March 10, 2020

The Statutory Auditors
French original signed by

MAZARS	**ERNST & YOUNG et Autres**
Loïc Wallaert	Jean-Yves Jégourel
Mathieu Mougard	Alexandre Resten

5. List of securities held at December 31, 2019

Number of securities *(in thousands of euros)*	Company	Carrying amount of securities
A. MAJOR INVESTMENTS		
(Carrying amounts over EUR5 million)		
58,018,657	Schneider Electric Industries SAS	5,343,544
22,608,572	Actions propres Schneider Electric SE	1,518,493
		6,862,037
B. OTHER INVESTMENTS		
(Carrying amounts under EUR5 million)		1,038
C. INVESTMENTS IN REAL ESTATE COMPANIES		–
D. INVESTMENTS IN FOREIGN COMPANIES		141,126
Total		**7,004,201**
MARKETABLE SECURITIES		
8,437,254	Schneider Electric SE own shares	450,722,810
TOTAL		**457,727,011**

6. Subsidiaries and affiliates

Company *(in thousands of euros)*	Capital	Reserves and retained earnings & retained earnings prior to appropriation of earnings*	Share interest held (%)
I. DETAILED INFORMATION ON SUBSIDIARIES AND AFFILIATES WITH A CARRYING AMOUNT OF OVER 1% OF THE SHARE CAPITAL OF SCHNEIDER ELECTRIC SE			
A. Subsidiaries (at least 50% owned)			
Schneider Electric Industries SAS 35, rue Joseph-Monier 92500 Rueil-Malmaison, France	928,299	6,783,914	100,00
Cofimines Place du Champs-de-Mars, 5, tour Bastion 1050 Brussels, Belgium	96,884	42,230	99.84
B. Affiliates (10 to 50%-owned)			
II. OTHER SUBSIDIARIES AND AFFILIATES			
A. Subsidiaries not included in Section I: (+50%)			
a) French subsidiaries (aggregate)	–	–	–
b) Foreign subsidiaries (aggregate)	–	–	–
B. Affiliates not included in Section I: (0-50%)			
a) French companies (aggregate)	–	–	–
b) Foreign companies (aggregate)	19,600	164,492	4.8

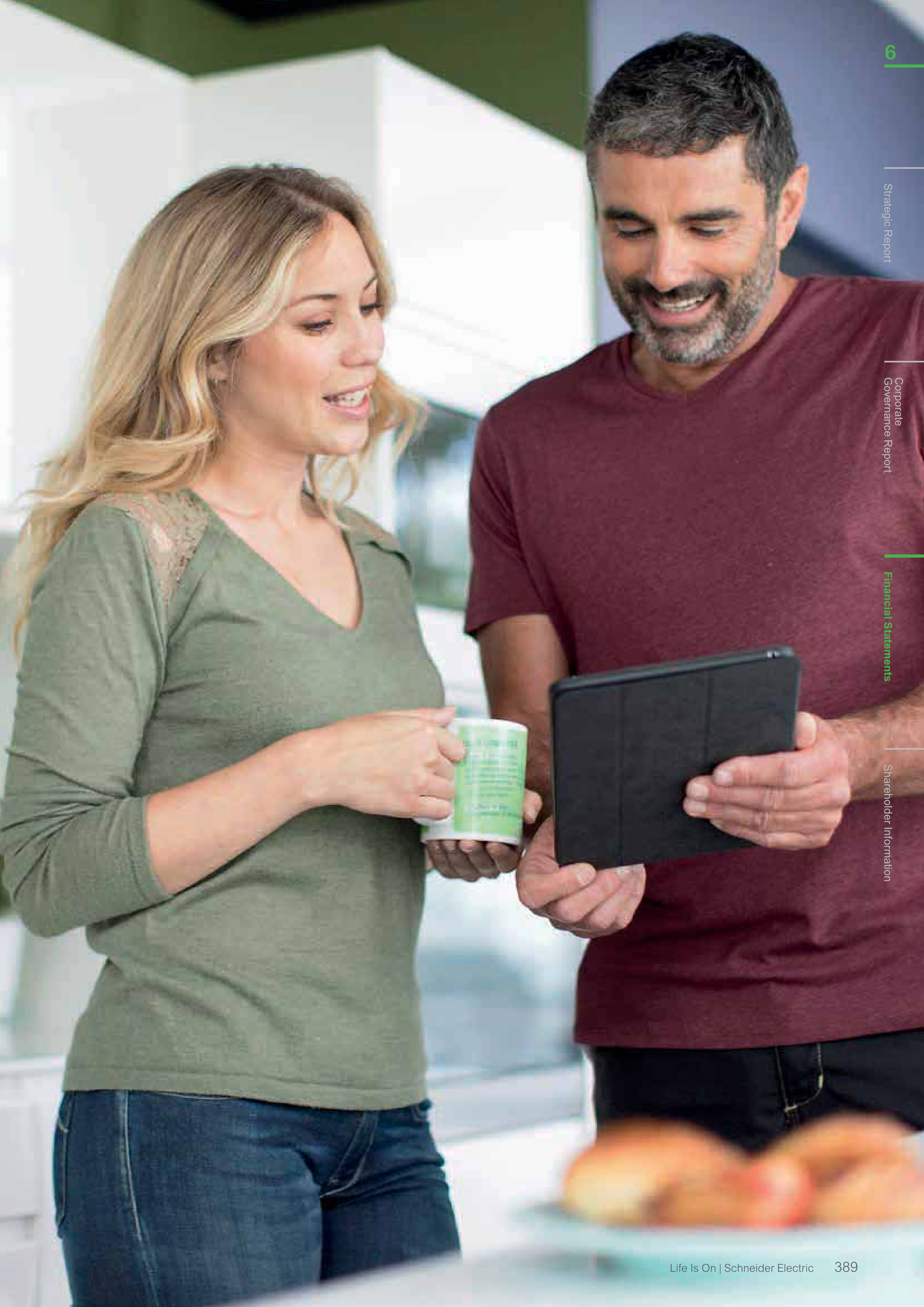
* Including income or loss in prior financial year.

Gross value	Net value	Loans and advances provided by the company and still outstanding	Amount of guarantees given by the company	2019 Revenues (ex. VAT)	2019 Profit or loss (-)	Dividends received by the company during 2019
5,343,544	5,343,544	2,506,389		3,687,868	631,947	49,896
219,894	139,094	–	–	Holding company	(11)	–
–	–	–	–	–	–	–
15,288	1,038	–	–	–	–	–
130	53	–	–	–	–	–
21,249	2,049	–	–	–	33,299	–

7. The company's financial results over the last 5 years

Description	2019	2018	2017	2016	2015
FINANCIAL POSITION AT DECEMBER 31					
Share capital *(in thousands of euros)*	2,328,274	2,316,675	2,387,665	2,369,995	2,354,938
Number of shares in issue	582,068,555	579,168,769	596,916,242	592,498,759	588,734,472
Number of convertible bonds in issue *(in thousands)*					
Maximum number of shares to be created *(in thousands)*:					
• through conversion of bonds		–	–	–	–
• through exercise of rights	–	8,371	8,271	9,562	7,773
RESULTS OF OPERATIONS (IN THOUSANDS OF EUROS)					
Sales (ex. VAT)	2,385	174	170	228	209
Investment revenue, interest income and other revenue	49,896	4,551,232	147,031	52,276	54,587
Earnings before tax, depreciation, amortization and provisions	(18,659)	4,412,483	(22,861)	(146,799)	(139,013)
Income tax	71,684	1,215	55,213	(53,632)	(41,456)
Earnings after tax, depreciation, amortization and provisions	57,108	4,457,994	121,488	(99,730)	(52,585)
Dividends paid(1) excluding tax credit and withholdings	1,415,125(2)	1,361,047	1,313,216	1,208,697	1,177,469
RESULTS OF OPERATIONS PER SHARE *(in euros)*					
Earnings before depreciation, amortization and provisions	6,77	7.62	0.05	(0.14)	(0.06)
Earnings after tax, depreciation, amortization and provisions	9,8	7.70	0.20	(0.17)	(0.09)
Net dividend per share	2.55(2)	2.35	2.20	2.04	2
EMPLOYEES					
Average number of employees during the financial year	1	1	1	1	1
Total payroll for the financial year (in thousands of euros)	3,693	2,544	1,670	1,507	2,684
Total of employee benefits paid over the financial year	–	–	–	–	–
(Social security, other benefits, etc.) *(in thousands of euros)*	944	1,010	796	974	1,028

(1) Dividends on shares held in treasury on the dividend payment date and the associated withholding are credited to retained earnings.
(2) Pending approval by the Annual Shareholders' Meeting of April 23, 2020.



In this section

Information on the Company and its capital

7

This chapter includes elements of the board of directors' governance report.

Section 2 (Annual Shareholders' Meetings and voting rights), the table of section 3.3 (pending delegations relating to share capital increase) and section 6 (lock-up period applicable to executive officers), as well as Chapter 4 constitute the board of directors' governance report prepared in accordance with Article L.225-37 of the French Commercial Code. They are indicated with a special mention.

1. General information on the Company

As a European Company *(Societas Europaea)* with a board of directors (since June 18, 2014), domiciled in France, Schneider Electric SE is governed by European Council Regulation (EC) No. 2157/2001 of October 8, 2001, governing the statutes of European Companies (SE Regulation). Issues not covered by the SE Regulation are governed by the provisions of the French Commercial Code (*Code de commerce)* applicable to limited-liability companies, as well as by their Articles of Association. The provisions of the French Commercial Code regarding the management and governance of public limited-liability companies are applicable to the European company.

As at December 31, 2019, the Company's share capital was EUR2,328,274,220. Its head office is located at 35, rue Joseph Monier, 92500 Rueil-Malmaison, France, telephone: +33 (0)1 41 29 70 00.

Schneider Electric SE is registered with the commercial court registry of Nanterre under No. 542 048 574, APE code (principal activity code) 7010Z, Legal Entity Identifier (LEI) 969500A1YF1XUYYXS284.

The Company was incorporated in 1871. It is due to expire on July 1, 2031. It was first called Spie Batignolles, then changed its name to Schneider SA when it merged with Schneider SA in 1995, and then to Schneider Electric SA in May 1999, before becoming Schneider Electric SE in 2014.

As stated in Article 2 of its Articles of Association, the Company has the following corporate purpose, directly or indirectly, in any form, in France and in all other countries:

(i) the design, development and sale of products, equipment and solutions related to the metering, management and use of energy in all its forms and delivering reliability, efficiency and productivity, in particular through engaging in, whether by creating, acquiring or otherwise, all activities related to:
- electrical equipment manufacturing, electrical distribution and secured power supply,
- building control, automation and safety,
- industrial control and automation, including software,
- management of all types of data centers, networks, equipment and other infrastructure;

(ii) the acquisition, purchase, sale and use of any intellectual and/or industrial property rights relative to these industries;

(iii) involvement in any way in any enterprise, company or consortium, whatever the type, undertaking activities related to the Company's business or such as to encourage its industry and commerce, and, more generally, all industrial, commercial and financial, asset and real estate operations related directly or indirectly in any way to the above objective.

The Company may enter into any transactions that fall within the scope of its objectives either alone for its own account or on behalf of third parties, either by having an interest in, or by the purchase, subscription, contribution or exchange of company shares, partnership shares and the purchase of any company, irrespective of type, in pursuance of a similar or related purpose, or that promote its expansion or development.

The Articles of Association, minutes of Annual Shareholders' Meetings, statutory auditors' reports and other legal documents concerning the Company are available for consultation at the Company's head office (office of the secretary to the board of directors) located at 35, rue Joseph Monier, 92500 Rueil-Malmaison, France.

The Articles of Association, regulated information, registration documents, sustainable development reports, notice of the general meeting and other documents are also available on the Company's website (http://www.se.com).

2. Shareholders' rights and obligations

2.1 Annual Shareholders' Meetings (Article 19 of the Articles of Association)

This section is part of the board of directors' governance report.

Annual Shareholders' Meetings are called and run in accordance with the conditions prescribed by law.

The meetings are held at the head office or any other address provided in the call to meeting. The board may decide, when each meeting is called, to organize the public transmission of all or part of the meeting by videoconference and/or using teletransmission techniques.

All shareholders may attend meetings, in person or by proxy, after providing proof of identity and share ownership in accordance with applicable laws and regulations.

When the decision is made to call an Annual Shareholders' Meeting, the board of directors may also decide to allow shareholders to participate or vote at Annual Shareholders' Meetings using videoconferencing facilities and/or any other telecommunication medium allowed under applicable legislation.

Remote voting procedures are governed by the applicable laws and regulations. In particular, shareholders may send proxy and mail ballot forms before Annual Shareholders' Meetings either in paper form or, if approved by the board of directors and stated in the meeting announcement and/or notice, electronically.

When the decision is made to call an Annual Shareholders' Meeting, the board of directors may authorize shareholders to fill out and sign these forms electronically through a secure site set up by the Annual Shareholders' Meeting organizer using a process that complies with applicable laws and regulations (Paragraph 2 of Article 1367 of the French Civil Code) and consisting of a username and password.

Proxies or votes so submitted electronically before the Annual Shareholders' Meeting, as well as the related acknowledgments of receipt, will be considered irrevocable and binding documents. However, in the event that shares are sold before the applicable record date (midnight Paris time two business days before the meeting date), the Company will cancel or amend, as appropriate, any related proxy or electronic votes submitted before the Annual Shareholders' Meeting.

Meetings shall be chaired by the Chairman of the board of directors or in his absence by the Vice-Chairman, or in his absence by a member of the board of directors specially appointed for that purpose by the board of directors. In the event that no Chairman has been selected, the Annual Shareholders' Meeting elects its Chairman.

The two shareholders present who hold the largest number of votes and who accept shall act as scrutineers.

The board appoints a secretary, who is not required to be a shareholder.

As required by law, a register of attendance is kept.

Copies or extracts of the meeting's minutes are certified either by the Chairman or Vice-Chairman of the board of directors, or the Annual Shareholders' Meeting's secretary.

2.2 Voting rights

This section is part of the board of directors' governance report.

1 – Double voting rights (Article 20 of the Articles of Association)
Voting rights attached to shares are proportionate to the equity in the capital they represent, assuming that they all have the same nominal value. Each capital share or dividend share confers the right to one vote except where compulsory legal provisions limit the number of votes a shareholder may have. Notwithstanding the foregoing, double voting rights are attributed to fully paid-up shares registered in the name of the same holder for at least two years prior to the end of the calendar year preceding that in which the Annual Shareholders' Meeting takes place, subject to compliance with the provisions of the law. In the case of a bonus share issue paid up by capitalizing reserves, earnings or additional issue premiums, each bonus share allotted in respect of shares carrying double voting rights will also have double voting rights.

The shares are stripped of their double voting rights if they are converted into bearer shares or transferred, except in the case of the transfer from one registered holder to another as part of an inheritance or family gift.

Double voting rights may also be stripped by a decision of the Extraordinary Annual Shareholders' Meeting after ratification by a special shareholders' meeting of beneficiaries benefiting from double voting rights.

The minimum holding period to qualify for double voting rights was reduced from four to two years by decision of the Ordinary and Extraordinary Shareholders' Meeting of June 27, 1995.

2. Shareholders' rights and obligations

2 – Ceiling on voting rights (Article 20 of the Articles of Association)
At the Annual Shareholders' Meeting, no shareholder may exercise, either in person or through a proxy, by virtue of single voting rights conferred by the shares they hold directly and indirectly and by virtue of the proxy votes entrusted to them, more than 10% of the total number of the voting rights conferred by shares in the Company. However, if a shareholder also holds double voting rights directly or indirectly and/or as proxy, the limit set may be exceeded taking into consideration only the resulting additional voting rights, without the total voting rights thereby held exceeding 15% of the total number of the voting rights conferred by the shares in the Company.

To apply these provisions:

- the total number of voting rights allowed are calculated as of the date of the Annual Shareholders' Meeting and announced to the shareholders at the beginning of such Annual Shareholders' Meeting;
- the number of voting rights held directly and indirectly are understood to include those conferred by shares held personally by a shareholder, those conferred by shares held by a legal entity controlled by a shareholder as defined by Article L.233-3 of the French Commercial Code, and those shares that are assimilated to the shares owned, as defined by the provisions of Articles L.233-7 *et seq.* of the Code;
- shareholders' proxies returned to the Company that do not appoint a representative are subject to the above ceilings. However, these ceilings do not apply to the meeting Chairman voting on behalf of such proxies.

The above ceilings will no longer apply, without it being necessary to put the matter to the vote again by the Extraordinary Shareholders' Meeting, if any individual or legal entity, acting alone or jointly with one or other individuals or legal entities, acquires or increases its stake to at least two-thirds of the Company's capital through a public tender offer for all the Company's shares. The board of directors takes note of this nullity and undertakes the formalities necessary to amend the Articles of Association. The ceiling on voting rights was approved by the Ordinary and Extraordinary Shareholders' Meeting of June 27, 1995.

In accordance with Article L.225-96, Paragraph 1 of the French Commercial Code, any amendment to the Articles of Association must be approved by the Extraordinary Shareholders' Meeting, by a majority of at least two-thirds of the voting rights represented by shareholders in attendance or participating by proxy.

2.3 Allocation of income (Article 22 of the Articles of Association)

Net income for the year less any losses brought forward from prior years is appropriated in the following order:

- 5% to the legal reserve (this appropriation is no longer required once the legal reserve represents one-tenth of the capital, provided that further appropriations are made in the case of a capital increase);
- to discretionary reserves, if appropriate, and to retained earnings;
- to the payment of the balance in the form of a dividend.

The General Meeting may decide to offer shareholders the opportunity to receive the dividend in cash or in the form of new shares.

Dividends not claimed within five years from the date of payment are forfeited and paid to the government, in accordance with the law.

2.4 Holding of shares (Article 7 Paragraph 1 of the Articles of Association)

Shareholders may elect to hold their shares in registered or bearer form. To establish proof of ownership, the shares must be recorded in the shareholder's account in accordance with the procedures and conditions defined by current legislation and regulations.

2.5 Disclosure thresholds (Article 7 Paragraph 2 of the Articles of Association)

The Articles of Association stipulate that any individual or legal entity that owns or controls (as these terms are defined in Article L.233-9 of the French Commercial Code) directly or indirectly, shares or voting rights representing at least 1% of the total number of shares or voting rights outstanding, or a multiple thereof, is required to disclose the total number of shares, voting rights and share equivalents held directly, indirectly or in concert to the Company by registered letter with return receipt requested, within five trading days of the disclosure threshold being crossed. In addition, effective November 1, 2009 the shareholder must notify the Company, in the disclosure letter, of the number of existing shares it is entitled to acquire by virtue of agreements or financial instruments referred to in point b) of the third Paragraph of Article L.233-7 of the French Commercial Code and of the number of existing shares covered by any agreement or financial instrument referred to in point c) of said paragraph. Shareholders are also required to notify the Company if the number of shares or voting rights held falls below one of the thresholds defined above. In the case of failure to comply with these disclosure obligations, the shares in excess of the disclosure threshold will be stripped of voting rights at the request of one or several shareholders owning at least 2.5% of the share capital, subject to compliance with the relevant provisions of the law. These provisions are from the Ordinary and Extraordinary Shareholders' Meetings of June 27, 1995, May 5, 2000 and April 23, 2009.

2.6 Identifiable holders of bearer shares (Article 7 Paragraph 3 of the Articles of Association)

The Company may at any time request Euroclear to identify holders of bearer securities conferring immediate or future voting rights. This provision was adopted by the Ordinary and Extraordinary Shareholders' Meetings of June 30, 1988 and May 5, 2000.

2.7 Disposal of shares (Article 8 of the Articles of Association)

Shares in the Company are freely negotiable and transferable.

3. Capital

3.1 Share capital and voting rights

The Company's share capital at December 31, 2019 amounted to EUR2,328,274,220 represented by 582,068,555 shares with a par value of EUR4, all fully paid up. 608,274,947 voting rights were attached to the 582,068,555 outstanding shares as at December 31, 2019.

3.2 Potential capital

At December 31, 2019, the potential capital consisted of 250,562 shares under the performance shares or stock grant plans 24, 28, 29*bis*, 30, 31*bis*, 32 and 34 relating to existing shares or shares to be issued, as may be determined later.

The potential maximum dilution in case of issue of all the shares resulting from the stock grants and performance shares would be 0.04% of share capital at December 31, 2019.

3.3 Authorizations to issue shares

The Ordinary and Extraordinary Shareholders' Meetings of April 25, 2019 authorized the board of directors:

1) to increase the Company's capital by capitalizing reserves, earnings or additional paid-in-capital;
2) to increase the share capital by a maximum nominal value of EUR800 million (200 million shares) by issuing shares or share equivalents with a ceiling of:
- in the case of an issue with preferential subscription rights, the ceiling stands at a nominal value of EUR800 million (200 million shares),
- in the case of an issue without preferential subscription rights, the ceiling stands at a nominal value of EUR230 million (57.5 million shares) through public offering with the possibility of:
  - **(i)** proceeding to issue by private placements of shares subject to a ceiling with a nominal value of EUR115 million (28.75 million shares),
  - **(ii)** paying for securities contributed to the Company in connection with a public exchange offer initiated by the Company,
  - **(iii)** within the limit of 9.93% of capital, making payment for contributions in kind of shares or share equivalents of unlisted companies.

These authorizations include, in case of oversubscription, the power to increase the nominal amount of the issues within the limit set on the ceiling on the number of shares or share equivalents to be issued.

3) to grant existing shares or shares to be issued to employees and corporate officers of the Company and its affiliates under the provisions of Article L.225-197-1 *et seq.* of the French Commercial Code, within a limit of 2% of the Company's issued share capital as of April 25, 2019;
4) to issue new shares to members of the Company Savings Plan, within a limit of 2% of the issued capital on the date of the implementation of the authorization;
5) to issue new shares under programs to promote share ownership among employees in non-French companies of the Group, within a limit of 1% of the Company's share capital as of April 25, 2019 to be applied to the ceiling for the authorization given in 4) above.

At its meeting of December 11, 2019, the board of directors authorized the issue of new shares to employees, within a limit of 0.64% of the capital. These capital increases reserved for employees, whether part of the Company Savings Plan or not, will take place in June 2020 and the subscription prices will be set by that date, before the subscription period.

The Annual Shareholders' Meeting to be held on April 23, 2020 (see pages 420 and 421) will be requested to renew the authorizations for share capital increase reserved for employees.

3. Capital

This table is part of the board of directors' governance report.

	Maximum par value of authorized capital increases (in euros)	Number of shares (million)	Authorization date/ authorization expires	**Amount used at Dec. 31, 2019 (in million of shares)**
I – Issues with preferential subscription rights for shares or warrants				
or other securities, giving access immediately or in the future to the capital	800 million(1)	200	Apr. 25, 2019	3.7(3)
			Jun. 24, 2021	
II – Issues without preferential subscription rights				
a) for the issue, in cash or in compensation of listed securities, of shares, warrants and other securities giving access immediately or in the future to the capital	230 million(1)	57.5	Apr. 25, 2019	3.7(3)
			Jun. 24, 2021	
b) to make private placements of shares	115 million(1)(2)	28.75	Apr. 25, 2019	
			Jun. 24, 2021	
c) to issue new shares as consideration for unlisted securities	9.93% of the capital(1)(2)	57.5	Apr. 25, 2019	
			Jun. 24, 2021	
III – Employee share issues				
Company Savings Plan	2% of the capital(6)	11.58	Apr. 25, 2019	3.7(3)
			Jun. 24, 2021	
Share issues to promote share ownership among employees in foreign companies of the Group	1% of the capital(4)(6)	5.79	Apr. 25, 2019	3.7(3)
			Oct. 24, 2020	
Free shares or performance shares	2% of the capital(6)	11.58	Apr. 25, 2019	0.1(5)
			Jun. 24, 2022	

(1) The overall ceiling for issues is capped at EUR800 million in aggregate.
(2) Within the limit of the common ceiling for all issues of EUR230 million as mentioned under II°, a) + b) + c) being limited to EUR230 million.
(3) At its meeting of December 11, 2019, the board of directors authorized capital increases reserved for employees, within a limit of a global amount of 3.7 million shares, i.e. 0.64% of the capital. These capital increases reserved for employees, whether part of the Company Savings Plan or not, under a non-leveraged stock ownership plan, will take place in June 2020. The subscription prices will be set before that date. The capital increase reserved for employees participating in the Company Savings Plan will be deducted from the amount of the authorizations referred to in I and II a).
(4) Issuances of shares reserved for employees in non-French subsidiaries will be deducted from the ceiling for capital increases reserved for employees participating in a Company Savings Plan.
(5) At the board of directors' meeting of July 23, 2019, 87,110 shares were granted under the 2019 long-term incentive plan. At the board of directors' meeting of October 23, 2019, 17,450 shares were granted under the 2019 long-term incentive plan. In addition, at the board of directors' meeting of February 19, 2020, the principle was agreed that a maximum of 2.1 million shares would be granted under the 2020 long-term incentive plan.
(6) On the date of the 2019 Annual Shareholders' Meeting, the share capital was EUR2,317 million.

3.4 Three-year summary of changes in capital

The following table shows changes in Schneider Electric SE's share capital and additional paid-in-capital since December 31, 2016 through capital increases\decrease and the exercise of stock options:

	Number of shares issued or canceled	Cumulative number of shares	Total
Employee share issue	2,842,752		
Exercise of stock options, warrants and performance shares issued	921,535		
Capital as of Dec. 31, 2016(1)		**592,498,759**	**EUR2,369,995,036**
Employee share issue	2,413,368		
Exercise of stock options and performance shares issued	2,004,115		
Capital as of Dec. 31, 2017(2)		**596,916,242**	**EUR2,387,664,968**
Decrease in capital	22,000,000		
Employee share issue	2,406,585		
Exercise of stock options and performance shares issued	1,845,942		
Capital as of Dec. 31, 2018(3)		**579,168,769**	**EUR2,316,675,076**
Employee share issue	2,676,018		
Exercise of stock options and performance shares issued	223,768		
CAPITAL AS OF DEC. 31, 2019(4)		**582,068,555**	**EUR2,328,274,220**

(1) Increase in share capital (EUR15.1 million), increase in additional paid-in-capital (EUR148 million).
(2) Increase in share capital (EUR17.7 million), increase in additional paid-in-capital (EUR149 million).
(3) Decrease in share capital (EUR71 million) and in additional paid-in-capital (EUR2,171 million).
(4) Increase in share capital (EUR11.6 million), increase in additional paid-in-capital (EUR156.2 million).

3.5 Share buybacks

The Annual Shareholders' Meeting of April 24, 2018 authorized the Company to buy back shares. This authorization was renewed by the Annual Shareholders' Meeting of April 25, 2019.

Pursuant to these authorizations, the Company bought back 3,482,422 of its own shares during the year.

As of January 31, 2020, the 31,043,977 own shares were held for allocation on the exercise of stock options or performance shares plans.

We remind you that on February 14, 2019 Schneider Electric initiated a new EUR1.5bn to EUR2.0bn share buyback program over the period 2019-2021. The program has been launched under the 15th resolution approved at the 2018 Annual Shareholders' Meeting and pursued under the 14th resolution approved at the 2019 Annual Shareholders' Meeting. These buybacks were part of a policy to neutralize the dilution resulting from capital increases reserved for employees or from performance action plans and the exercise of options.

Details of the share buyback program to be submitted for approval to the Annual Shareholders' Meeting of April 23, 2020 are as follows:

- number of shares and percentage of share capital held directly and indirectly by Schneider Electric SE (as of January 31, 2020):
  - own shares: 31,043,977 shares, i.e. 5.33% of share capital,
  - treasury shares: 1,058 shares,
  - total: 31,045,035 shares, i.e. 5.33% of share capital;
- overview of purposes for which shares have been held:
  - the 31,043,977 shares held in own shares as at January 31, 2020 are held for allocation of performance shares;
- share buyback program objectives:
  - reduce the capital by canceling shares,
  - hold shares for allocation on performance shares plans or to permit the conversion of convertible debt securities,
  - undertaking (for exchange, payment or other purposes) external growth transactions, mergers, spin-offs or contributions,
  - market making under a liquidity agreement;
- maximum number of shares that may be acquired:
  - 10% of the issued share capital as of the date of the Annual Shareholders' Meeting, representing, on the basis of the issued share capital as of January 31, 2020, a total of 58,206,855 Schneider Electric SE shares with a nominal value of EUR4,
  - taking into account treasury stock and own shares at January 31, 2020 (31,045,035 shares), the number of shares that could be bought back under the authorization is 27,161,820 or 4.66% of the capital as of January 31, 2020;
- maximum purchase price and maximum aggregate amount of share purchases:
  - the maximum purchase price is set at EUR150 per share,
  - EUR8,731,028,250;
- duration of the buyback program:
  - 18 months maximum, expiring on October 22, 2021;
- transactions carried out pursuant to the program authorized by the Annual Shareholders' Meeting 2019 between April 26, 2019 and February 19, 2020:
  - transactions carried out by the Company:
    - number of shares acquired: 3,482,422,
    - number of shares transferred: 84,042.

4. Ownership structure

4.1 Three-year summary of changes in capital[1]

	Dec. 31, 2019				Dec. 31, 2018		Dec. 31, 2017	
	Capital	Number of shares	Voting rights	Number of shares	Capital	Voting rights	Capital	Voting rights
	%		%		%	%	%	%
Sun Life Financial, Inc.	8.5	49,431,382	8.1	49,431,382	8.6	8.2	5.9	5.6
BlackRock, Inc.	6.2	36,175,008	6.0	36,175,008	5.8	5.5	5.5	5.2
Employees	3.7	21,745,793	6.3	38,524,340	4.3	7.2	4.1	7.4
Treasury shares	5.3	31,046,884	–	–	5.1	–	6.6	–
Public	76.2	443,669,488	79.6	484,144,217	76.2	79.1	77.9	81.8
TOTAL	**100.0**	**582,068,555**	**100.0**	**608,274,947[2]**	**100.0**	**100.0**	**100.0**	**100.0**

(1) Table lists ownership stakes that have breached 5% ownership voting rights threshold in the previous three years, to the best of the Company's knowledge.
(2) Number of voting rights as defined in article 223-11 of the AMF General Regulation, which includes shares deprived of voting rights.

Disclosure thresholds
To the best of the Company's knowledge, no shareholders other than Sun Life Financial, Inc. and BlackRock, Inc., both listed above, hold, either directly or indirectly, more than 5% of Schneider Electric's capital or voting rights.

Changes in holdings (for stake equal to or greater than 5%)
To the best of the Company's knowledge, no shareholders have made a change in holding during 2019 that crosses the 5% threshold for either capital or voting rights.

Pledges on Schneider Electric SE shares
405,940 shares are pledged.

Pledges on subsidiaries' shares
Schneider Electric SE has not pledged any shares in significant subsidiaries.

5. Employee incentive plans – Employee shareholding

5.1 Profit-sharing plans

Most of the Group's French companies have profit-sharing and other profit-based incentive plans. The amounts paid by the Group's French entities over the last five years were:

(in millions of euros)	**2019**	2018	2017	2016	2015
Profit-based incentive plans and profit-sharing plans	59,3	66,9	71,7	65,2	66,4

In 2019, 57% of the total from incentives and profit-sharing was invested in the Schneider Electric shareholder fund and 17% was received by employees in cash.

5.2 The "Schneider Electric" employee shareholding

Schneider Electric wants employees to "Act Like Owners" of the Company, taking responsibility and ownership in everything they do.

In line with this strong belief, the Group offers since 1995 to most employees throughout the world the opportunity to become actual owners of the Company, at preferred conditions.

Through the Employee Share Ownership program, Schneider Electric shares Company value creation with employees, thus aligning both Company and employees' interests. In countries where regulations permit, Schneider Electric offers its employees the opportunity to invest during share capital increases reserved for its employees.

The Group's last employee share issue took place in July 2019. This operation, without leverage effect, was offered to over 80% of employees. 51% of the eligible employees subscribed to the share capital increase and 2.7 million shares were thus subscribed for a total amount of EUR161 million.

On December 31, 2019, Group employees were holding a total of 21.7 million Schneider Electric SE shares through the corporate mutual funds (FCPE) or directly, or through performance share plans, representing 3.7% of the share capital and 6.3% of the voting rights, taking into account double voting rights.

Voting rights attached to shares held by corporate mutual funds are exercised by the supervisory boards of the corporate mutual funds.

The Group's employee shareholders are spread across nearly 75 countries, as follows: 24% in France, representing 44% of employee shareholding, 14% in China, 12% in India, 12% in the United States, and 38% elsewhere. Circa half of all employees are shareholders of the Group.

6. Shares and stock option plans

This section is part of the corporate governance report.

Shares and stock option plans

Grant policy

As part of its overall staff pay policy, Schneider Electric sets up a long-term incentive plan every year. This plan is based on an annual allocation of performance shares. No stock options or SARs have been granted since 2009 and the last authorization to do so expired.

These plans are granted by the board of directors, based on the report from the Human Resources and CSR committee.

Beneficiaries include members of Group Senior Management, top managers, high-potential managers and employees in all countries whose performance was judged remarkable. There were 2,382 beneficiaries in the 2018 long-term incentive plan and 2,728 in the 2019 long-term incentive plan.

Allocations to Group Senior Management, including corporate officers, represent 13.9% of the total attributions in the framework of the 2019 long-term incentive plan, similar to the proportion prevalent (12%) in the framework of the 2018 long-term incentive plan.

In addition, Schneider Electric exceptionally grants free shares. These grants are decided by the board of directors when it considers that, instead of allocating cash, a payment in shares is preferable to correlate this benefit with the Group's long-term development through the evolution of the share price and/or to create a retention element.

In 2019, a dedicated retention plan subject to performance conditions was granted to 298 employees and shall be delivered through existing shares at vesting.

Description of performance shares granted

For the French plans 21 and 21*bis*, the vesting and lock-up periods for share acquisition are at least two years each. For the French plan 25, the vesting period for share acquisition is three years, followed by a lock-up period of two years.

For international plans 22 and 22*bis*, 26, the vesting period for share acquisition is four years. There is no lock-up period.

For plans 27, 29 and 29*bis*, 31, 31*bis*, 33, 34 and 35 applicable in France and internationally, the vesting period for share acquisition is three years. There is no lock-up period.

For plans 28, 30 and 32 applicable to corporate officers only, the vesting period is three years, followed by a lock-up period of one year.

Performance shares vest only if the beneficiary is a Group employee as of the vesting date and if certain performance targets, detailed below, are met (see pages 404 and *subs*.).

Since January 2009, for Corporate Officers, and since December 2011 for members of the Executive Committee, allocations of performance shares are fully subject to the achievement of performance conditions.

Description of the options allocated

Since 2006, the options had a 10-year life. They could not be exercised until after the fourth year. However, they could be exercised before maturity in the case of a takeover bid for the Company's shares.

Options could only be exercised by Group employees. In addition, the exercise of all or part of the options was dependent on specific targets being met, detailed below (see page 402). All of the options granted to Corporate Officers have been subject to performance criteria since January 2009.

The last options were granted in 2009 and the rights attached to the remaining ones expired on December 12, 2019.

Description of Stock Appreciation Rights (SARs)
SARs mirror the mechanism of options. They are subject to conditions, particularly performance criteria. The beneficiary receives the proceeds in cash.

Lock-up period applicable to corporate officers
The board of directors has set a retention target of shares representing three years of base salary for Mr. Jean-Pascal Tricoire, and two years of base salary for Mr. Emmanuel Babeau. Calculation of the number of shares held is based on Schneider Electric SE shares and the equivalent in shares of the corporate mutual fund units invested in Schneider Electric shares held by the beneficiaries.

In accordance with the provisions of articles L.225-185 and L.225 197 1 of the French Commercial Code and the AFEP/MEDEF Code, the board of directors has approved the following:

- a proportion of shares issued from the exercise of options granted under plans 30 *et seq.* must be held in a registered account. This number corresponds to a percentage of the capital gains realized through exercise of the options, net of taxes, mandatory contributions and the sums necessary to fund the purchase of such shares. The percentage is set at 25% for Mr. Jean-Pascal Tricoire and 15% for Mr. Emmanuel Babeau;
- mandatory retention beyond the lock-up period of a percentage of the shares acquired under plans 3 *et seq.* The percentage is set at 25% for Jean-Pascal Tricoire and 15% for Emmanuel Babeau;
- mandatory investment in Schneider Electric SE shares of 10% of the selling price (net of taxes and contributions) of performance share grants acquired through plans set up since 2009.

These obligations are suspended once the shareholding targets described above are met.

Corporate officers formally undertake, for each grant of shares since 2014, not to engage in hedging transactions in respect of their own risks on the shares until the end of their duties as executive officers.

The board verified that the corporate officers were complying with the lock-up obligations presented above and was satisfied therewith.

Stock options and shares held by corporate officers and directors

	STOCK OPTIONS		PERFORMANCE SHARES		OTHER SHARES	
	Stock Options*	Shares issued from stock options	Shares granted, in the process of being acquired	Acquired but not yet available for sale	Acquired and available for sale	including through FCPE Funds
Jean-Pascal Tricoire	–	298,257 under plans 20, 24, 28, 30, 31 and 33	218,414 under plans 26, 28, 29; 30, 31, 32, 33	55,463 under plans 19a and b and 20a, b and c (available February 18, 2020 for 39,000 shares), and 25 (March 31, 2021, 16,463 shares)	136,470 under plans 3, 5, 8, 10, 15, 17 and 21	38,471
Emmanuel Babeau	–	–	94,646 under plans 26, 28, 29; 30, 31, 32, 33	14,884 under plans 19a and b and 20a and b (available February 18, 2020 for 7,750 shares), and 25 (March 31, 2021, 7,134 shares)	18,460 under plans 21 and 22	1,109

* There were no stock options granted to corporate officers in such capacity which remained outstanding as at December 31, 2018.

6. Shares and stock option plans

Shares held by directors other than corporate officers

Directors not employed in Schneider Electric operations do not benefit from shares and stock options plans.

	Shares acquired as performance shares	Other shares including through FCPE Funds
Léo Apotheker	N/A	3,093
Cécile Cabanis	N/A	1,000
Fred Kindle	N/A	40,000
Willy Kissling	N/A	1,600
Linda Knoll	N/A	1,000
Xiaoyun Ma*	10,580	789
Patrick Montier*	–	4,124
Fleur Pellerin	N/A	1,000
Anders Runevad	N/A	1,000
Greg Spierkel	N/A	1,000
Lip-Bu Tan	N/A	1,000

* Directors employed in Schneider Electric operations.

6.1 Past stock option plans*

Plan	Plan date	Number of beneficiaries at grant	Number of options at grant	Exercise price (in euros)	Performance criteria	% of targets reached	Options canceled by performance criteria	**Options outstanding as at Dec. 31, 2019(1)**
31	Jan. 5, 2009	328	1,358,000	22.99	50% of options/100% for the management board – 2011 operating margin(2) and 2009 to 2011 EPS compared to a benchmark selection(3)	80	133,760	0
33	Dec. 21, 2009	391	1,652,686	33.48	50% of options/100% for the management board – 2010 and 2011 operating margin(2) and 2011 share of revenue generated in the new economies	100		0
			3,010,686			**–**	**133,760**	**0**

* The data above are adjusted of the 2-for-1 share split, effective September 2, 2011 and the adjustment for dividends paid out of distributable earnings from 2014 to 2018 included.

(1) Number of options remaining to be exercised after deduction of all cancellations and exercises since plan implementation.

(2) Excluding restructuring costs.

(3) On the basis of a pre-defined and fixed list of 11 competitors.

Strategic Report
Corporate Governance Report
Financial Statements
Shareholder Information

6.2 Details on outstanding options (2019)*

Plan	Plan date	Type of plan(1)	Expiration date	Exercise price (in euros)(2)	Plans as at Dec. 31, 2018	Of which Corporate Officers	Number of options exercised during the financial year	Number of options canceled during the financial year	**Options outstanding as at Dec. 31, 2019**
31	Jan. 5, 2009	S	Jan. 4, 2019	22.99	19,566	0	(17,701)	1,865	0
33	Dec. 21, 2009	S	Dec. 20, 2019	33.48	210,356	0	(196,767)	6,962	0
					229,922	**0**	**214,468**	**15,454**	**0**

* The data above are adjusted for the 2-for-1 share split, effective September 2, 2011 and for the adjustment for dividends paid in distributable earnings from 2014 to 2018 included.
(1) S = Subscription stock option plan.
(2) Average of the 20 quotations preceding the grant, with no discount or premium.

6.3 Situation of corporate officers, broken down by plan (at December 31, 2019)

In 2019, there was no right left to exercise options for a beneficiary who was a corporate officer at the time of the grant.

6. Shares and stock option plans

6.4 Past share plans (at December 31, 2019)*

Plan number	Plan 19a and b	Plan 20a, b and c	Plan 21
Grant date	Feb. 18, 2015	Feb. 18, 2015	Mar. 27, 2015
Nb. of shares at grant	14,025	32,725	719,970
of which - JP Tricoire - E Babeau	 11,700 2,325	 27,300 5,425	 18,000 7,800
Vesting/delivery date	Feb. 18, 2017 Feb. 18, 2018	Feb. 18, 2017 Feb. 18, 2018 Feb. 18, 2019	Mar. 27, 2017
End of holding period	Feb. 19, 2020 Feb. 20, 2020	Feb. 18, 2020 Feb. 19, 2020 Feb. 20, 2020	Mar. 27, 2019
Performance conditions	No performance condition	No performance condition	50% of the shares/ 100% for the executive officers and Executive Committee – 2015 and 2016 operating margin(1), average ROCE for the years 2015 and 2016 and change in the Planet & Society barometer at the end of 2016
% achievement performance condition	–	–	71%
Nb rights outstanding as of Dec. 31, 2018	–	9,300	–
Nb rights granted in 2019			
Nb shares delivered in 2019		(9,300)	
Nb rights canceled(1) in 2019			
Nb rights outstanding as of Dec. 31, 2019	–	–	–

* Performance conditions were validated on February 19, 2020 Board meeting post December 31, 2019, see page 271.
(1) Excluding restructuring costs.

Plan 21*bis*	Plan 22	Plan 22*bis*	Plan 22*ter*	Plan 23
Oct. 28, 2015	Mar. 27, 2015	Oct. 28, 2015	Oct. 28, 2015	Mar. 23, 2016
1,500	2,095,610	32,650	24,570	7,983
–	42,000	–	–	–
–	18,200	–	–	–
Oct. 28, 2017	Mar. 27, 2019	Oct. 28, 2019	Oct. 28, 2019	Mar. 23, 2018
Oct. 30, 2019				Mar. 23, 2020
Same as Plan 21	Same as Plan 21	Same as Plan 21	No performance condition	No performance condition
71%	71%	71%	–	–
–	1,408,618	19,797	24,570	–
	(1,377,178)	(17,402)	(24,570)	
	(31,440)	(2,395)		
–	–	–	–	–

6. Shares and stock option plans

6.4 Past share plans (at December 31, 2019)* (continued)

Plan number	Plan 24	Plan 25	Plan 26
Grant date	Mar. 23, 2016	Mar. 23, 2016	Mar. 23, 2016
Nb. of shares at grant	27,042	744,540	2,291,200
of which - JP Tricoire - E Babeau	 – –	 18,000 7,800	 42,000 18,200
Vesting/delivery date	Mar. 23, 2020	Mar. 30, 2019	Mar. 23, 2020
End of holding period	Mar. 23, 2020	Mar. 31, 2021	N/A
Performance conditions	No performance condition	50% of the shares/ 100% for the executive officers and Executive Committee – 2016, 2017, 2018 Adjusted EBITA average achievement rate, 2016, 2017, 2018 Cash conversion rate average, TSR ranking and Planet & Society barometer index at the end of 2018	Same as Plan 25
% achievement performance condition	–	91%	91%
Nb rights outstanding as of Dec. 31, 2018	27,042	714,140	1,962,900
Nb rights granted in 2019			
Nb shares delivered in 2019		(670,841)	(2,011)
Nb rights cancelled(1) in 2019		(43,299)	(200,607)
Nb rights outstanding as of Dec. 31, 2019	**27,042**	–	**1,760,282**

* Performance conditions were validated on February 19, 2020 Board meeting post December 31, 2019, see page 271.
(1) Excluding restructuring costs.

Plan 27	Plan 28	Plan 29	Plan 29*bis*	Plan 30
Oct. 26, 2016	Mar. 24, 2017	Mar. 24, 2017	Oct. 25, 2017	Mar. 26, 2018
35,700	25,800	2,405,220	32,400	25,800
–	18,000	42,000	–	18,000
–	7,800	18,200	–	7,800
Oct. 26, 2019	Mar. 24, 2020	Mar. 24, 2020	Oct. 25, 2020	Mar. 26, 2021
N/A	Mar. 23, 2021	N/A	N/A	Mar. 26, 2022
70% of the shares – 2016, 2017, 2018 Adjusted EBITA average achievement rate, 2016, 2017, 2018 Cash conversion rate average, TSR ranking and Planet & Society barometer index at the end of 2018	100% for the executive officers and Executive Committee – 2017, 2018, 2019 Adjusted EBITA average achievement rate, 2017, 2018, 2019 Cash conversion rate average, TSR ranking at end of 2019, and 2017, 2018, 2019 Planet & Society barometer index average achievement rate	70% of the shares/ 100% for the executive officers and Executive Committee – 2017, 2018, 2019 Adjusted EBITA average achievement rate, 2017, 2018, 2019 Cash conversion rate average, TSR ranking at end of 2019, and 2017, 2018, 2019 Planet & Society barometer index average achievement rate	70% of the shares, 2017, 2018, 2019 Adjusted EBITA average achievement rate, 2017, 2018, 2019 Cash conversion rate average, TSR ranking at end of 2019, and 2017, 2018, 2019 Planet & Society barometer index average achievement rate	100% for the executive officers and Executive Committee – 2018, 2019, 2020 Adjusted EBITA average achievement rate, 2018, 2019, 2020 Cash conversion rate average, TSR ranking at the end of 2020, and 2018, 2019, 2020 Sustainability Impact barometer average achievement rate
91%	*	*	*	
33,700	25,800	2,259,170	31,800	25,800
(31,132)		(1,700)		
(2,568)		(102,600)		
–	**25,800**	**2,154,870**	**31,800**	**25,800**

6. Shares and stock option plans

6.4 Past share plans (at December 31, 2019)* (continued)

Plan number	Plan 31	Plan 31*bis*	Plan 32
Grant date	Mar. 26, 2018	Oct. 24, 2018	Mar. 26, 2019
Nb. of shares at grant	2,318,140	28,000	25,800
of which			
- JP Tricoire	42,000	–	18,000
- E Babeau	18,200	–	7,800
Vesting/delivery date	Mar. 26, 2021	Oct. 25, 2021	Mar. 28, 2022
End of holding period	N/A	N/A	Mar. 28, 2023
Performance conditions	70% of the shares/ 100% for the executive officers and Executive Committee – 2018, 2019, 2020 Adjusted EBITA average achievement rate, 2018, 2019, 2020 Cash conversion rate average, TSR ranking at the end of 2020, and 2018, 2019, 2020 Sustainability Impact barometer average achievement rate	70% of the shares, 2018, 2019, 2020 Adjusted EBITA average achievement rate, 2018, 2019, 2020 Cash conversion rate average, TSR ranking at the end of 2020, and 2018, 2019, 2020 Schneider Sustainability Impact barometer index average achievement rate	100% for the executive officers and Executive Committee – 2019, 2020, 2021 Adjusted EBITA average achievement rate, 2019, 2020, 2021 Cash conversion rate average, TSR ranking at the end of 2021, and 2019, 2020, 2021 Sustainability Impact barometer average achievement rate
% achievement performance condition			
Nb rights outstanding as of Dec. 31, 2018	2,284,940	28,000	
Nb rights granted in 2019			25,800
Nb shares delivered in 2019	(1,720)		
Nb rights canceled[(1)] in 2019	(88,230)		
Nb rights outstanding as of Dec. 31, 2019	**2,194,990**	**28,000**	**25,800**

* Performance conditions were validated on February 19, 2020 Board meeting post December 31, 2019, see page 271.

(1) Excluding restructuring costs.

	Plan 33	Plan 34	Plan 35	Total
	Mar. 26, 2019	Jul. 24, 2019	Oct. 23, 2019	
	2,313,650	87,110	17,450	13,306,885
	42,000	–	–	339,000
	18,200	–	–	137,750
	Mar. 28, 2022	Jul. 25, 2022	Oct. 24, 2022	
	N/A	N/A	N/A	
	70% of the shares/ 100% for the executive officers and Executive Committee – 2019, 2020, 2021 Adjusted EBITA average achievement rate, 2019, 2020, 2021 Cash conversion rate average, TSR ranking at the end of 2021, and 2019, 2020, 2021 Sustainability Impact barometer average achievement rate	70% of the shares, 2020, 2021 Adjusted EPS improvement average achievement rate, TSR ranking at the end of 2021 vs bespoke peer group and CAC 40, and 2019, 2020, 2021 Schneider Sustainability External & Relative Index (SSERI) average achievement rate	70% of the shares, 2020, 2021 Adjusted EPS improvement average achievement rate, TSR ranking at the end of 2021 vs bespoke peer group and CAC 40, and 2019, 2020, 2021 Schneider Sustainability External & Relative Index (SSERI) average achievement rate	
				8,855,577
	2,313,650	87,110	17,450	2,444,010
				(2,135,854)
	(23,070)	(790)		(494,999)
	2,290,580	**86,320**	**17,450**	**8,668,734**

6. Shares and stock option plans

6.5 Options granted and exercised and stock grants made to the top 10 employee grantees during the year

The data below are adjusted for the 2-for-1 share split, effective September 2, 2011.

Stock options or share purchase options granted or exercised by the 10 highest beneficiaries among employees (excluding corporate officers)

	Number	Exercise price/ Average weighted price	Plan
Options exercised in 2019 for which the number of shares bought or subscribed is the highest	85,803	EUR32,13	31-33

On December 31, 2019, there was no more right outstanding.

Shares granted to the 10 most highly paid employees (excluding corporate officers)

	Number	Plan
2019 Performance share grant (annual share grant of March 24, 2019)	211,500	33

7. Stock market data

In France, Schneider Electric is listed on Euronext Paris (sub-fund A), where it is traded on a per-share basis under ISIN code FR0000121972. Schneider Electric SE shares are included on the CAC 40 index established by Euronext.

18-month trading data in Paris

Year	Month	Number of securities traded *(in thousands of shares)*	Value *(in millions of euros)*	High[1]	Low[1]	Number of trading sessions
2018	July	34,385	2,399	72.16	67.08	22
	August	32,875	2,262	71.58	66.54	23
	September	37,194	2,543	70.62	64.02	20
	October	45,264	2,835	69.58	57.66	23
	November	34,897	2,227	66.06	61.92	22
	December	32,730	2,002	67.00	57.54	19
2019	January	33,398	1,995	62.80	57.58	22
	February	31,239	2,065	70.22	61.78	20
	March	31,546	2,189	71.50	67.14	21
	April	28,930	2,148	78.66	70.46	20
	May	28,599	2,072	74.96	69.80	22
	June	26,704	2,034	79.96	70.14	20
	July	27,330	2,136	81.36	75.78	23
	August	28,708	2,116	78.74	70.78	22
	September	26,767	2,113	82.20	74.24	21
	October	31,268	2,526	85.46	74.50	23
	November	23,229	2,022	88.92	83.28	21
	December	25,823	2,334	94.58	85.66	20
	Total 2019	**343,541**	**25,750**	**94.58**	**57.58**	**255**
2020	January	25,795	2,388	95.02	90.10	22

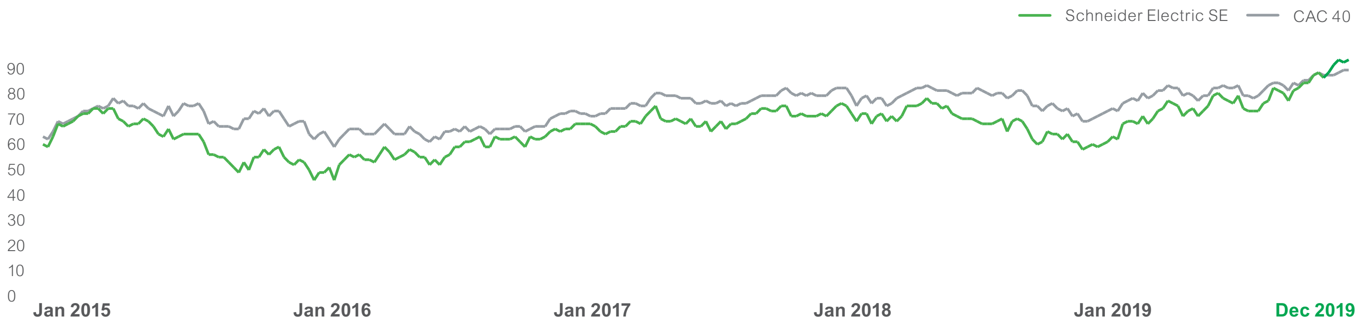
(1) The data corresponds to trading volumes on NYSE Euronext.

Five-year trading summary

	2019	2018	2017	2016	2015
Average daily trading volume on the Paris stock exchanges (NYSE Euronext):					
• Number of shares *(in thousands)*	1,347.22	1,608.40	1,317.91	1,689.00	2,107.54
• in million of euros	100.98	110.98	91.37	94.56	130.16
High and low share prices *(in euros)*					
• high	94.58	78.56	75.94	66.63	75.29
• low	57.58	57.54	63.36	45.32	48.57
Year-end closing price *(in euros)*	91.50	59.72	70.86	66.11	52.56
Yield *(%)*	2.79	3.94	3.10	3.09	3.81

7. Stock market data

The Schneider Electric SE share results versus the CAC 40 index (rebased) over five years



MONEP
Schneider Electric SE shares have been traded on the MONEP market since December 20, 1996.

7.1 Ordinary bonds

The information is disclosed in Note 9 of the Company financial statements (page 378).

8. Investor relations

8.1 Person responsible for financial information

Emmanuel Babeau
Deputy CEO, in charge of Finance and Legal Affairs
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8.2 Contacts

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- toll-free number in France: 0800 20 55 14 / +33 (0)1 41 39 32 44
- email: actionnaires@se.com

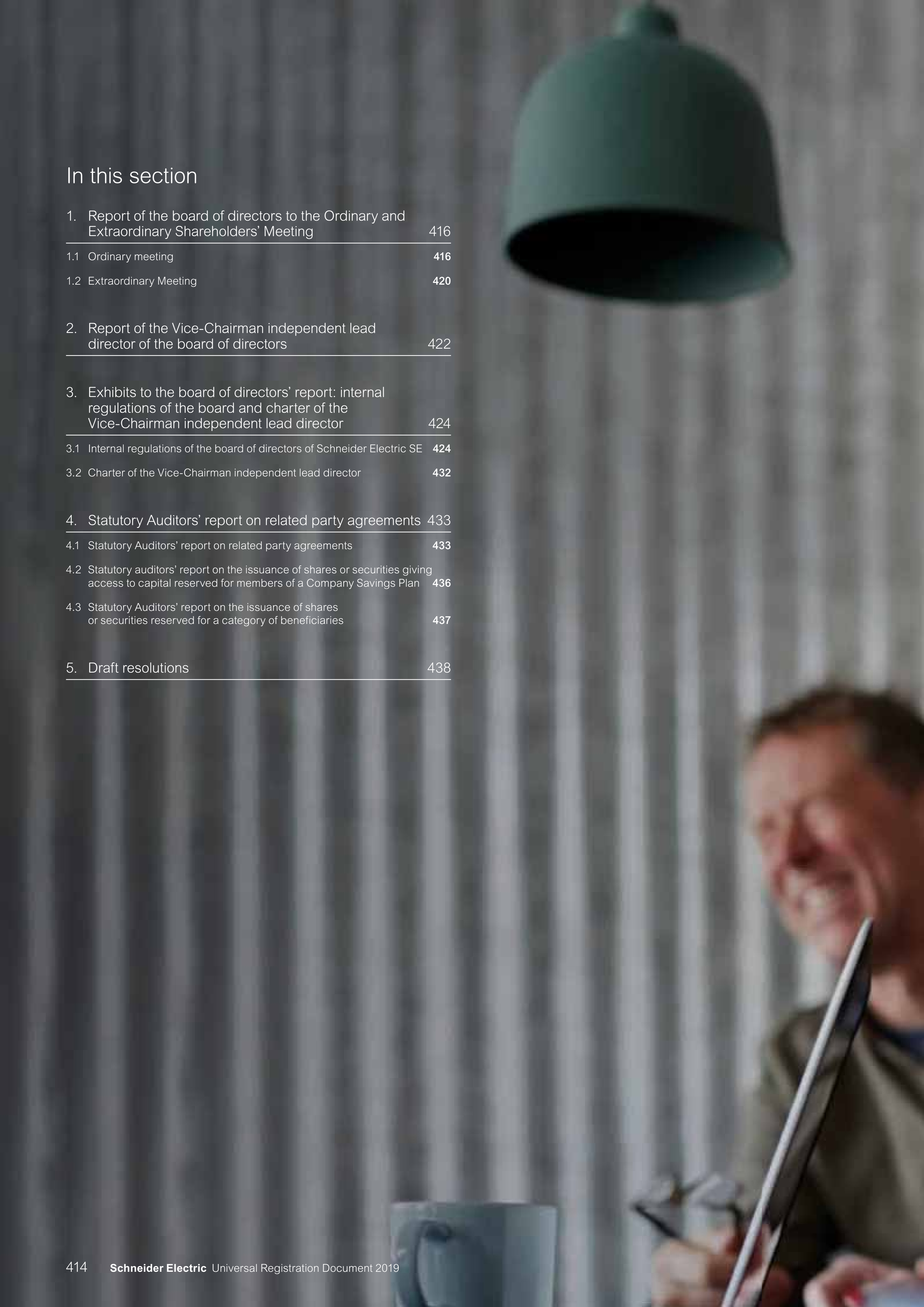
8.3 Shareholders' Advisory Committee

The committee is the voice of Schneider Electric's individual shareholders. The committee consists of eight to ten independent volunteers appointed by Schneider Electric.

The Advisory Committee meets three to four times a year to discuss various topics with a strong emphasis on the Company's strategy towards individual shareholders (enhancing communication material and defining dedicated events). The committee also plays a role in the Annual Shareholders' Meeting as one of its members opens the Q&A session with the Chairman and CEO.

Shareholder documents
The Company provides the following documents to its shareholders:

- the annual report;
- the integrated report;
- newsletters to shareholders;
- information on financial results, corporate governance and strategic updates through specific press releases, videos and presentations available in a dedicated section on the corporate website: www.se.com/finance



In this section

8 Annual Shareholders' Meeting

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

1.1 Ordinary meeting

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

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

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

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

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

Amounting to EUR3,303,148,628.74.

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

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

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

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

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

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

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

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

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

Regulated agreements entered into under the article L.225-38 of the French Commercial Code – Fourth and fifth resolutions
We request that you approve and take note of regulated agreements described in the Statutory Auditors' special report prepared in accordance with Article L.225-40 of the French Commercial Code.

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

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

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

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

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

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

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

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

Approval of the compensation report in relation to the last financial year – Sixth resolution
In pursuance of Article L. 225-100 II of the French Commercial Code, you are requested to approve the information listed in Article L. 225-37-3 I of the French Commercial Code as enacted by the Bill of 27 November 2019 relating to corporate officers' compensation in listed companies and that are presented to you in the corporate governance report referred to in Article L. 225-37 of the French Commercial Code. You will find all this information set out in detail in section 4.7 of the Universal Registration Document dedicated to the Senior Management compensation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Approval of the board members' compensation policy – Eleventh resolution

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

Composition of the board of directors – Twelfth to sixteenth resolutions

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

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

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

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

Ms. Jill Lee will qualify as an independent director with regard to all the criteria set by Article 9.5 of the AFEP/MEDEF corporate governance Code and will join the Audit and risks committee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.2 Extraordinary Meeting

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

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

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

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

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

Capital increases reserved for employees with cancellation of preferential subscription rights of shareholders – Twentieth and twenty-first resolutions
Schneider Electric is convinced of the importance of developing the Company's employee shareholder base and issues new shares to employees each year. As of December 31, 2019, employees held 3.7% of the capital.

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

As part of these authorizations, at its meetings of December 11, 2019, the board of directors decided to renew the annual employee shareholder plan in 2020, within a limit of 3.7 million shares (approximately 0.64% of the capital). This plan, which will not include a leveraged offer, will be offered in 40 countries representing more than 80% of the Group's employees. The shares will be offered with a discount on the share price of 15% to all subscribers and a maximum employer contribution of EUR1,400.

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

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

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

Under the **twentieth resolution**, you are requested to grant the board of directors the authority to carry out capital increases reserved for employees participating in the Company Savings Plan within the limit of 2% of the Company's capital, with the provision that the maximum discount at which the shares could be offered is set at 30%.

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

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

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

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

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

2. Report of the Vice-Chairman independent lead director of the board of directors

Mr. Leo Apotheker hereby reports on the work he carried out in 2019 as part of his administrative functions as Vice-Chairman independent lead director.

At the Annual Shareholders' Meeting of April 25, 2016 where Mr. Leo Apotheker was re-elected as director, the board of directors appointed him as Vice-Chairman independent lead director for the term of his office, ie. till the Annual Shareholders' Meeting of 23 April 2020. At the end of this meeting, Mr. Leo Apotheker will lose his independence status as per the AFEP-MEDEF Corporate Governance Code and will be replaced at the position of Vice-Chairman independent lead director by Mr. Fred Kindle, subject to the latter's renewal of term (14th resolution).

1. Powers of the Vice-Chairman independent lead director

The Vice-Chairman independent lead director is appointed by the board of directors in pursuance of article 12 of the Articles of Association, which provide for the appointment of a Vice-Chairman with the function of a Senior Independent Director if the roles of Chairman and CEO are combined.

In compliance with article 12 of the Articles of Association, the duties of the Vice- Chairman lead director are defined by the internal regulations of the board of directors. Those internal regulations and the charter for the Vice-Chairman independent lead director can be found on pages 424 to 432 of this Universal Registration Document. They are also published on the Company's website, www.se.com.

2. Activities of the Vice-Chairman independent lead director

Information of the Vice-Chairman independent lead director

To be able to carry out his duties, the Vice-Chairman lead director must have excellent knowledge of the Group and be particularly well informed about its business performance.

As such, the Vice-Chairman is apprised of current events and the performance of the Group through weekly exchanges with the Chairman and CEO. He meets regularly all members of the Group Executive committee and pursues regular interactions with managers and other employees of the Group in various sites of Schneider Electric.

He is continuously kept informed of the evolution of the competitive environment, technological breakthroughs and business opportunities. Besides being the Chairman of the Governance and Remunerations Committee and a member of the Digital Committee, Mr. Leo Apotheker also takes part in the works of the Investment Committee, of which he is a standing invitee and which he will be called upon to chair after the Annual Shareholders' Meeting of 23 April 2020.

Participation in the preparation of the meetings of the board

The Vice-Chairman lead director participated in the preparation for meetings of the board of directors. As a result, he has participated in all the "pre-Board" meetings. As a matter of fact, each meeting of the board of directors is preceded by two pre-Board meetings, in which the Chairman, the Vice-Chairman lead director, the Deputy Chief Executive Officer and the Secretary of the board of directors review the topics and issues addressed by the committees, and establish the agenda prepared by the Chairman and the content of the meeting file.

Executive sessions

The Vice-Chairman lead director chairs the executive sessions (i.e. the meetings where Board members meet without the presence of the two executive Corporate Officers), convened at the end of each Board meeting. The employee directors are invited to attend all executive sessions following meetings of the Board at which they are present.

The board of directors held three executive sessions in 2019 during which its members expressed their views and observations on, among others, the Group's strategic options and the potential impact of the new legal requirements on governance. They also discussed the possible options regarding the executive corporate officers' succession planning depending upon the mode of exercise of general management. The Vice-Chairman lead director reported the conclusions thereof to the Chairman.

Interaction with shareholders

The Vice-Chairman lead director is the designated contact for the shareholders on matters pertaining to corporate governance. He carried out two shareholder engagement campaigns in 2019: one before the shareholders' meeting to present to those who so wished, the resolutions submitted to the shareholders' approval on 25 April 2019; the other one, in the fall semester, to freely exchange views on topical themes of corporate governance that do not materialize in resolutions submitted to the shareholders' approval and thus, are excluded from the usual dialog. On this occasion, the Vice-Chairman independent lead director, with the support of a Group expert on sustainable development, explained to the investors' representatives the growing importance of social and environmental topics at the board of directors and their reflection in the corporate officers' compensation.

Overall, these two campaigns comprised 28 face-to-face or phone meetings with analysts from a wide range of corporate governance cultures and covered around 40% of the share capital. The conclusions of these discussions have been reported in detail to the Governance and remunerations Committee and contributed to its on-going thought process on governance matters. Report thereon was subsequently made to the board.

Other duties

The Vice-Chairman independent lead director conducted the annual deliberation of the board on its composition, organization and operations as well as those of its committees, with the assistance of the secretary of the board of directors. In 2019, this self-assessment was carried out through an anonymous on-line survey and included a 360° individual assessment of each member in his/her individual capacity, with individual feedback done by the Vice-Chairman independent lead director. The conclusions of this assessment, which highlighted the quest for continuous improvement, are presented on page 242 of this Universal Registration Document. In 2020, a formal self-assessment will be performed with the assistance of an independent and external expert.

The Vice-Chairman lead independent director has also had frequent contacts with each of the directors.

He ensured that there was no conflict of interest within the board of directors, which he would have been responsible for bringing to the attention of the Chairman.

Thanks

The Vice-Chairman lead independent director sincerely thanks all the shareholders who accompanied him during these six years of vice-chairmanship, which he will remember as particularly dense and characterized by the fast-growing awareness that a robust governance like that of Schneider Electric is there to serve the company's performance.

3. Exhibits to the board of directors' report: internal regulations of the board and charter of the Vice-Chairman independent lead director

3.1 Internal regulations of the board of directors of Schneider Electric SE

Schneider Electric refers to the AFEP/MEDEF corporate governance code.

The present internal regulations have been drawn up in application of Article 13.7 of the company's articles of association.

These regulations were adopted by the board of directors on April 25, 2013 and last amended on December 11, 2019.

Article 1 – Method of exercising general management – chairmanship and vice-chairmanship of the board of directors

A. Method of exercising general management

1. General management of the company is under the responsibility of either the chairperson of the board of directors, who will then go by the title of Chairman and Chief Executive Officer, or of another natural person appointed by the board of directors going by the title of Chief Executive Officer.

2. The board of directors decides between these two methods of exercising general management at the time when the chairman of the board of directors or the chief executive officer is appointed or when renewing their terms of office. If the board of directors has decided to combine the functions of chairman and chief executive officer, it will deliberate on this choice every year.

3. In order to maintain continuity in the company's operation if the chairman serving as CEO leaves his role or is prevented from doing so, the deputy CEO(s) shall take the interim responsibility for general management functions in the company, unless otherwise decided by the board, until such time as a new CEO is appointed. The vice-chairman shall temporarily take the Chair of the board of directors.

B. Chairperson of the board of directors

1. The board of directors shall elect a chairperson amongst its members ("chairman"). The chairman shall be appointed for a period that can be no longer than his/her term of office as a director. The chairman is eligible for re-election. He/she may be removed from office by the board of directors at any time.

2. The chairman of the board of directors organizes and manages the board's activities, and reports thereon at the annual general shareholders meeting.

3. The chairman of the board of directors sets the agenda and the schedule for board meetings with assistance from the vice-chairman lead director.

4. The chairman of the board of directors ensures that the different corporate bodies operate correctly and especially that the directors are in a position to fulfill their mission. The chairman may request any document or item of information useful to enlighten the board of directors when preparing its meetings.

C. Vice-chairman of the board of directors – lead independent director

1. The board of directors may appoint a vice-chairman. The vice- chairman shall be appointed for a period that may not be any longer than his term of office as a director. The vice-chairman is eligible for re-election. The vice-chairman may be removed from office by the board of directors at any time.

2. The vice-chairman shall preside over board meetings in the absence of the chairman.

   The vice-chairman shall be called upon to replace the chairman of the board of directors in the event of any temporary inability of the latter to fulfill his/her functions or in the event of death. In the event of the chairman's inability to fulfill his/her functions, he/she will be replaced by the vice-chairman as long as his/her inability may last and, in the case of death, until the election of a new chairman.

3. In exception to 1 above, and in compliance with Article 12.2 of the articles of association, the appointment of a vice-chairman is compulsory if the roles of chairman and CEO are combined. In this case, the vice-chairman also takes on the role of lead independent director. In this respect:

   - The vice-chairman is kept informed of major events in Group life through regular contacts and monthly meetings with the chairman serving as CEO;
   - The vice-chairman is consulted by the chairman serving as CEO on the agenda and the sequence of events for every board meeting as well as on the schedule for board meetings;
   - At the end of every board meeting, the vice-chairman convenes executive sessions with non-executive members of the board of directors, over which he will preside. It is the vice-chairman's responsibility to appreciate for each topic discussed whether the employee directors should leave the meeting till the topic is closed. In addition, the vice-chairman may convene an executive session between two board meetings. Any director may ask the vice-chairman to convene additional executive sessions;

- The vice-chairman shall promptly report to the chairman serving as CEO on the conclusions of executive sessions;
- The vice-chairman shall draw the attention of the chairman and of the board of directors to any possible conflicts of interest that he may have identified or which may be reported to him;
- The vice-chairman is the chairperson of the Governance and remuneration committee;
- Like any other member of the board, the vice-chairman may attend any meetings of committees of which he is not a member;
- In order to complement his knowledge, the vice-chairman may meet the Group's leading managers and visit company sites;
- The vice-chairman carries out annual assessments of the board of directors and, in this context, assesses the actual contribution of every member of the board to the board's activities;
- The vice-chairman shall report on his actions at annual general shareholders meetings;
- The vice-chairman shall meet any shareholder who wishes so and inform the board of their concerns on governance matters.

4. The vice-chairman lead director must be an independent member of the board, as defined in accordance with the criteria published by the company.

Article 2 – Roles and powers of the board of directors

1. The board of directors shall determine company business policies in accordance with its social interest and while considering its social and environmental aspects, and ensure that they are implemented. Subject to the powers expressly conferred to annual general shareholders meetings and within the limit of the corporate purpose, it shall deal with any issue affecting the company's efficient operation and take business decisions within its remit.

The board regularly reviews, in relation to the strategy it has defined, the opportunities and risks, such as financial, legal, operational, social and environmental risks, as well as the measures taken accordingly. To this end, the board of directors receives all of the information needed to carry out its task, notably from the executive corporate officers (Chief Executive Officer, deputy Chief Executive Officers).

The board ascertains the implementation of a process aimed at preventing and detecting corruption and influence peddling. It receives all of the information required for this purpose.

The board also checks that the executive corporate officers implement a policy of non-discrimination and diversity, notably with regard to the balanced representation of men and women on the governing bodies.

2. In accordance with legal or statutory provisions, it is the board of directors' responsibility to:

- Determine the method of exercising general management of the company;
- Appoint executive corporate officers and also remove them from office as well as to set their remuneration and the benefits granted to them;
- Co-opt directors whenever necessary;
- Convene annual general shareholders meetings;
- Approve corporate and consolidated accounts;
- Draw up management reports and reports for annual general shareholders meetings;
- Draw up management planning documents and the corresponding reports;
- Draw up the corporate governance report as provided for in Article L.225-37 of the French Commercial Code;
- Decide on the use of the delegations of authority granted at annual general shareholders meetings, more particularly for increasing company capital, redeeming the company's own shares, carrying out employee shareholding operations and cancelling shares;
- Authorize the issue of bonds;
- Decide on the handing out of options or restricted/performance shares within the limits of authorizations given at annual general shareholders meetings;
- Authorize statutory conventions (conventions covered by Article L.225-38 and following of the Commercial Code);
- Implement a process to regularly assess that the rules used to qualify a related party transaction as regulated agreement or not, are relevant and effective;
- Authorize the issue of sureties, endorsements and guarantees;
- Decide on the constitution of study committees and designate their members;
- Decide on the dates for the payment of dividends and any possible down-payments on dividends;
- Distribute directors' remuneration allocated at the annual general shareholders meeting amongst members of the board of directors.

In compliance with the provisions set forth in the Commercial Code, the board of directors delegates all powers to the chairman serving as CEO (or the CEO if appropriate):

- For issuing, with the possibility of sub-delegating, sureties, endorsements or guarantees within a maximum annual sum of 500 million euros, limited per surety, endorsement or guarantee to:

  (i) EUR150 million for commitment guarantees made by Group subsidiaries for Group financial optimization operations,
  (ii) EUR250 million for commitment guarantees made by Group subsidiaries, for taking over the company's commitments whenever acquisition operations are made on companies or business activities,
  (iii) EUR100 million for other guarantees.

  The above limits are not applicable to any sureties, endorsements and guarantees that may be issued with regard to tax or customs authorities.

3. Exhibits to the board of directors' report: internal regulations of the board and charter of the Vice-Chairman independent lead director

- For formally recording any increases in capital following conversions of convertible bonds, exercising warrants and stock options, as well as subscribing to capital securities or shares giving access to company capital in the context of increases in capital reserved for employees and carrying out all prior and subsequent formalities related to any such changes in capital and to any modifications to the articles of association.

3. To enable the board to exercise its duties as defined in 1 and beyond its specific powers summarized in 2, the board of directors:

- Shall be informed by its chairman or by its committees of any significant event concerning the company's efficient operation as well as the successful conclusions of any significant projects;
- Shall give prior authorization for:
- All disposals or acquisitions of holdings or assets by the company or by a Group company for a sum of more than 250 million euros,
- Concluding any strategic partnership agreement;
- Shall review every year its composition, its organization and its mode of operation;
- Shall be consulted prior to acceptance by the chief executive officer or deputy chief executive officers of any corporate appointment in a listed company outside the Group;
- Shall be informed about market developments, competitive environment and the most important challenges the company has to face, including in the area of social and environmental responsibility.

4. The activities of the board of directors and its committees shall be described in the corporate governance report.

Article 3 – Membership of the board of directors
In the proposals it makes and the decisions it takes, the board of directors shall ensure:

- That it reflects the international nature of the Group's activities and of its shareholders by having a significant number of members of non-French nationality;
- That it protects the independence of the board through the competence, availability and courage of its members;
- That it pursues its objective of diversifying the board of directors in compliance with the legal principle of attaining balanced representation between men and women on the board;
- That it appoints persons with the expertise required for developing and implementing the Group strategy while considering the objectives of diversity based on criteria such as age, professional skills and experiences;
- That employee shareholders and employees shall continue to be represented on the board in compliance with the provisions set forth in Articles 11.3 and 11.4 of the articles of association;
- That it preserves the continuity of the board by changing some of its members at regular intervals, if necessary by anticipating the expiry of members' terms of office.

Article 4 – Meetings of the board of directors

1. The board of directors shall meet whenever the interests of the company so require and at the least six times a year, including one meeting for examining strategy in detail.

Notices to attend shall be issued by all means, including verbally. They shall be sent via the secretary of the board.

2. Board meetings shall be convened by the chairman or, if such person is unable to do so, by the vice-chairman.

Moreover, if no board meeting takes place for over two months, the chairman must convene a meeting of the board at a date no later than fifteen days after at least one-third of the members of the board have made a justified request for this purpose. If the request goes unheeded, the person or persons requesting the meeting may convene a meeting himself or themselves, stating the agenda of the proposed meeting.

Similarly, the chief executive officer, if he is not chairman of the board of directors may also address a request to the chairman to convene a meeting on any given agenda.

The person responsible for convening the meeting shall set its agenda. The agenda may be modified or completed at the time of the meeting.

Board meetings shall be held at the company's registered offices or at any other place specified in the notice of the meeting, whether in France or abroad.

3. Any member of the board may appoint another member to represent him at a board meeting by means of a proxy form.

During the same meeting, each member of the board may only use one proxy form that he has received further to the foregoing paragraph.

Members of the board may attend board meetings by videoconference or telecommunication links, which allow them to be identified and which guarantee their effective participation. In such a case, they are counted among the members present to the meeting. However, in accordance with applicable laws, for the purposes of checking and controlling annual accounts, consolidated accounts and the management report, the members of the board of directors who attend the meeting by videoconference or telecommunication links shall not be taken into account for the purposes of determining the quorum or the majority.

Deliberations of the board of directors shall only be valid if at least half of the directors are present. However, in application of Article 15 of the articles of association, the board of directors may only deliberate validly on the methods for exercising general management if two-thirds of the directors are present or represented.
Decisions shall be taken on a majority vote by the directors present or represented. In the event of equality of votes, the chairman of the meeting shall have the casting vote.

4. Besides the secretary of the board, the deputy CEO in charge of finance shall attend board meetings.

The board of directors shall hear operational managers concerned by major issues submitted to examination by the board.

The board of directors may authorize persons who are not members of the board to attend board meetings including by videoconference or by telecommunication links.

5. An attendance register shall be kept at the registered office.

The proceedings of the board of directors shall be recorded in minutes.

The secretary of the board shall be authorized to certify copies or excerpts from the minutes of the board's proceedings.

Article 5 – Information for the board of directors

Members of the board of directors shall be provided with all the information necessary to enable them to carry out their duties and this within time limits that enable them to familiarize themselves with this information in a meaningful way. They may procure any documents they require for this purpose prior to meetings.

Any request for information made by members of the board on specific subjects shall be addressed to the chairman serving as CEO (and, if appropriate, to the CEO), who will reply thereto as promptly as possible.

In order to provide members of the board of directors with complete information, visits to sites and customers shall be organized for them. Members of the board of directors shall have the right to meet the main company executives. They shall inform the chairman serving as CEO (and, if appropriate, the CEO) thereof.

The chairman serving as CEO shall meet each member of the board individually once a year.

Article 6 – The status of members of the board of directors

1. Members of the board of directors shall represent all the shareholders and shall act in the interests of the company in all circumstances.

2. Members of the board of directors shall attend board meetings and meetings of the committees of which they are members.

Any member, who has not attended at least half of the meetings held during the year, unless there are exceptional reasons, shall be deemed to wish to terminate his term of office and shall be invited to resign from the board of directors or the committee concerned, as appropriate.

3. Members of the board of directors shall be bound by a general confidentiality obligation with respect to the deliberations of the board and the committees and with respect to information which is not in the public domain, which they receive further to performing their duties.

4. Directors may not exercise more than 4 other terms of office in listed companies outside the Group.

5. Members of the board of directors shall have a duty to inform the board of directors of any office they may hold or no longer hold in other companies.

6. Members of the board of directors have a permanent duty to ensure that their personal situation shall not give rise to a conflict of interest with the company. In this respect, they shall disclose:

- the existence of any conflict of interest, even a potential one, upon assuming their duties and then each year in response to a request made by the company at the time of preparation of its Universal Registration Document;
- upon occurrence of any event which would render the statement above mentioned totally or partially inaccurate.

Any member of the board of directors having a conflict of interest, even a potential one, has a duty to notify it to the vice-chairman lead director who shall in turn inform the board of directors. The board of directors shall rule upon the conflict of interest and may request to the member(s) of the board of directors concerned to correct his/her situation. The member of the board of directors having a conflict of interest, even a potential one, shall not take part to the discussions nor to the vote of the corresponding decision and shall leave the meeting of the board of directors when the decision is debated.

7. During their term of office, members of the board of directors, to the exclusion of the directors representing employees, shall possess at least 1,000 shares in Schneider Electric SE. For applying this obligation, except for the 250 shares which must be held to comply with Article 11.1 of the articles of association, shares held via a company mutual fund essentially invested in the company shares can be taken into account. The Schneider Electric shares that they hold shall either be in purely registered (*nominatif pur*) or in managed registered (*administré*) form.

3. Exhibits to the board of directors' report: internal regulations of the board and charter of the Vice-Chairman independent lead director

8. Members of the board of directors shall inform the French financial market authority within three business days from the completion of the operation, by e-mail at the following address: https://onde.amf-france.org/RemiseInformationEmetteur/Client/PTRemiseInformationEmetteur.aspx, as well as the secretary of the board, of any acquisition, sale, subscription or exchange concerning shares issued by Schneider Electric SE or any operation on financial instruments linked thereto, conducted on their own account or on their behalf.

8A. Members of the board of directors shall provide the secretary of the board with the list of the persons closely associated with them as defined by the European Regulation n°596/2014 ("Market Abuse Regulation"), whom they shall notify of their individual duties to inform the French financial market authority and Schneider Electric SE (to the attention of the secretary of the board), similar to those applicable to themselves pursuant to paragraph 8 above.

9. Members of the board of directors undertake to abide by the compliance code governing stock-market ethics, of which they have received a copy, with respect to their personal financial transactions. In consequence, members of the board of directors may not acquire or dispose of options or any other derivative relating to Schneider Electric SE shares, except authorized hedging of stock-options plans in order to hedge stock option plans (eg: hedging of shares subscribed upon exercise of options).

Members of the board of directors shall refrain from carrying out any transaction involving company's listed shares during the 31 days before the day following publication of annual or half-yearly accounts, and during the 16-day period before the day following publication of quarterly information. The same principle applies when they hold insider information, i.e. precise information concerning the company, which has not been made public and which, if it were made public, could have a marked impact on share price or on any financial instrument related to them.

10. Members of the board of directors shall attend annual general shareholders meetings.

11. Members of the board of directors shall be remunerated by the payment of an annual fixed amount allocated at annual general shareholders meetings. The said amount will be distributed by the board of directors to its members.
The board of directors may grant exceptional remuneration for assignments or offices conferred upon directors.

12. Travelling expenses, notably including hotel and restaurant expenses, incurred by the members of the board of directors in relation to the performance of their duties, shall be borne by the company on presentation of supporting documents.

13. Members of the board of directors shall complete the on-boarding programme offered to them at the beginning of their first term.

Article 7 – Non-voting directors
The non-voting directors shall attend board meetings in a consultative capacity.

They shall receive the same information as the other members of the board. They may be appointed as members of committees, except for the Audit committee.

They shall act in the interest of the company under all circumstances.

They shall be bound by the same general confidentiality obligation as the members of the board of directors and shall be subject to the same limitations regarding transactions involving the company's shares. Their remuneration shall be determined by the board of directors.

Article 8 – The committees of the board of directors

1. The committees created by the board of directors shall be as follows:

- Governance and remuneration committee,
- Audit and risks committee,
- Human Resources and Corporate Social Responsibility committee,
- Investment committee,
- Digital committee.

2. The role of these committees shall be to research and prepare certain matters to be considered by the board of directors. They shall make proposals, give recommendations and issue opinions, as appropriate, in their area of competence.

Created by virtue of Article 13 of the articles of association, they shall only have a consultative role and shall act under the authority of the board of directors.

3. The chairpersons and members of the committees shall be appointed by the board of directors. However, the vice-chairman lead director shall preside over the Governance and remuneration committee. They shall be appointed in a personal capacity and may not be represented.

The terms of office of committee members shall coincide with their terms of office as members of the board of directors. The terms of office of committee members may be renewed.

As a matter of good governance and to the exclusion of the Governance and remuneration committee chaired by the vice-chairman lead director, committee chairs should be rotated and not exceed four-years for a given committee. The board of directors shall deliberate annually on the chairmanship of the concerned committee whenever such four-year limit is reached or exceeded.

4. Committees shall meet on the initiative of their chairperson or on request from the chairman of the board of directors or the CEO.

5. The chairman serving as CEO or the CEO shall be kept informed of committee meetings. He/she shall be in regular contact with committee chairmen.

6. Committee meetings shall be held at the company's registered offices or any other place decided upon by the chairperson of the committee with an agenda prepared by the latter. If necessary they may be held by audio or video conference.
Members of the board of directors may attend meetings of committees of which they are not a member. Only the members of the committee shall take part in the committee's discussions.

   A secretary will prepare the minutes of the meetings, which shall be recorded in an *ad hoc* register specific to each committee by the secretary of the board.

   A report on each committee's activities shall be given by the committee's chairperson or one of its members at the next board meeting. Minutes of committee meetings shall be provided for the members of the board of directors.

   After referring the matter to the chairman of the board, every committee may request studies from external consultants. Every committee may invite any person of its choice to its meetings, as and when required.

7. Other than the permanent specialist committees that it has created, the board of directors may also decide to set up any ad hoc committees for specific operations or assignments.

Article 9 – The Audit and Risks committee

1. Membership and operation of the Audit committee

The committee shall be comprised of at least three members, two-thirds of whom must be independent members of the board of directors. At least one of the members must possess special skills concerning matters of finance and accountancy and be independent with regard to specified, published criteria.

The deputy CEO in charge of finance shall act as the Audit committee's contact.

The head of internal audit shall act as secretary to the Audit committee.

The committee shall meet at least five times a year. The chairperson of the committee shall draw up agendas for meetings.

The meetings shall be attended by members of the finance department and of the company's internal audit department and, with respect to meetings devoted to examining accounts, by the statutory auditors. The committee may invite any person it wishes to hear to its meetings. It may also require the CEO to provide any documents it deems to be useful.

Outside the presence of company representatives, the committee shall regularly hear the statutory auditors and the head of the internal audit.

2. The duties of the Audit committee

The Audit Committee monitors questions on drawing up and controlling accounting, financial and extra-financial information. It prepares the board of directors' decisions in these domains. It issues recommendations to the board for the purpose of ensuring the integrity of the financial and extra-financial information and gives advices. For this purpose:

- It shall prepare for annual and half-yearly accounts to be approved by the board and therefore, more particularly:
  - Checks the appropriateness and consistency of the accounting methods used for drawing up consolidated and corporate accounts, as well as checking that significant operations on Group level have been dealt with appropriately and that rules relating to the consolidation perimeter have been complied with;
  - Examines off-balance-sheet risks, including those of a social and environmental nature, and commitments as well as the cash situation;
  - Examines the process for drawing up financial and extra-financial information.

- It examines the draft annual report, which bears the status of Universal Registration Document and contains the information on internal control, the draft half-yearly report and, where applicable, any remarks made by the French Financial Market Authority (AMF) concerning these reports, as well as the other key financial information documents.
- It handles follow-up on legal control of annual and consolidated accounts made by statutory auditors, notably by examining the external audit plan and results of controls made by statutory auditors.
- After a consultation process, it shall suggest reappointing the existing statutory auditors or appointing new statutory auditors.
- It shall check the independence of statutory auditors, especially at the time of examining fees paid by the Group to their firm or their network, and by giving prior approval to any missions that are not strictly included in the scope of the statutory audit.
- It monitors the efficiency of internal control and risk management systems. For this purpose:
  - It shall examine the organization and resources used for internal audit, as well as its annual work program. It shall receive summaries of reports produced on audits on a quarterly basis. However, the chairperson of the committee shall receive these reports in full;
  - The committee shall examine operational risk-mapping and make sure that measures exist for preventing or minimizing risks;
  - It shall examine how to optimize risk coverage on the basis of reports requested from internal audit;
  - It shall examine Group internal control measures and look into the results of entities' self-assessments with respect to internal control. It shall ensure that a relevant process exists for identifying and processing incidents and anomalies;
  - It shall ascertain the existence of Group compliance policies notably concerning competition, anti-bribery, ethics and data protection and the measures implemented to ensure that these policies are circulated and applied.

3. Exhibits to the board of directors' report: internal regulations of the board and charter of the Vice-Chairman independent lead director

The Audit committee shall examine proposals for distribution as well as the amount of financial authorizations submitted for approval at annual general shareholders meetings.

The Audit committee reports to the board on the implementation of Schneider Electric SE's Charter on the related party transactions and on the relevance of the criteria to qualify related party transactions as regulated agreements or not.

The Audit committee shall examine all financial and accounting questions and questions related to risk-management submitted to it by the board of directors.

The Audit committee reports to the board on the findings of its works and how they contributed to the integrity of the financial and extra-financial information. It informs the board of the follow-up actions that it proposes to take. The chairperson of the Audit Committee shall keep the chairman and the vice-chairman lead director promptly informed of any difficulties encountered by the committee.

Article 10 – Governance and remuneration committee

1. Membership and operation of the Governance and remuneration committee

The committee shall be comprised of at least three members.

The Governance and remuneration committee shall be presided by the vice-chairman lead director. Failing this, the board shall appoint the chairperson of the committee.

The secretary of the board shall be the secretary of the Governance and remuneration committee.

The committee shall meet at the initiative of its chairperson. The agenda shall be drawn up by the chairperson of the committee after consultation with the chairman of the board of directors. The committee shall meet at least three times a year.

In order to carry out its assignments, the committee may hear any person it wishes.

2. The Governance and remuneration committee's duties:

The committee will formulate proposals to the board of directors in view of any appointment made:

(i) To the board of directors:
- Directors or non-voting directors,
- Chairman of the board of directors, vice-chairman and vice-chairman- lead director,
- Chairpersons and members of committees;

(ii) For general management of the company. The committee will also give its opinion to the board on nominations for any deputy CEO's.

The committee shall formulate proposals to the board of directors on the compensation policy of the executive corporate officers (chairman of the board of directors and/or CEO, deputy CEO), ensuring in particular its alignment with the corporate interest. The committee shall prepare annual assessments of the persons concerned and make recommendations to the board of directors concerning the determination of the components of the compensation due to executive corporate officers in accordance with the compensation policy. To this end, it uses the works of the Human Resources and CSR committee.

The committee shall prepare the draft corporate governance report of the board of directors.

When the committee reports to the board on these matters, the board of directors debates and deliberates without the presence of the executive corporate officers.

The committee shall propose measures to the board of directors that will reassure both shareholders and the market that the board of directors carries out its duties with all necessary independence and objectivity. For this purpose, it will organize for yearly assessments to be made of the board of directors. It shall make proposals to the board of directors on:

- Determining and reviewing directors' independence criteria and directors' qualifications with regard to these criteria;
- Missions carried out by the committees of the board of directors;
- The evolution, organization and operation of the board of directors and its committees;
- The company's use of national and international corporate governance practices;
- The total amount of board members' remuneration proposed at annual general shareholders meetings together with its allocation amongst them.

Article 11 – Human Resources and Corporate Social Responsibility committee

1. Membership and operation of the Human Resources and Corporate Social Responsibility Committee

The committee shall be comprised of at least three members.

The director of Human Resources for the Group shall be the secretary to the Human Resources and Corporate Social Responsibility committee.

The committee shall meet at the initiative of its chairperson. The agenda shall be drawn up by the chairperson of the committee after consultation with the chairman serving as CEO. The committee shall meet at least three times a year.

In order to carry out its assignments, the committee may hear any person it wishes.

2. The committee's duties:

The committee shall formulate proposals to the board of directors on setting up share subscription/purchase options plans and free/performance shares plans.

The committee shall formulate projects on proposals made by general management on:

- Compensation of the members of the executive committee.
- Principles and criteria for determining the compensation of Group executives.

The committee shall be informed of any nomination of members of the executive committee and of the main Group executives.

It shall examine succession plans for key Group executives.

The committee shall prepare the board of directors' deliberations on (i) expansion of employee shareholding, (ii) review by the board on social and financial impacts of major re-organization projects and major human resource policies, (iii) monitoring risks management in relation to human resources and (iv) examining the different aspects of the "CSR" Group policy.

Article 12 – Investment Committee

1. Membership and operation of the Investment committee

The committee shall be comprised of at least three members.

The director of Group Strategy will be secretary to the Investment committee.

The committee shall meet at the initiative of its chairperson. The agenda shall be drawn up by the chairperson of the committee after consultation with the chairman serving as CEO. The committee shall meet three times a year, less or more depending on the circumstances.

In order to carry out its assignments, the committee may hear any person it wishes and call upon the Group M&A director.

2. The Investment committee's duties:

The committee prepares the board of directors' deliberations on investment policy.

To this purpose, the committee:

- Shall elaborate recommendations for the board on major capital deployment decisions;
- Shall advise the management team on capital deployment strategies;
- May launch, at the board's request, or suggest research projects leading to material investments for the company, typically for capital deployment decisions of €250million or above;
- May investigate matters of smaller scale, if the strategic significance warrants it or the board/chairman of the board specifically requires it;
- Shall provide recommendations on major merger, alliances and acquisition projects;
- Shall pay special attention to reconfiguration or consolidation scenarios happening in the sectors the company is operating in or likely to operate in;
- Shall examine portfolio optimizations and divestment projects of financial or strategic significance;
- Shall support the management in the elaboration of investment policies linked to the long-term positioning of Schneider Electric, such as innovation and R&D strategies or any major organic growth investments;
- Shall present to the board social and environmental aspects of the strategic projects submitted to it such as M&A projects.

Article 13 – Digital Committee

1. Membership and operation of the Digital committee

The committee shall be comprised of at least 3 members.

The Chief Digital Officer or the Chief Information Officer will be secretary to the Digital committee.

The committee shall meet at the initiative of its chairperson. The agenda shall be drawn up by the chairperson of the committee after consulting with the chairman & CEO. The committee shall meet at least three times a year, including a joint review on Cyber-security risks with the Audit and risk committee.

In order to carry out its assignments, the committee may hear any person it wishes.

3. Exhibits to the board of directors' report: internal regulations of the board and charter of the Vice-Chairman independent lead director

2 The Digital committee's duties

The purpose of the Digital committee is to assist the board in digital matters in order to guide, support and control the Group in its digitization efforts. The Digital committee prepares the board of directors' deliberations on digital matters.

For this purpose, the Digital Committee will review, appraise and follow-up projects and, generally, advise, inter alia on 7 areas:

1. Development and growth of the EcoStruxure digital business, including (i) enhancing Core Businesses with Connectivity & Analytics, (ii) building new digital offers & business models, (iii) establishing its contribution to and consistence with the overall strategy;
2. Improvement and transformation of the Group's Digital Customers & Partners Experience;
3. Improvement of Schneider Electric's Operational Efficiency through the effective use of Information Technology and digital automation capabilities;
4. Assessment of Cyber Risks and enhancement of the Group's Cyber Security posture (jointly with the audit committee);
5. Assessment of the contribution of potential M&A operations to the Group's Digital strategy;
6. Monitoring and analysis of the Digital landscape (competitors and disrupters, threats and opportunities);
7. Checking that the company is equipped with the right pool of talents for digital transformation.

Article 14 – Perimeter of internal regulations

The present internal regulations have been unanimously approved by the board of directors. A purely internal act, their objective is to complete the articles of association by stipulating the main conditions of organization and operation of the board of directors. Their purpose is not to replace the articles of association. They may not be relied upon by shareholders or third parties for use against members of the board of directors, the company, or any company in the Schneider Electric Group. They may be modified at any time solely by deliberation of the board of directors.

3.2 Charter of the Vice-Chairman independent lead director

1. The board of directors may appoint a Vice-Chairman. The Vice-Chairman shall be appointed for a period that may not be any longer than his term of office as a director. The Vice-Chairman is eligible for re-election. The Vice-Chairman may be removed from office by the board of directors at any time.

2. The Vice-Chairman shall preside over board meetings in the absence of the Chairman.

   The Vice-Chairman shall be called upon to replace the Chairman of the board of directors in the event of any temporary inability of the latter to fulfill his functions or his death. In the event of the Chairman's inability to fulfill his functions, he will be replaced by the Vice-Chairman as long as his inability may last and, in the case of his death, until the election of a new Chairman.

3. In exception to 1 above, and in compliance with article 12.2 of the articles of association, the appointment of a Vice-Chairman is compulsory if the roles of Chairman and CEO are combined. In this case, the Vice-Chairman also takes on the role of independent lead director. In this respect:

   - the Vice-Chairman is kept informed of major events in Group life through regular contacts and monthly meetings with the Chairman serving as CEO;
   - the Vice-Chairman is consulted by the Chairman serving as CEO on the agenda and the sequence of events for every board meeting as well as on the schedule for board meetings;
   - the Vice-Chairman may convene executive sessions with non-executive members of the board of directors, over which he will preside. An executive session shall be included on the agenda of every board meeting. It is the Vice-Chairman's responsibility to decide whether it should be held or not. It is therefore held as decided by the Vice-Chairman, either directly before or after each board meeting. In addition, the Vice-Chairman may convene an executive session between 2 board meetings. Any director may ask the Vice-Chairman to convene an executive session;
   - the Vice-Chairman shall promptly report to the Chairman serving as CEO on the conclusions of executive sessions;
   - the Vice-Chairman shall draw the attention of the Chairman and of the board of directors to any possible conflicts of interest that he may have identified;
   - the Vice-Chairman is Chairman of the Governance committee;
   - like any other member of the board, the Vice-Chairman may attend any meetings of committees of which he is not a member;
   - in order to complement his knowledge, the Vice-Chairman may meet the Group's leading managers and visit company sites;
   - the Vice-Chairman carries out annual and biennial assessments of the board of directors and, in this context, assesses the actual contribution of every member of the board to the board's works;
   - the Vice-Chairman shall report on his actions at Annual General Shareholders' Meetings;
   - the Vice-Chairman shall meet any shareholder who wishes so and inform the board of their concerns on governance matters.

4. The Vice-Chairman lead director must be an independent member of the board, as defined in the criteria published by the company.

   As a transitional measure, article 12.2 of the articles of association provides for the first Vice-Chairman lead director to be the former Chairman of the supervisory board for the remaining duration of his term of office.

4. Statutory Auditors’ report on related party agreements

4.1 Statutory Auditors’ report on related party agreements

To the Shareholders of Schneider Electric SE,

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

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms, conditions and reasons underlying company’s interest of agreements that have been disclosed to us or that we may have been identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code *(Code de commerce)*, to assess the relevance of these agreements prior to their approval.

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

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

Agreements submitted to the approval of the shareholders’ meeting

Agreements authorized and concluded during the financial year

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

Agreements authorized after closing

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

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

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

Fixed compensation for fiscal year 2020

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

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

Variable compensation for fiscal year 2020

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

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

Additional pension payments (cash benefit)

Mr. Emmanuel Babeau would receive the following amounts in respect of additional pension payments for 2020, calculated prorata temporis until the term of his duties as Deputy Chief executive Officer:

- a fixed part of 51,100 euros (calculated on an annual basis of 153,300 euros); and
- a variable part of 51,100 euros, should the target be met (calculated on an annual basis of 153,300 euros for a variable compensation amount equal to 100% of the annual compensation amount, in the event the target is deemed to have vested for 2020).

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

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

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

4. Statutory Auditors' report on related party agreements

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

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

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

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

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

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

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

Long-term compensation (performance share plans)

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

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

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

The final number of performance shares likely to be acquired by Mr. Emmanuel Babeau will be known at the end of the respective acquisition periods, subject to continually complying with the Commitments and the Board of Directors' decision on the achievement rate of the applicable performance conditions.

It is specified that all the performance shares likely to be acquired by Emmanuel Babeau would represent, at the term of his duties as Deputy Chief Executive Officer, an individual value of 54.69 euros per performance share granted in 2018 and 53.84 euros per performance share granted in 2019. The valuation of the performance shares was calculated in accordance with the Company's past practices and in accordance with the recommendations of the Afep-Medef Code. This valuation represents a total amount of 1,492,940.90 euros (987,446.53 euros for the preference shares granted in 2018 and 505,494.37 euros for the preference shares granted in 2019), i.e. a sum below two years of annual compensation (fixed and variable) of Mr. Emmanuel Babeau.

Legal and tax assistance

Emmanuel Babeau would benefit from legal and tax assistance until the completion of the study on the consequences of his expatriation to the United Kingdom from July 2014 to July 2018 for the purposes of the integration of Invensys Ltd. which is currently underway by the service provider, and hypothetically until December 31, 2020 at the latest. The maximum cost of this benefit is estimated at EUR 15,000.

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

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

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

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

The Statutory Auditors

ERNST & YOUNG ET AUTRES	**MAZARS**
Jean-Yves Jégourel	Loïc Wallaert
Alexandre Resten	Mathieu Mougard

4. Statutory Auditors' report on related party agreements

4.2 Statutory auditors' report on the issuance of shares or securities giving access to capital reserved for members of a Company Savings Plan

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with Articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code *(Code de commerce)*, we hereby report on the proposal to authorize your board of directors to decide whether to proceed with an issue of shares or securities giving access to the share capital of the company with cancellation of preferential subscription rights, reserved for participants in a Company Savings Plan of the company and of the French or non-French companies affiliated with the company in accordance with article L. 225-180 of the French Commercial code *(Code de commerce)* and article L. 3344-1 of the French Labor code *(Code du travail)*, an operation upon which you are called to vote.

The maximum nominal amount of the increase in capital that may result from this issue is 2 % of the share capital on the date of implementation of this delegation, it being specified that this amount shall be deducted from the ceilings referred to in the 15th and 17th resolutions adopted by the shareholders' meeting dated April 25, 2019.

This operation is submitted for your approval in accordance with articles L. 225-129-6 of the French Commercial code *(Code de commerce)* and L. 3332-18 et seq. of the French Labor code *(Code du travail)*.

Your board of directors proposes that, on the basis of its report, it be authorized, with the right of sub-delegation, for a period of twenty-six months from the date of this shareholders' meeting, to decide on whether to proceed with an issue and proposes to cancel your preferential subscription rights to the equity securities to be issued. If applicable, it shall determine the final conditions of this operation.

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

It is the responsibility of the board of directors to prepare a report in accordance with articles R. 225-113 et seq. of the French Commercial code *(Code de commerce)*. Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights, and on other information relating to the share issue provided in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body *(Compagnie Nationale des Commissaires aux Comptes)* for this type of engagement. These procedures consisted in verifying the information provided in the board of director's report relating to this operation and the methods used to determine the issue price of the equity securities to be issued.

Subject to a subsequent examination of the conditions for the issue that would be decided, we have no matters to report as to the methods used to determine the issue price of the equity securities to be issued provided in the board of director's report.

As the final conditions for the issue have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R. 225-116 of the French Commercial Code *(Code de commerce)*, we will issue a supplementary report, if necessary, when your board of directors has exercised this authorization.

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

The Statutory Auditors

ERNST & YOUNG ET AUTRES
Jean-Yves Jégourel
Alexandre Resten

MAZARS
Loïc Wallaert
Mathieu Mougard

4.3 Statutory Auditors' report on the issuance of shares or securities reserved for a category of beneficiaries

To the Shareholders,

In our capacity as Statutory auditors of your company and in compliance with articles L. 228-92 and 225-135 et seq. of the French Commercial Code *(Code de commerce)*, we hereby report on the proposal to issue ordinary shares or securities giving access to the share capital of the company, with cancellation of preferential subscription right reserved for (i) employees and officers of companies of the Schneider Electric Group affiliated with the company under the terms and conditions set forth in article L. 225-180 of the French Commercial code *(Code de commerce)* and article L. 3344-1 of the French Labor code *(Code du travail)* and the head office of which is located outside France; (ii) and/or OPCVM mutual investment funds or other entities, with or without legal personality, of employee shareholders invested in equity securities of the company, the unit holders or shareholders of which consist of persons described in (i) of this paragraph; (iii) and/or any banking institution or affiliate or subsidiary of such institution acting at the company's request for purposes of implementing and giving effect to a shareholder incentive or investment or savings plan for the benefit of the persons described in (i) of this paragraph, an operation upon which you are called to vote.

The maximum nominal amount of the increase in capital that may result from this issue is 1 % of the share capital on the date of this shareholders' meeting, it being specified that this amount shall be deducted from the 2 % ceiling referred to in the 20th resolution of this shareholders' meeting, but is autonomous and distinct from the ceiling referred to in the 15th and 17th resolutions adopted by the shareholders' meeting dated April 25, 2019.

Your board of directors proposes that, on the basis of its report, it be authorized, with the right of sub-delegation, for a period of eighteen months from the date of this shareholders' meeting, to decide on whether to proceed with an issue and proposes to cancel your preferential subscription rights to the equity securities to be issued.

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

It is the responsibility of the board of directors to prepare a report in accordance with articles R. 225-113 et seq. of the French Commercial code *(Code de commerce)*. Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights, and on other information relating to the share issue provided in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body *(Compagnie Nationale des Commissaires aux Comptes)* for this type of engagement. These procedures consisted in verifying the information provided in the board of director's report relating to this operation and the methods used to determine the issue price of the equity securities to be issued.

Subject to a subsequent examination of the conditions for the issue that would be decided, we have no matters to report as to the methods used to determine the issue price of the equity securities to be issued provided in the board of director's report.

As the final conditions for the issue have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R. 225-116 of the French Commercial Code *(Code de commerce)*, we will issue a supplementary report, if necessary, when your board of directors has exercised this authorization.

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

The Statutory Auditors

ERNST & YOUNG ET AUTRES
Jean-Yves Jégourel
Alexandre Resten

MAZARS
Loïc Wallaert
Mathieu Mougard

5. Draft resolutions

Ordinary Meeting

FIRST RESOLUTION **(Approval of corporate financial statements for the 2019 financial year)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, having heard the board of directors' report on the Company financial statements and the Statutory Auditors' report, approves the corporate financial statements for the 2019 financial year as presented, as well as the transactions reflected in these statements or summarized in such reports showing a net profit of EUR57,108,197.35.

SECOND RESOLUTION **(Approval of consolidated financial statements for the 2019 financial year)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, having heard the board of directors' report on the Company consolidated statements and the Statutory Auditors' report, approves the consolidated statements for the 2019 financial year as presented, as well as the transactions reflected in these statements or summarized in such reports.

THIRD RESOLUTION **(Appropriation of profit for the financial year and setting the dividend)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, upon proposal of the board of directors:

(i) after taking into account that the retained earnings amount to EUR3,246,040,431.39 and the total distributable earnings to EUR3,303,148,628.74;
(ii) decides on the distribution to the 582,068,555 shares with a par value of EUR4 comprising the share capital on December 31, 2019, and dividend rights on January 1, 2020, at EUR2.55 per share, and as a result sets at EUR1,484,274,815.25 the amount to withhold on distributable earnings to carry out this distribution.

Net profit	**EUR57,108,197.35**
Retained earnings	EUR3,246,040,431.39
Distributable earnings	EUR3,303,148,628.74
Total amount of the distribution	**EUR1,484,274,815.25**
Amount of the retained earnings after withholding from the distribution	EUR1,818,873,813.49

With regard to taxation, it is specified that this distribution of EUR2.55 per share constitutes distributed income subject to a social security tax of 17.2% charged on the gross amount when paid. The gross amount of French-source dividends received by resident individuals will also be subject to a mandatory non-definitive levy at source of 12.8%, but exemption from this levy. In 2021, dividends will in principle be subject to a flat tax ("Prélèvement Forfaitaire Unique" – "PFU") at the rate of 12.8% unless option for dividends to be subject to income tax at ordinary progressive rates. In such case, after applying a 40% (uncapped) allowance, only 60% of the dividends will be included in the taxable income, less any deductible charges and expenses. The above-mentioned levy at source of 12.8% will be imputed on the income tax that will be due in 2021 for income earned in 2020.

Dividends/coupons paid by Schneider Electric SE for the three most recent financial years are as follows, in EUR:

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

FOURTH RESOLUTION **(Information regarding regulated agreements executed during previous financial years)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, takes due note of the information set forth in the Statutory Auditors' special report relating to the agreements executed during previous financial years and approved by the Annual Shareholders' Meeting.

FIFTH RESOLUTION **(Approval of a new regulated agreement in relation to the terms and conditions of the departure of the Deputy CEO Mr. Emmanuel Babeau)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, having heard the board of directors' report and the Statutory Auditors' special report presented in accordance with the provisions of Article L. 225-40 of the French Commercial Code on the agreements referred to in Article L. 225-38 of the said Code, and subject to the condition precedent of the approval of the 10th resolution by the Annual Shareholders' Meeting, approves the agreement relating to the departure of the Deputy CEO Mr. Emmanuel Babeau presented in these reports.

SIXTH RESOLUTION **(Approval of the compensation report in relation to the last financial year)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, after perusal of the corporate governance report referred to in Article L. 225-37 of the French Commercial Code, approves, in pursuance of Article L.225-100 II of the said Code, the information mentioned in Article L. 225 -37-3 I of the French Commercial Code as presented therein.

SEVENTH RESOLUTION **(Approval of the components of the total compensation and benefits of all types paid during the 2019 financial year or awarded in respect of the said financial year to Mr. Jean-Pascal Tricoire)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, after perusal of the corporate governance report referred to in Article L. 225-37 of the French Commercial Code, approves, in pursuance of Article L. 225-100 III of the French Commercial Code, the fixed, variable and exceptional components of the total compensation and benefits of all types paid during the 2019 financial year or awarded in respect of the 2019 financial year to the Chairman and CEO Mr. Jean-Pascal Tricoire as presented therein.

EIGHTH RESOLUTION **(Approval of the components of the total compensation and benefits of all types paid during the 2019 financial year or awarded in respect of the said financial year to Mr. Emmanuel Babeau)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, after perusal of the corporate governance report referred to in Article L. 225-37 of the French Commercial Code, approves, in pursuance of Article L. 225-100 III of the French Commercial Code, the fixed, variable and exceptional components of the total compensation and benefits of all types paid during the 2019 financial year or awarded in respect of the 2019 financial year to the Deputy CEO Mr. Emmanuel Babeau as presented therein.

NINTH RESOLUTION **(Approval of the Chairman and Chief Executive Officer's compensation policy)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, after perusal of the corporate governance report referred to in Article L. 225-37 of the French Commercial Code which describes the features of the corporate officers' compensation policy, approves, in pursuance of Article L. 225-37-2 II of the French Commercial Code, the compensation policy of the Chairman and Chief Executive Officer as presented therein.

TENTH RESOLUTION **(Approval of (i) the compensation policy specifically applicable to Mr. Emmanuel Babeau, Deputy Chief Executive Officer, in pursuance of his departure and (ii) the components of the compensation and benefits of all types paid to him during the 2020 financial year or awarded to him in respect of the said financial year)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, after perusal of the corporate governance report referred to in Article L. 225-37 of the French Commercial Code, approves, subject to the condition precedent of the approval by the Annual Shareholders' Meeting of the fifth resolution:

- **(i)** in pursuance of Article L. 225-37-2 of the French Commercial Code, the compensation policy specifically applicable to Mr. Emmanuel Babeau, Deputy Chief Executive Officer, until April 30, 2020, as described in the corporate governance report referred to in Article L. 225-37 of the French Commercial Code; and
- **(ii)** in pursuance of Article L. 225-100 of the French Commercial Code and considering that Mr. Emmanuel Babeau will step down from his functions as Deputy Chief Executive Officer after this Annual Shareholders' Meeting, the fixed, variable and exceptional components of the total compensation and benefits of all types paid during the 2020 financial year or awarded in respect of the 2020 financial year to Mr. Emmanuel Babeau, Deputy Chief Executive Officer until April 30, 2020 as described in the corporate governance report referred to in Article L. 225-37 of the French Commercial Code.

ELEVENTH RESOLUTION **(Approval of the board members' compensation policy)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, after perusal of the corporate governance report referred to in Article L. 225-37 of the French Commercial Code which describes the features of the corporate officers' compensation policy, approves, in pursuance of Article L. 225-37-2 II of the French Commercial Code, the compensation policy of the members of the board of directors as presented therein.

TWELFTH RESOLUTION **(Renewal of a directorship: Mr. Léo Apotheker)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, having heard the board of directors' report, hereby resolves to re-elect Mr. Léo Apotheker as a director for a three-year term, due to the statutory provisions relating to the age of the directors, expiring at the close of the Annual Shareholders' Meeting to be held in 2023 to approve the financial statements for the financial year ending December 31, 2022.

THIRTEENTH RESOLUTION **(Renewal of a directorship: Ms. Cécile Cabanis)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, having heard the board of directors' report, hereby resolves to re-elect Ms. Cécile Cabanis as a director for a four-year term expiring at the close of the Annual Shareholders' Meeting to be held in 2024 to approve the financial statements for the financial year ending December 31, 2023.

FOURTEENTH RESOLUTION **(Renewal of a directorship: Mr. Fred Kindle)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, having heard the board of directors' report, hereby resolves to re-elect Mr. Fred Kindle as a director for a four-year term expiring at the close of the Annual Shareholders' Meeting to be held in 2024 to approve the financial statements for the financial year ending December 31, 2023.

FIFTEENTH RESOLUTION **(Renewal of a directorship: Mr. Willy Kissling)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, having heard the board of directors' report, hereby resolves to re-elect Mr. Willy Kissling as a director for a two-year term expiring at the close of the Annual Shareholders' Meeting to be held in 2022 to approve the financial statements for the financial year ending December 31, 2021.

SIXTEENTH RESOLUTION **(Appointment of a director: Ms. Jill Lee)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, having heard the board of directors' report, hereby appoints Ms. Jill Lee as a director for a four-year term expiring at the close of the Annual Shareholders' Meeting to be held in 2024 to approve the financial statements for the financial year ending December 31, 2023.

SEVENTEENTH RESOLUTION **(Authorization granted to the board of directors to buy back Company shares – maximum purchase price per share EUR150)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, having heard the board of directors' report, hereby authorizes the board of directors, pursuant to the provisions of Article L.225-209 of the French Commercial Code and of Regulation (EU) no. 596/2014 of April 16, 2014 on market abuse (market abuse regulation), to acquire or have acquired the Company's shares for the purpose of:

- reducing the share capital within the maximum legal limit;
- covering share allocations plans to employees or officers of the Company or an associated company;
- fulfilling obligations related debt securities convertible into shares of the Company;
- undertaking (for exchange, payment or other purposes) external growth transactions, mergers, spin-offs or contributions (up to a limit of 5% of the share capital);
- engage in market making under and pursuant to a liquidity agreement consistent with the *Autorité des Marchés Financiers* accepted market practices; or
- implementing and carrying out any other market practice that may be recognized by law or the AMF.

The maximum number of shares that may be acquired under and pursuant to this authority shall not exceed 10% of the aggregate number of shares constituting the share capital on the date of the Annual Shareholders' Meeting (i.e. for information purposes, 58,206,855 shares on the basis of the share capital as of December 31, 2019).

The maximum share purchase price is set at EUR150 per share without exceeding the maximum price set by applicable laws and regulations.

As a result of the aforesaid limits, the maximum aggregate amount of share buy-backs shall not exceed EUR8,731,028,250.

The acquisition, sale or transfer of such shares may be made on one or more occasions by any means, in the market, on a multilateral trading facility (MTF), *via* a systemic internalizer, or by individual, person-to-person (over-the-counter) trade in compliance with applicable law and regulations. Such means and methods may include acquisition or sale of blocks on a regulated exchange or directly between individuals (over-the-counter), to the extent compliant with applicable law and regulations.

These transactions may be carried out at any time, in accordance with current regulations, except during public offerings on the Company's share capital.

Shares acquired may also be canceled, subject to compliance with the provisions of Articles L.225-204 and L.225-205 of the French Commercial Code and in accordance with the twenty-fourth resolution adopted by the Annual Shareholders' Meeting of April 25, 2019.

The board of directors may adjust the prices set forth above in the event of the capitalization of reserves or earnings giving rise either to an increase in the par value of the shares, or to the issuance and free award of shares, in the event of a division of the par value of the shares (stock split) or amalgamation of shares (reverse split), and, more generally, in the event of a transaction involving shareholders' equity, to account for the impact of the consequences of such transactions on the value of the shares, such price then to be adjusted by a multiplier coefficient equal to the ratio between the number of shares constituting the share capital prior to the transaction and such number following such transaction.

Any and all authority is hereby granted to the board of directors with power to grant delegations of authority to implement and carry out this resolution.

This authority shall be valid for a maximum of 18 months from the date of this Annual Shareholders' Meeting.

Extraordinary Meeting

EIGHTEENTH RESOLUTION **(Amendment of Article 11.4 of the Articles of Association to make it consistent with the amended laws and provide for the appointment of the second director representing employees by the European Works Council)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for extraordinary shareholders' meetings, after the Group Council's positive opinion and having heard the board of directors' report, decides to amend Article 11.4 of the Articles of Association to make it consistent with the amended laws and provide for the appointment of the second director representing employees by the European Works Council as follows:

- in the second paragraph, the number "twelve" is replaced by the number "eight", twice;
- in the third paragraph, the second sentence is replaced by the following sentence: "When two Directors representing employees are to be appointed, the second is designated, pursuant to Article L.225-27-1, III, 4° of the French Commercial Code, by the European Works Council (employees representative body set up in application of Article L.2352-16 of the French Labor Code)";
- the eighth and last paragraph is replaced by the following one: "This Article shall cease to apply when, at the end of a financial year, the Company no longer meets the prerequisites for the appointment of Directors representing employees, being specified that the office of any Director representing employees will cease at the end of the Annual Shareholders' Meeting ruling upon the accounts of said financial year."

The other provisions of Article 11.4 of the Articles of Association remain unchanged.

NINETEENTH RESOLUTION **(Amendment of Articles 13 and 16 of the Articles of Association to reflect the amended laws and correct a material error)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for extraordinary shareholders' meetings, after having heard the board of directors' report, decides to amend Articles 13 and 16 of the Articles of Association to correct a material error and make them consistent with the amended laws as follows:

- in Article 13.4, the word "conditions" is replaced by the word "sureties";
- in Article 13.5, the reference to Article "L.225-42-1" is replaced by the reference to "L.225-42";
- in Article 16.1, the portion of the sentence ", as attendance fees" is deleted;
- in Article 16.2, the words "these attendance fees" are replaced by "this remuneration".

The other provisions of Articles 13 and 16 of the Articles of Association remain unchanged.

A copy of the Articles of Association of Schneider Electric SE is attached to the minutes of this meeting.

TWENTIETH RESOLUTION **(Delegation of authority to the board of directors to undertake capital increases reserved for participants in a Company Savings Plan up to a limit of 2% of share capital, without shareholders' preferential subscription right)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements required for extraordinary meetings, having heard the report of the board of directors and the special report of the Statutory Auditors, pursuant to the provisions of Articles L.3332-1 *et seq.* of the French Labor Code and Articles L.225-129-2, L.225-129-6, L.225-138-1 and L.228-92 of the French Commercial Code and in accordance with the provisions of that code:

- delegates to the board of directors the authority, with the power to subdelegate, for a period of 26 months from the date of this Annual Shareholders' Meeting, to undertake a capital increase on one or more occasions at its discretion by issuing shares or securities carrying the right to acquire shares of the Company, under the terms and conditions set forth in Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labor code, reserved for participants in a Company Savings Plan and French or non-French companies affiliated with the Company in a maximum par value, or paid-in capital, amount of 2% of the share capital on the date this authorization is implemented and given effect, with the possibility to issue shares against cash or by capitalizing reserves, profits or premium in case of grants of free shares or of securities granting access to share capital on account for the discount or the matching contribution, it being specified that (i) such limit shall be charged against the limits set forth in the fifteenth and seventeenth resolutions adopted by the Annual Shareholders' Meeting of April 25, 2019, and (ii) this authorization may be used only from and after June 30, 2020;
- hereby resolves to set a maximum discount to be offered in connection with Company Savings Plan at 30% of an average of the trading price of the Company's shares on Euronext Paris during the 20 trading sessions preceding the date of the decision of the board of directors or of its authorized representative setting the date to begin taking subscriptions. The Annual Shareholders' Meeting, however, hereby resolves expressly to authorize the board of directors to reduce the aforementioned discount within applicable legal and regulatory requirements, or not to grant one, in particular so as to take into account the laws and regulations applicable in countries where such offering may be implemented;
- hereby authorizes the board of directors to make grants of free ordinary shares or other securities granting immediate or differed access to ordinary share capital, in total or partial substitution for the discount and/or, as the case may be, for the matching contribution, provided that the value of the benefit resulting from this grant on account for the discount or the matching contribution, shall not exceed the limits imposed by applicable law and regulations;
- hereby resolves that the characteristics of the other securities granting access to Company capital shall be decided and determined by the board of directors under the terms and conditions set by applicable law and regulations;
- hereby resolves to waive in favor of the participants in a Company Savings Plan the shareholders' preferential right to subscribe for the shares and securities granting access to capital to be issued under and pursuant to this resolution;
- acknowledges that this authorization entails an automatic waiver to preferential subscription rights to shares of which the securities issued on the basis of this resolution may carry the right to acquire;
- hereby resolves that this authorization cancels, effective June 30, 2020, the authorization given by the Annual Shareholders' Meeting of April 25, 2019, in its twenty-second resolution, for its amounts unused by the board of directors;
- the shareholders hereby take note that the board of directors has all authority, with the power to subdelegate authority, to undertake the transactions set forth in this resolution and to record and complete the capital increases resulting therefrom.

5. Draft resolutions

TWENTY-FIRST RESOLUTION **(Delegation of powers to the board of directors to undertake capital increases reserved for a category of beneficiaries: in favor of employees of foreign companies of the Group, either directly or *via* entities acting on their behalf thereof to offer employees of foreign companies of the Group benefits comparable to those offered to participants in the Company Savings Plan up to 1% of share capital, without shareholders' preferential subscription right)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for extraordinary shareholder meetings, having heard the board of directors' report and the Statutory Auditors' special report, and in accordance with Articles L.225-129-1, L.225-138 and L.228-92 *et seq.* of the French Commercial Code:

- hereby delegates to the board of directors the authority, with the power to grant subdelegations of authority, necessary to undertake increases in the share capital on one or more occasions, at the times and in the proportions it deems appropriate up to a maximum of 1% of the share capital on the date of this shareholders' meeting, by issuing shares or securities providing access to the capital of the Company, granting the same rights as previously issued shares, such issue to be reserved for persons meeting the characteristics of the class defined below, provided, however, that (i) the 1% limit set forth above shall be charged against the 2% limit set forth in the twentieth resolution of this Annual Shareholders' Meeting, but, which, on the other hand, is separate and apart from the limits set forth in the fifteenth and seventeenth resolutions adopted by the Annual Shareholders' meeting of April 25, 2019, and (ii) this authorization may be used only from and after August 1, 2020;
- hereby resolves to waive the shareholders' preferential right to subscribe for shares or other securities granting access to the share capital pursuant to this resolution and to reserve the right to subscribe to one and/or another class of beneficiaries or recipients having the following characteristics: (i) employees and officers of companies of Schneider Electric Group affiliated with the Company under the terms and conditions set forth in Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labor Code and the head office of which is located outside France; (ii) and/or OPCVM mutual investment funds or other entities, with or without legal personality, of employee shareholders invested in equity securities of the Company, the unit holders or shareholders of which consist of persons described in (i) of this paragraph; (iii) and/or any banking institution or affiliate or subsidiary of such institution acting at the Company's request for purposes of implementing and giving effect to a shareholder incentive or investment or savings plan for the benefit of the persons described in (i) of this paragraph, to the extent that subscription of the person authorized in accordance with this resolution would make it possible for employees of subsidiaries located outside France to benefit from and take advantage of forms of shareholder incentive or investment or savings plans equivalent in terms of economic benefit to those from which the other employees of the Group benefit;
- hereby takes note that this authorization shall constitute automatically and by law an express waiver by the shareholders, in favor of the holders of securities granting access to Company capital, of their preferential right to subscribe for ordinary shares of the Company which such securities carry the right to acquire;
- hereby resolves that the amount payable to the Company for all shares issued, or to be issued, and pursuant to this resolution shall be set by the board of directors on the basis of the trading price of the Company's shares on Euronext Paris; the issue conditions shall be determined at the discretion of the board of directors on the basis of either (i) the first or last quoted trading price of the Company's shares at the trading session on the date of the decision by the board of directors or the authorized representative thereof setting the issue conditions, or (ii) of an average of the quoted prices for the Company's shares during the 20 trading sessions preceding the date of the decision by the board of directors or the authorized representative thereof setting the issue conditions under this resolution or setting the issue price under the twentieth resolution of this Annual Shareholders' Meeting; the board of directors may set the issue price by applying a maximum discount of 30% of the trading price of the Company's shares determined in accordance with either of the two methods set forth in clauses (i) and (ii) of this paragraph; the percentage of such discount applied to the trading price of the Company's shares shall be determined by the board of directors taking into consideration, among other things, legal, tax, and regulatory provisions of foreign law applicable, as the case may be, to the persons benefiting from the issue;
- hereby resolves that the board of directors shall have full authority, on the terms and conditions provided by law and within the limits set forth hereinabove, to implement and give effect to this authorization and determine the list of the beneficiaries and recipients within the classes described in this resolution and the number of securities to be offered to each thereof, provided that the board of directors may decide that the capital increase shall be completed for the amounts subscribed, on the condition that a minimum of 75% of the shares or other offered securities providing access to capital have been subscribed, as well as, among other things:
  - to determine the characteristics of the securities to be issued, to decide on the issue price, dates, time periods, terms and conditions of subscribing therefore, paying the paid-in capital, or nominal amount thereof, delivery and effectiveness of the shares and equity securities, the lock-up and early release period, within applicable limits of the law and regulations,
  - to record and determine the capital increase, to undertake the issuance of the shares and other securities carrying the right to acquire shares, to amend the Articles of Association accordingly,
  - and, as a general rule, to enter into any agreement, in particular to ensure the due and proper completion of the contemplated issuances, take all steps and complete any required formalities in connection with the issue, the listing and financial servicing of the securities issued under and this authorization, as well as the exercise of the rights attaching thereto, and, more generally, to do whatever may be necessary;
- resolves that this delegation shall nullify as of August 1, 2020, the authority given by the Annual Shareholders' Meeting of April 25, 2019, in its twenty-third resolution for its amounts not used by the board of directors.

The authorization granted under and pursuant to this resolution shall be valid for 18 months from and after this Annual Shareholders' Meeting.

Ordinary Meeting

TWENTY-SECOND RESOLUTION **(Powers for formalities)**

The Annual Shareholders' Meeting confers full powers upon the bearer of a copy or excerpts of the minutes confirming these resolutions for the purposes of carrying out all legal and administrative formalities.

Persons responsible for the Universal Registration Document

Attestation

I declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Universal Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and that they present fairly the assets, financial position and results of the company and the consolidated Group. To the best of my knowledge, the business review accurately presents the changes in business, results and financial position of the company and the consolidated Group, as well as a description of their principal risks and contingencies.

March 17, 2020
The Chairman and CEO of Schneider Electric SE
Jean-Pascal Tricoire

Pursuant to article 19 of Commission regulation 1129/2017/EU, the following information is incorporated by reference in the present Universal Registration Document:

- the consolidated financial statements and corresponding auditors' reports provided in Chapter 5 of the registration document for the year ended December 31, 2017, registered with *Autorité des Marchés Financiers* (AMF) under number D.18-0138 on March 16, 2018;
- the consolidated financial statements and corresponding auditors' reports provided in Chapter 5 of the registration document for the year ended December 31, 2018, registered with *Autorité des Marchés Financiers* (AMF) under number D.19-0155 on March 15, 2019;
- the parent company financial statements and corresponding auditors' reports provided in Chapter 6 of the registration document for the year ended December 31, 2017, registered with *Autorité des Marchés Financiers* (AMF) under number D.18-0138 on March 16, 2018;
- the parent company financial statements and corresponding auditors' reports provided in Chapter 6 of the registration document for the year ended December 31, 2018, registered with *Autorité des Marchés Financiers* (AMF) under number D.19-0155 on March 15, 2019;
- the management report provided in Chapter 4 of the registration document for the year ended December 31, 2017, registered with *Autorité des Marchés Financiers* (AMF) under number D.18-0138 on March 16, 2018;
- the management report provided in Chapter 3 of the registration document for the year ended December 31, 2018, registered with *Autorité des Marchés Financiers* (AMF) under number D.19-0155 on March 15, 2019;
- Passages not incorporated in these documents are either irrelevant for the investor or covered in another section of the Universal Registration Document.

Persons responsible for the audit of the financial statements

	Date appointed	Appointment expires
Statutory Auditors		
Ernst & Young et Autres Tour First – 1, place des Saisons – 92037 Paris-la-Défense-Cedex		
Represented by Jean-Yves Jégourel and Alexandre Resten	1992	2022
Mazars Tour Exaltis – 61, rue Henri-Regnault – 92400 Courbevoie		
Represented by Loïc Wallaert and Mathieu Mougard	2004	2022
Alternate Auditors		
Auditex	2010	2022
Thierry Blanchetier	2010	2022

Ernst & Young et Autres and Mazars are members of the Auditors' Regional Company of Versailles.

Financial Calendar

Investor relations

April 23rd, 2020	Shareholder's Annual Meeting (Paris)
May 7th, 2020	Dividend payment

Financial releases

February 20th, 2020	2019 Annual results
April 17th, 2020	Q1 2020 sales
July 23rd, 2020	Half year results
October 22nd, 2020	Q3 2020 sales

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