A changemaker for sustainability

For over 15 years, sustainability has been at the core of Schneider Electric's transformation journey. The Group is now a world corporate leader in sustainability and a key enabler for all stakeholders in its ecosystem to accelerate their own energy efficiency and sustainability transition. With this experience, comes a strong belief that what makes Schneider Electric stand out today and tomorrow is that it is an impact company.

IMPACT Company

"Companies need to have a net positive mindset where they can benefit from solving the world's problems instead of creating them. This restorative mindset is aligned with Schneider Electric's impact company model that can be a true driver for change."

Bertrand Piccard
Chairman of the Solar Impulse Foundation

Schneider Electric is an impact company, a company which lives by a unique sustainability strategy and operating model, built to deliver positive impacts in the long-run. It entails a responsibility to share learnings and keep raising the bar.

An impact company seeks to address the needs of all stakeholders in its ecosystem, from employees to supply chain partners, customers, as well as local communities and institutions.

To deliver sustainability in its entire value chain, it must combine a solid profitability with leading practice on all Environmental, Social and Governance dimensions.

It means that an impact company has inherently aligned and integrated its purpose and its business mission to ensure its corporate value delivers on sustainability needs and ambitions.

The company's operating model is set up to impact on all of the above at global and local levels. Its culture builds on strong and practiced values with the right talent and processes to be a leading purpose-led company.

Our Guiding Principles

1. **Performance**
   the foundation for doing good
2. **All Stakeholders**
   in our ecosystem
3. **All ESG**
   dimensions
4. **Business**
   digital partner for Sustainability and Efficiency
5. **Model & Culture**
   set up for global and local impact

An Impact model recognized in external ratings

Most Sustainable Corporations in the World 2021 GLOBAL 100 · FT LEADER IN DIVERSITY 2021 · 2021 WORLD'S MOST ETHICAL COMPANIES WWW.ETHISPHERE.COM 10-TIME HONOREE · PLATINUM 2022 ecovadis · CDP A LIST 2021 CLIMATE

Our 2025 sustainability commitments

With less than ten years left to reach the 17 United Nations SDGs, Schneider Electric has accelerated its impact and is making new, bold commitments to drive meaningful impact within the framework of its business activity. Such sustainability commitments and progress are fully integrated in the governance processes and bodies that design and execute the Group's strategy internally and externally at every level from the Board of Directions to the operations.

Act for a climate-positive world

by continuously investing in and developing innovative solutions that deliver immediate and lasting decarbonization in line with our carbon pledge.

Be efficient with resources

by behaving responsibly and making the most of digital technology to preserve our planet.

Live up to our principles of trust

by upholding ourselves and all around us to high social, governance, and ethical standards.

Create equal opportunities

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

Harness the power of all generations

by fostering learning, upskilling, and development for each generation, paving the way for the next.

Empower local communities

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

Schneider Sustainability Impact

Progress against our six commitments for 2021 – 2025 are tracked through quantitative performance indicators, under two complementary tools: the Schneider Sustainability Impact (SSI) and the new Schneider Sustainability Essentials (SSE).

The SSI is the translation of our six long-term commitments into a selection of 11 highly transformative and innovative programs. The programs are tracked and published quarterly, as well as audited annually. To instill a culture of sustainability, the SSI performance is embedded in the short-term incentive plans for the managers and leaders of the Group. A notable addition to the SSI in 2021 is the local commitment, aiming to deploy meaningful local actions in the 100+ markets where the Group operates.

The SSE is a new tool created to maintain a high level of engagement and transparency for 25 other long-lasting programs, such as our promise to pay all our employees above the living wage.

Our unique transformation tool

1. **Focused**
   on material issues
2. **Disrupting**
   the *status quo*
3. **Transparent**
   quarterly disclosure
4. **Robust**
   assured by an independent third party
5. **Rewarding**
   employees for performance

2021 – 2025
SCHNEIDER
SUSTAINABILITY
IMPACT

2030 PLEDGE

For our Ecosystem

Climate

Carbon pledge towards net-zero CO_2 emissions
In our operations by 2030
In our value chain by 2050

Biodiversity

Pledge to be efficient with resources with no net biodiversity loss in our operations by 2030

Access to Energy

Provide access to green electricity to 100 million people by 2030

An introduction by Chief Strategy & Sustainability Officer, Olivier Blum

World's Most Sustainable Corporation in 2021

For well over a decade, sustainability has been at the heart of what Schneider does. Still, 2021 was a standout year, in several respects.

In January, our continuous efforts to address climate change and social inequality received the highest profile of external recognitions when the Canadian media and research company Corporate Knights ranked us the World's Most Sustainable Corporation. This, along with numerous other ESG recognitions in 2021, is testimony to the valuable, long-term positive impact we have.

Throughout the year, the need to address climate change and social inequality hit headlines seemingly every day. In November, governments and businesses made important commitments at the COP26 climate change conference, though talk must now translate into rapid, bold and comprehensive action if we're to prevent a potentially catastrophic rise in global temperatures.

We share the responsibility to act with governments and other institutions, and we believe that private-sector corporates like Schneider play a crucial role in leading the transition to a cleaner, more inclusive world.

Paving the way as an Impact Company

As an Impact company, we're determined to keep intensifying our meaningful and lasting impact across all dimensions of ESG (environmental, social, corporate governance and ethics), from employees to supply chain partners, customers, as well as local communities and institutions at local and global levels. By weaving sustainability and societal impact into all facets of our business, we create long-term value for all stakeholders and deliver profitable growth.

During the course of the year, we moved forward with our 2021-2025 Schneider Sustainability Impact (SSI) targets. These are aligned to both our six long-term commitments related to climate, resources, equal opportunities, trust, all generations, and local communities, and to the United Nations' Sustainable Development Goals. This latest program reinforces our ESG commitments through 11 global targets, plus a new local target to empower our country organizations to address their specific challenges and opportunities. The progress we make on these SSI targets is a true indicator of our company's transformation, both globally and on the ground.

Our achievements to fight climate change and social inequality

In the first quarter of 2021, we kicked off a new initiative to help 1,000 of our top suppliers reduce their carbon emissions by 50% by 2025. With our supply chain community, we're working to evaluate, strategize and implement decarbonization actions suited to each supplier's specific maturity and scope. Furthermore, we've raised our ambitions when it comes to the environmental and social responsibility of our supply chain: we are well on our way to using more sustainable resources and materials in our products and packaging, and we audit our suppliers to ensure they comply with the highest ethical work standards and best practices.

As ever, we're committed to helping resolve social problems, and to promoting equal opportunities for all our employees. We live in a world for instance where 800 million people don't have access to energy, which is why we develop and deliver adapted solutions that supply clean, safe and reliable energy, hereby unlocking education and economic opportunity, and a better quality of life.

We also continue to prioritize learning, development and upskilling not only for Schneider's multi-generational workforce, but also through the work of the Schneider Electric Foundation in supporting local NGOs that run vocational training programs for young people. In 2021, we reached an impressive milestone in this field, with 300,000 people trained in energy management since we launched the program in 2009.

And no less importantly, we seek to build trust with our stakeholders, living up to the highest standards of corporate governance, through initiatives that monitor and educate teams on ethics, cybersecurity, safety, and quality. Our 2021 Trust Charter, the evolution of our Principles of Responsibility, sets out the expectations of how we work at Schneider, and equips our teams to confront any unethical behavior they might encounter.

These are just some highlights of 2021. Looking ahead, as a leading Impact Company in 2022, we're committed to doing even more, even faster.

1 Sustainability at the heart of our strategy

In this section

2021 Recognitions

Most Sustainable Corporations in the World 2021 GLOBAL 100

PLATINUM 2022 ecovadis Sustainability Rating

CDP A LIST 2021 CLIMATE

2021 WORLD'S MOST ETHICAL COMPANIES® WWW.ETHISPHERE.COM 10-TIME HONOREE ™

FT LEADER IN DIVERSITY 2021

GSSC 2021 GLOBAL SUSTAINABLE SUPPLY CHAIN SUMMIT

Bloomberg Gender-Equality Index 2021

EURONEXT

V.E VIGEO.EIRIS INDICES WORLD120

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

2021 Highlights

#1

World's Most Sustainable Corporation in 2021 by Corporate Knights

3.92/10

Schneider Sustainability Impact score, outperforming 2021 3.75/10 target

347M

Tonnes of saved and avoided CO_2 emissions for our customers since 2018

+4M

People have access to green electricity in 2021

71%

Highest Employee Engagement Index of all time

1,000+

Suppliers committed to the Zero Carbon Project

1.1 Our strategic vision towards long-term positive impact

1.1.1 A holistic and strategic vision of sustainability

"Sustainability" is about creating system value. It encompasses continuous improvement of environmental, social, and ethical dimensions across an organizations entire value chain and stakeholders.

Schneider Electric's short-term roadmap (3 – 5 years) is built on a consultation process involving external and internal stakeholders, called a materiality assessment, as well as dedicated internal governance mechanisms involving the Strategy & Sustainability team, employees, experts in the Group, the Executive Committee, and the Board of Directors, under the leadership of the Chief Strategy & Sustainability Officer.

In the medium (5 – 10 years) and long term (10 – 30 years), Schneider Electric aligns its strategy on key issues under the United Nations Sustainable Development Goals (SDGs) and global climate scenarios in coherence with its business model and global footprint.

This holistic approach to sustainability allows the Group to greatly mitigate risks and also brings tangible value added through a greater attractivity to customers, new talents, and investors, while boosting innovation.

The numerous awards received each year (e.g., #1 Most Sustainable Corporation, Financial Times top 50 Diversity Leaders, Gartner Supply Chain Top 25, etc.) and the Group's leadership in the main ESG indices (e.g., Dow Jones Sustainability World Index, Euronext Vigeo Eiris World 120, etc.), confirms that Schneider Electric is headed in the right direction.

1.1.2 A unique position to fight climate change and social inequality

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. These solutions balance the need to reduce the planet's carbon footprint with the inalienable human right to quality energy and access to digital.

In fact, Schneider Electric is uniquely positioned among the 1,000+ companies taking action for climate change because it acts on both sides of the same equation:

- The solutions Schneider Electric brings to the market are directly linked to activities to mitigate, adapt, and improve humanity's resilience to climate change;
- At the same time, Schneider Electric acts to reduce its end-to-end CO_2 footprint, aiming for a net-zero CO_2 supply chain by 2050, with precise steps for 2025, 2030, and 2040.

This positive contribution is measured as Impact revenues, which represent 71% of the Group's total revenues in 2021. 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. On this journey for a better planet, the Group is convinced that no one should be left behind, and businesses should operate a just transition.

1.1.3 A commitment to the United Nations Sustainable Development Goals

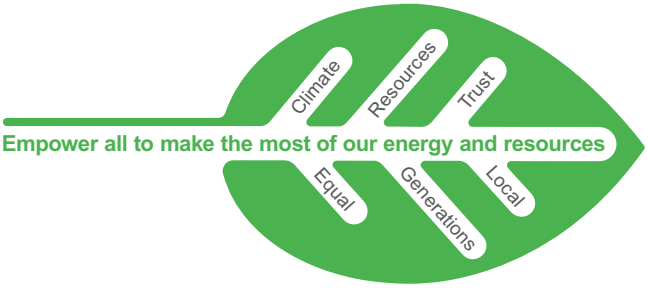
Schneider Electric is committed to taking urgent action to co-create a brighter future aligned with the United Nations Sustainable Development Goals (SDGs), consisting of 17 objectives and measuring its impact with transparency. The SDGs are about protecting the planet, alleviating poverty, and achieving worldwide peace and justice. By tracking its sustainability performance and publishing quarterly results, Schneider Electric uphold its commitments to the SDGs and industry leadership in corporate social responsibility.

The Group's sustainability roadmap

2021-2025

Progress on our Climate Pledge to reach carbon neutrality in the Group's operations.

Reach the 11 global, and one local, objectives of the Schneider Sustainability Impact (SSI) 2021 – 2025, as well as the 25 objectives of the Schneider Sustainability Essentials (SSE) under our six long term commitments (climate, equal, resources, generations, trust, and local).



1.2 The Schneider Sustainability Impact, a unique transformation tool

1.2.1 A continuous improvement process anchored in our practice since 2005

To demonstrate significant impacts and initiate lasting change, performance must be measured, in a relevant manner for a company and its stakeholders. That is why Schneider Electric defines specific Group 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). Schneider uses this tool to address its sustainability challenges and to improve each of the pillars of its strategy identified through its materiality matrix. The SSI uses a scoring scale of 10 and provides an overall measure of the Group's progress. The tool also enables Schneider to anticipate and effectively manage its risks and opportunities by mobilizing key stakeholders around specific, measured objectives and reliable results. The SSI's performance and monitoring systems are audited annually by an external auditor (limited assurance). Each SSI seeks to:

- **Mobilize** the whole Company around holistic sustainability goals impacting its ecosystem;
- **Share** the Group's improvement plans with stakeholders;
- Create **system value**.

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

1.2.2 Two complementary sustainability performance dashboards to progress between 2021 and 2025

In 2020, Schneider Electric defined six new objectives for the 2021-2025 period:

1. **Act for a climate positive world,** by continuously investing in and developing innovative solutions that deliver immediate and lasting decarbonization in line with our carbon pledge.
2. **Be efficient with resources,** by behaving responsibly and making the most of digital technology to preserve our planet.
3. **Live up to our principles of Trust,** by upholding ourselves and all around us to high social, governance, and ethical standards.
4. **Create equal opportunities,** by ensuring all employees are uniquely valued and work in an inclusive environment to develop and contribute their best.
5. **Harness the power of all generations,** by fostering learning, upskilling, and development for each generation, paving the way for the next.
6. **Empower local communities,** by promoting local initiatives and enabling individuals and partners to make sustainability a reality for all.

The execution of the Group's 2021 – 2025 sustainability strategy is tracked through quantitative key performance indicators (KPIs), under two complementary tools: the SSI and the new Schneider Sustainability Essentials (SSE).

The SSI is the translation of our six long-term commitments into a selection of 11 highly transformative and innovative programs. The programs will be tracked and published quarterly, audited annually, and linked to short-term incentive plans for more than 64,000 employees. A notable addition to the SSI in 2021 is the local aspect, aiming to deploy local actions in the 100+ markets where the Group operates in order to better empower all leaders and collaborators to unlock meaningful local impacts.

The SSE has been created to maintain a high level of commitment and transparency in the actions taken by the Group. This new tool brings balance between the innovative transformation plans of the SSI and the need to keep progressing on other long-lasting programs. In this spirit of continuous improvement, and in a holistic vision of sustainability, the SSE will track annual progress with 25 quantitative KPIs, and some additional qualitative programs.

Collectively, the SSI 11 Global Impacts and its Local Impact, as well as the 25 SSE programs, are the Group's short-term sustainability roadmap and our contribution to the 17 United Nations SDGs. More details on our contributions to each SDG are available online.

1.2.3 A vision beyond 2025 for climate, biodiversity, and access to energy

Climate change, biodiversity loss, rising inequalities, all those issues have long-term consequences and cannot be addressed with a short-term mindset only: solving these issues requires a combination of a long-term vision and concrete short-term action. The Group's meaningful purpose and its 2021-2025 SSI fit with Schneider's longer-term 2050 vision for a fair and decarbonized world, and key steps along the way in 2030 and 2040 that are presented below.

2030

SUSTAINABLE DEVELOPMENT GOALS

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

2040

Become carbon neutral on full end-to-end footprint by 2040 (full Scopes 1, 2, and 3), 10 years ahead of 1.5°C climate trajectory. This means that all Schneider Electric products will be carbon neutral by 2040 (using quality offsets)

2050

Engage with suppliers towards a net-zero CO_2 supply chain

1 Sustainability at the heart of our strategy

SCHNEIDER SUSTAINABILITY IMPACT

3.92/10

Schneider Sustainability Impact score in 2021(1), outperforming 3.75/10 target for the year

Schneider Sustainability Impact

Long-term commitments aligned to UN SDGs	2021-2025 programs		Baseline(2)	2021 progress(3)	2025 Target
Climate	1.	Grow our Schneider Impact revenues(4)	70%	71%	80%
	2.	Help our customers save and avoid millions of tonnes of CO_2 emissions	263M	347M	800M
	3.	Reduce CO_2 emissions from top 1,000 suppliers' operation	0%	1%	50%
Resources	4.	Increase green material content in our products	7%	11%	50%
	5.	Primary and secondary packaging free from single-use plastic, using recycled cardboard	13%	21%	100%
Trust	6.	Strategic suppliers who provide decent work to their employees(1)	--	In progress	100%
	7.	Level of confidence of our employees to report unethical conduct(1)	81%	+0pts	+10pts
Equal	8.	Increase gender diversity in hiring (50%), front-line management (40%) and leadership teams (30%)	41/25/24	41/27/26	50/40/30
	9.	Provide access to green electricity to 50 million people	30M	+4.2M	50M
Generations	10.	Double hiring opportunities for interns, apprentices and fresh graduates	4,939	x1.25	x2
	11.	Train people in energy management	281,737	328,359	1M
Local	+1.	Country and Zone Presidents with local commitments that impact their communities	0%	100%	100%

(1) The Schneider Sustainability Impact (SSI) provides an overall measure of the Group's progress on its sustainability goals on a scoring scale of 10. This is achieved by converting each KPI's performance on a 10-point scale, considering that base year performance receives a 3/10 score and the 2025 objective translates to a 10/10 score. For each KPI, the relevant score is obtained by linear interpolation and rounded down to the second decimal. The overall score of the tool is the average of each KPI's score with equal weight excluding the local commitment (SSI #+1). As an exception, in 2021, two other KPIs are excluded: SSI #6, as the program is still in development, and SSI #7, because 2021 is the baseline year.

(2) Generally, the 2020 performance serves as a baseline for SSI programs, except for two programs measured against a 2019 baseline to mitigate COVID-19 impacts (SSI #1 Impact revenues and SSI #10 opportunities for the next generation).

(3) Each year, Schneider Electric obtains a "limited" level of assurance on methodology and progress from an independent third party verifier for all of the SSI indicators (except for SSI #6, SSI #7 and SSI #+1), in accordance with ISAE 3000 assurance standard (for more information, please refer to the Universal Registration Document). The 2021 performance is also discussed in more details in each section of this report.

(4) For the reporting requirements under the European Taxonomy Regulation, please refer to page 12 and page 160.

Schneider Sustainability Essentials

Long-term commitments aligned to UN SDGs		2021-2025 programs	Baseline[1]	2021 progress[2]	2025 Target
Climate	1.	Decarbonize our operations with Zero-CO_2 sites	30	51	150
	2.	Substitute relevant offers with SF_6-Free medium voltage technologies	0%	38%	100%
	3.	Source electricity from renewables	80%	82%	90%
	4.	Improve CO_2 efficiency in transportation	0%	-1%	15%
Resources	5.	Improve energy efficiency in our sites	0%	6.6%	15%
	6.	Grow our product revenues covered with Green Premium™	77%	78%	80%
	7.	Switch our corporate vehicle fleet to electric vehicles	1%	7.7%	33%
	8.	Deploy local biodiversity conservation and restoration programs in our sites	0%	0%	100%
	9.	Give a second life to waste in 'Waste-to-Resource' sites	120	126	200
	10.	Avoid primary resource consumption through 'take-back at end-of-use' since 2017 (metric tons)	157,588	203,881	420,000
	11.	Deploy a water conservation strategy and action plan for sites in water-stressed areas	0%	9%	100%
Trust	12.	Deploy a 'Social Excellence' program through multiple tiers of suppliers[3]	--	In progress	--
	13.	Train our employees on Cybersecurity and Ethics every year	90%	96%	100%
	14.	Decrease the Medical Incident rate	0.79	0.65	0.38
	15.	Reduce scrap from safety units recalled	4,202	4,024	2,101
	16.	Be in the top 25% in external ratings for Cybersecurity performance	Top 25%	Top 25%	Top 25%
	17.	Assess our suppliers under our 'Vigilance Program'	374	1,203	4,000
Equal	18.	Reduce pay gap for both females and males	F: -1.73% M: 1.00%	-1.61% 1.11%	<1%
	19.	Increase subscription in our yearly Worldwide Employee Share Ownership Plan (WESOP)	53%	61%	60%
	20.	Pay our employees at least a living wage[4]	99%	100%	100%
	21.	Multiply the number of employee-driven development interactions on the Open Talent Market	5,019	x2.1	x4
Generations	22.	Support the digital upskilling of our employees	41%	74%	90%
	23.	Provide access to meaningful career development programs for employees during later stages of their career	--	In progress	90%
	24.	Increase our employee engagement level	69%	71%	75%
Local	25.	Increase the number of volunteering days since 2017	18,469	27,981	50,000

(1) Generally, the 2020 performance serves as a baseline for Schneider Sustainability Essentials (SSE) programs, except for SSE #5, SSE #14 and SSE #20 measured against a 2019 baseline to mitigate COVID-19 impacts.
(2) Each year, Schneider Electric obtains a "limited" level of assurance on methodology and progress from an independent third party verifier for all of the SSE indicators (except SSE #12 and SSE #23), in accordance with ISAE 3000 assurance standard (for more information, please refer to the Universal Registration Document). The 2021 performance is also discussed in more details in each section of this report.
(3) SSE #12 'Social Excellence' program currently under development and will be deployed in 2023.
(4) As of 31st December 2021, 99.99% of eligible employees, i.e. all Schneider employees treated as permanent workforce, were paid the living wage. The few remaining gaps were closed early 2022 so that all in scope Schneider Electric employees are now paid the living wage. The final KPI result for 2021 was rounded to 100%.

1.2.4 Process to select and deploy our commitments

1.2.4.1 Sustainability Strategy setting process

Plan (1 year)

1. Definition of Strategic Pillars
   - Internal & External stakeholder consultation (Materiality Analysis)
   - SSI Steering Committee Workshops
2. Definition of key performance indicators
   - 1-to-1 workshops with Sustainability SVP
   - Iterative KPI drafting and benchmarking
3. Program validation
   - Group Sustainability Committee
   - The Board of Directors, on the recommendation of the Human Resources & CSR Committee

Deploy (3 to 5 years)

- SSI Pilots provide quarterly performance updates
- The Sustainability Team coordinates quarterly publications, the annual audit and reporting in voluntary and regulatory publications
- The Group Sustainability Committee evaluates progress and decides corrective actions
- The Board of Directors, on the recommendation of the Human Resources & CSR Committee, oversees progress and approves Reward plans

1.2.4.2 Program planification

Analysis of material challenges

Every three to five years, the Group defines a new SSI 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 taken into account via the Group's materiality matrix, meetings with SRI investors, and the questionnaires from rating agencies or from customers, which all shed light on our strategic points of differentiation and on salient societal concerns.

Definition of disruptive programs

For each target and indicator, and this is a critical point for the operational implementation of each SSI, the ambition is defined in consultation with the departments concerned.

In 2020, a specific SSI Steering Committee was created, with about 50 members: representants of each Executive Committee member, each geography, function, and business unit. Three all-hands workshops took place, and the sustainability team organized individual follow up interviews with each member to define precise and measurable programs.

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 SSI 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.

Governance and validation of the SSI

The Sustainability department presents a draft version of the new SSI to the Human Resources & CSR Committee Committee, which reports on its work to the Board of Directors, and to the Group Sustainability Committee for validation. This latter Committee includes six members of the Executive Committee: the Chief Strategy and Sustainability Officer; Chief Human Resources Officer; Chief Global Supply Chain Officer; Chief Marketing Officer; Chief Governance Officer & Secretary General; and Chief Financial Officer. The new barometer is then approved by the Chairman & CEO.

1.2.4.3 Program deployment

Transparent quarterly and annual disclosure

Quarterly results are supervised by the Group Sustainability Committee, which makes decisions on any corrective actions that may be necessary to reach objectives. This Committee meets quarterly. The Human Resources & CSR Committee within the Board of Directors conducts an annual review of the Group's Sustainability Policy, analyzing, in particular, the performance of the SSI.

Extra-financial annual results are presented together with financial results by Jean-Pascal Tricoire, Chairman & 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 the Chief Finance Officer.

Annual external verification

Each year, Schneider Electric obtains a "limited" level of assurance from an independent third party verifier for all of the SSI and SSE indicators, in accordance with ISAE 3000 assurance standard (see Independent verifier's report on page 168).

Rewarding employees for performance

Since 2011, the SSI score is included in the variable compensation of global functions and Company leaders. 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. From 2019, the weight of the SSI criteria has increased from 6% to 20% in the collective part of the annual short-term incentive highlighting further the importance of sustainability on Schneider Electric's business agenda. Further details are provided in section "Compensation and benefits" on page 126.

In 2021, the SSI performance impacts short-term incentive plans for 64,000 managers (20% of collective share).

Active communication of sustainability performance

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

- Quarterly conference calls on the Group's financial and extra-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);
- Communications with the Board of Directors via its Human Resources & CSR Committee and the Executive Committee;
- The Group's annual reports (Universal 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.

Overview of the five barometers since 2005, and example achievements

2005-2008	2009-2011	2012-2014	2015-2017	2018-2020	2021-2025
Number of KPIs					
10 KPIs in program	**13** KPIs in program	**14** KPIs in program	**16** KPIs in program	**21** KPIs in program	**11+1** KPIs in program
Score out of 10					
8/10 2008 overall performance	**9.38/10** 2011 overall performance	**9.52/10** 2014 overall performance	**9.58/10** 2017 overall performance	**9.32/10** 2020 overall performance	**3.92/10** 2021 overall performance
Highlights					
-20% Number of lost days from work accidents per employee per year **>120** Products with an environmental profile	**1,291,768** Households at the Base of the Pyramid got access to energy thanks to Schneider Electric solutions **70.4%** of employees worked on ISO 14001 certified sites	**460** Missions with the "Schneider Electric Teachers" NGO **16%** CO_2 savings on transportation	**98.4%** of our entities passed our internal Ethics & Responsibility assessment **100%** of products in R&D designed with Schneider EcoDesign Way™	**9** Indicators with increased objectives in 2019 **100%** of employees are working in countries that have fully deployed our Family Leave Policy	**New tool** Schneider Sustainability Essentials with 25 objectives **Local** dimension with 200 commitments taken by Zone and Country Presidents

1.3 Measuring our contribution to a more sustainable world

Schneider Electric has been an early adopter of transparent disclosures on sustainable revenues, and created its own methodology of "Impact revenues"(1) in 2019, covering offers that bring environmental efficiency to its customers, while not generating any significant harmful impact to the environment, and excluding revenues from carbon intensive segments. Recently, the European Union (EU) has shown international leadership by being the first to develop a Regulation and Taxonomy aiming at driving investments towards environmentally sustainable activities, which the Group applauds. Both methodologies are somewhat aligned but currently differ in the scope of eligible activities, and in end-segments exclusions. The Group is supportive of a better alignment over the next years to provide its multinational stakeholders with standardized metrics and empower them to shape a more sustainable future for all.

1.3.1 A purpose-led, Impact Company

Schneider Electric's purpose is to empower all to make the most of our energy and resources, bridging progress and sustainability for all. The Group's differentiation lies in its complementary actions to demonstrate outstanding environmental, social, and ethical performance, and to support its customers in their Net-zero CO_2 journey. Schneider is the digital partner of its customers for sustainability and efficiency.

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. Those active energy efficiency solutions - which consist of optimizing the entire energy cycle using energy control products, systems, services, and software – help mitigate, adapt, and improve humanity's resilience to climate change.

Schneider Electric quantifies this climate impact as part of Schneider Sustainability Impact (SSI) and is committed to help its customers save and avoid 800 million tonnes of CO_2 by 2025 (cumulated since 2018). As of end 2021, the Group delivered 347 million tonnes of CO_2e of this commitment. The methodology and results of this indicator are audited every year as part of the extra-financial audit.

1.3.2 Early-adopter of transparent disclosures on sustainable revenues

For more than fifteen years, Schneider Electric has led by example and transparently presented its sustainability performance to its stakeholders, across all environmental, social and governance topics and tried to develop new market practices, such as its saved and avoided CO_2 methodology or biodiversity footprint.

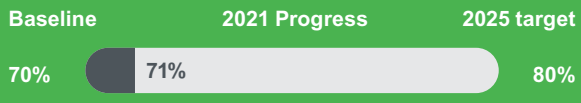
In 2019, the Group was one of the first companies to proactively disclose information on the share of its revenue coming from offers that bring energy, climate, or resource efficiency to its customers, while not generating any significant harmful impact to the environment. Originally called "Green Revenues" to match market standards, such sales were renamed "Schneider Impact revenues"(1) to avoid any confusion with the new European Taxonomy coming into force. In 2021, the Group took a step further by committing that Schneider Impact revenues reach 80% of Group sales by 2025 as part of its SSI. It is worth noting that each year the performance of the SSI impacts short-term incentive plans for 64,000 employees.

Climate

SSI #1

Grow our Schneider Impact revenues to 80%

The Group supported the Hong Kong University of Science and Technology (HKUST) as part of its plan to deploy an integrated data center solution to provide effective operation and management, ensuring high reliability and 24/7 availability, as well as full visibility for day-to-day monitoring of all systems and processes. Schneider proposed EcoStruxure™ for Data Center, an open, interoperable, IoT-enabled system architecture and platform. It leverages advancements in IoT, mobility, sensing, cloud and big data analytics technologies to bring unprecedented insight into data center operations through our connected products, edge control, apps, analytics and services. As a result, HKUST achieve significant energy saving and their power usage effectiveness (PUE) rating more than doubled.



Schneider Impact revenues can be split into four categories:

1. **Energy efficiency architectures** bringing energy and/or resource efficiency to customers.
2. **Grid reinforcement and smart grid architectures** contributing to electrification and decarbonization.
3. **Products with differentiating green performance**, flagged thanks to our Green Premium™ program.
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).

Additionally, revenues derived from activities with fossil sectors and others are systematically excluded, including Oil & Gas, coal mining, and fossil-power generation, in line with prevailing corporate responsibility reporting and sustainable finance practices, 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 SF_6 from offers by 2025, SF_6-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.

(1) Schneider Impact revenues are calculated using Schneider's own consistent methodology and are distinct from turnover eligible under the EU Taxonomy

Based on our assessment, which covers 100% of Schneider consolidated sales, the total share of Schneider Impact revenues is 71% in 2021 versus 70% in 2019.

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% qualifying as impact innovation under Schneider's definition, or neutral. This concerns every innovation contributing to a decarbonized world, for instance energy and process efficiency, resource optimization, SF_6-free projects, or Green Premium™ offers. The methodology to calculate this figure is similar to the Schneider Impact Revenue methodology and should not be confused with OpEx and CapEx eligible under the EU Taxonomy.

1.3.3 New reporting requirements under the European Taxonomy Regulation

The adoption of the Taxonomy Regulation (Regulation (EU) 2020/852) in 2020 establishes a European Union-wide classification system to identify economic activities that are considered as environmentally sustainable as part of the European Union's long-term plan to connect finance with its sustainability goals. Dedicated Delegated Acts (DA) specify (or will specify), for each of the six environmental objectives identified, which activities are likely to make a substantial contribution to an objective (eligibility).

Environmental objectives with published DA (covered in this eligibility assessment and subject to evolutions):
1. Climate change mitigation
2. Climate change adaptation

Environmental objectives for which DA are not published yet:
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

Pursuant to Article 8 of the regulation and the delegated regulation published on 6 July 2021, the proportion of turnover, Capital (CapEx) and Operational Expenditure (OpEx) resulting from products or services associated with economic activities considered sustainable is due to be reported progressively over the fiscal years 2021 to 2023. In FY 2021, large undertakings are required to disclose those three KPIs for activities eligible to climate objectives according to the EU Climate Delegated Act already published.

Eligible activities then need to be subjected to a series of screening tests, to determine if they are Taxonomy-aligned and can be reported as such, meaning that corporates will have to demonstrate that the eligible activities do not significantly harm any of the other five objectives ("Does Not Significantly Harm", DNSH criteria), and comply with minimum social safeguards (e.g. OECD, United Nations).

1.3.4 Gradual inclusion of economic activities to the EU Taxonomy

In this report we focus on eligibility according to the current EU Climate DA published. Full reporting on eligibility and alignment for all six objectives is expected in 2024 (FY 2023).

Nature of Schneider Electric's main taxonomy-eligible economic activities under current Climate DA

Energy efficiency in buildings	Low CO_2 mobility end segment	Renewables end segment	Transmission and distribution of electricity	Services related to energy performance of buildings
Energy efficient building automation and control systems Smart monitoring and regulation of heating systems Zoned thermostats and devices for the smart monitoring of electricity loads or heat loads	Electric vehicles charging stations and supporting grid reinforcement technologies Electrical infrastructure for urban and suburban public transport Port infrastructure for shore-side electrical power to vessels at berth and electrification and efficiency of ports' operations	Manufacture of renewable energy technologies, equipping wind and solar power generation capacities	Equipment and projects for the construction of transmission and distribution infrastructure Communication and control technologies for the controllability and observability of the electricity system, such as advanced automation software	Technical consultations such as energy audits, simulations and trainings Energy management services Energy performance contracts

Proportion of Taxonomy-eligible economic activities in the Group's total turnover, capital (CapEx) and operational expenditure (OpEx)

28% of turnover | 27% of CapEx | 23% OpEx

Importantly, the phased application of reporting requirements, as well as the evolving nature of the regulatory framework means that the KPIs disclosed in this report may evolve as the regulation and its reporting requirements do. A complementary DA defining additional eligible activities for the climate change mitigation objective is also under public consultation at the time of writing, and DAs for the remaining four environmental objectives are expected in 2022. This means that more Schneider activities could be included in the EU Taxonomy reference framework gradually.

For instance this may concern Schneider's offers related to grid reinforcement and smart grid architectures contributing to electrification and decarbonization, products with differentiating green performance (flagged thanks to our Green Premium™ program) or services that bring benefits for circularity and energy efficiency. Another example is the Group's industrial automation activities, which can have significant environmental benefits.

1.3.5 Schneider Electric's support to the EU Taxonomy

Schneider Electric has experienced both the value and the challenges of conducting a mapping of green business activities early on. The Group therefore welcomes the European Commission's work to define a common classification system for sustainable economic activities and believes that the taxonomy can bring greater transparency and reporting alignment among non-financial undertakings.

The Group is willing to share its experience in the measurement of revenues contributing to a sustainable world and work collaboratively and constructively with relevant stakeholders to advance the transition to a sustainable and low-carbon economy. In particular, Group experts are contributing to the Platform on Sustainable Finance, an expert group assisting the EU Commission in developing technical criteria.

1.3.6 Turnover derived from Taxonomy-eligible activities under the current EU Climate Delegated Act

Schneider Electric identified several business activities that are eligible according to the current EU Climate DA. We provide the list of those activities in our methodological note on page 160.

In 2021, the Taxonomy-eligible turnover amounts to 28%, representing EUR 8,032 million out of EUR 28,905 million total revenues. Non-eligible turnover therefore amounts to 72%.

This number is based on the first evaluation of the eligibility of Schneider Electric's activities using two combined approaches, including an offer-based approach (i.e. by nature of technology), whereby each line of business' products are reviewed against the definition of economic activities as defined in the EU Climate Delegated Acts, and an end-segment approach, whereby the amount of revenues generated from Taxonomy-eligible end-segments (Green Transport and Renewables mainly) for each product line is reviewed. Double-counting between offer-based approach and end-segment-based approaches are then removed before consolidation.

1.3.7 Capital (CapEx) and Operational Expenditure (OpEx)

In 2021, Taxonomy-eligible CapEx amounts to 27%, representing EUR 757 million out of EUR 2,764 million. Therefore, the Taxonomy-non-eligible CapEx amounts to 73%.

All costs based on IFRS 16 related to long-term leasing of buildings are considered eligible. CapEx related to assets or processes associated with Taxonomy-eligible activities, including Research & Development (R&D) CapEx, were calculated using allocation keys of eligible turnover per business and operations. In 2021, CapEx for eligible individual measures was not evaluated.

In 2021, Taxonomy-eligible OpEx amounts to 23%, representing EUR 291 million out of EUR 1,276 million total OpEx (R&D). Therefore, the Taxonomy non-eligible OpEx amounts to 77%.

Only non-capitalized costs related to R&D are reported. OpEx related to building renovation measures, short-term leases, maintenance and repair and other expenditures relating to the day-to-day servicing of assets represent less than EUR 116 million and are therefore considered as non-material for Schneider Electric business and excluded from the KPI calculation.

Read more on our EU Taxonomy assessment methodology **page 216** →

Spotlight on Sustainability Consulting

Schneider's sustainability consulting business brings together the full portfolio of Schneider Electric solutions to provide unparalleled, end-to-end support to our customers to achieve their net-zero, sustainable transformations, from formulating climate strategy to execution & deployment of sustainability offers.

For example, Schneider Electric is helping the VELUX Group, the world leader in roof windows and skylights, to develop a global program to successfully reduce their energy use and scale renewable capacity at each of the company's factories.

The project, which is designed to support VELUX Group in reaching its company carbon neutral goal by 2030 and accelerate its plan to be Lifetime Carbon Neutral, includes the energy assessment of all factory sites resulting in the development and implementation of Zero Carbon Action plans, support of its Energy Excellence program in accordance with ISO50001, improved energy efficiency, expansion of onsite renewable heating and electricity capacity to phase out fossil fuels, and implementation of a global monitoring system through Schneider Electric's EcoStruxure™ Resource Advisor to measure and analyze energy usage.

Spotlight on Building Management Systems (BMS)

Due to their high energy use and the carbon generated during their manufacturing and construction process, buildings account for nearly 40% of global greenhouse gas (GHG) emissions. Decarbonizing buildings and ensuring their efficient energy usage requires the implementation of smarter solutions and thereby helps combat climate change. Such activities are qualified as "Manufacture of energy efficiency equipment for buildings" (3.5) in the EU Climate DA.

Our EcoStruxure™ Building Operation solution is a scalable, open integration software platform at the heart of the building management system that facilitates control, monitoring, and management of building assets. It offers users a single pane of glass window for efficient monitoring and operations of building systems to enable improved building efficiency, asset utilization, uptime, and occupant comfort through integration of HVAC, electrical, lighting, security, fire, power, and other subsystems. By monitoring, controlling, organizing, and acting on disparate data from building assets to a single system through advanced connectivity and integration with heterogeneous building systems, our solution brings better visibility and decision-making processes, optimizes how and when energy is used, and enables proactive energy reduction.

For example, our solution for the Cinnamon Grand Colombo, Sri Lanka's largest hotel, helps save 4,000 metric tons of GHG emissions annually. Even though energy savings equipment had been previously installed, the operations staff was not able to identify specific areas where energy was being wasted. There was a need to gain visibility into the data to develop effective energy savings strategies. After conducting an initial energy audit, an upgrade of the hotel's existing BMS to Schneider Electric's EcoStruxure™ Building Operation solution was recommended. At the Cinnamon Grand Colombo, the EcoStruxure™ solution integrates the hotel's electrical and mechanical plants, which include building systems for air conditioning, exhaust, ventilation fans, pumps, steam and hot water boilers, energy meters, and high efficiency, magnetic bearing chillers from Smardt. The result provides efficient energy monitoring, management, and reporting that drives savings across the entire hotel.

Delivering environmental benefits through industrial automation

Schneider Electric works hand in hand with industrial enterprises to automate their operations, and in doing so, helps them reduce or eliminate carbon emissions and optimize their use of resources. From smart sensors and connected devices to advanced process controllers with software analytics on the top, industrial automation systems enable better monitoring, control, and optimization strategies to directly improve energy performance, and indirectly, improve maintenance to prevent an increase in energy use due to plant downtime and resulting startup and shutdown processes, as well as defective products. Advanced supervision also enables to mitigate environmental pollution risks. As such, they are major enablers to mitigate climate change, pollution prevention and support the deployment of a circular economy

Traditionally, industrial operators have been blamed for climate change, resource scarcity, and harm to the environment and the society around them. Today, industry contributes 32% of the world's CO_2 emissions. At the same time, many of the most energy intensive industries produce the essential building blocks for society and key components of our modern world. According to the BloombergNEF report, Digitalization: An Untapped Pathway to Sustainability, industrial digitization promotes decarbonization and circularity, reduces material waste, prolongs equipment lifetime, and enables better emissions monitoring. Schneider's teams have seen it firsthand with our industrial customers.

For example, Schneider Electric supported EastLink to improve the ventilation system of the EastLink freeway tunnels in Australia for better energy efficiency and a reduction in noise levels from the ventilation stacks:

- Auditing the energy usage of the tunnel system, Schneider identified areas where significant energy savings could be made. Since the opening of EastLink, the speed of airflows within the tunnels and stacks was controlled in a traditional way - by switching individual fans on and off at pre-programmed times of the day. When switched on, a fan always operated at full speed. This was inefficient, using more electricity than necessary and producing high operating noise levels. It was also causing unnecessary wear and tear on components.
- To address the energy usage and noise issues, Schneider worked with EastLink to upgrade ten large ventilation fans from fixed speed fully off / fully on operation to a much more efficient self-regulating or closed loop variable speed operation. An on demand ventilation system using Schneider Electric EcoStruxure™ architecture, Modicon M580 PACs, Altivar Process variable speed drives and an AVEVA Plant SCADA system was implemented to bring together automation, connectivity and software for real time control and visibility.
- The upgrade has reduced energy use by almost 70% and the carbon footprint reduction by 9,000 tonnes per annum. This is thanks to the use of the EcoStruxure™ for Industry solution with the variable speed drives, and the control algorithms in the M580 PAC which means the fans are only ever operating at the speed that is required at the time. This reduction in fan usage will also see an increase in the fan life because of the lower stresses applied to the drive motor and impeller. The upgrade with Schneider Electric has contributed to EastLink being awarded the top 5-star GRESB sustainability rating. GRESB has ranked EastLink number 1 private entity road company in the world, and number 5 of 280 infrastructure assets of all types around the world.

1.4 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.

1.4.1 Management Oversight

1.4.1.1 The Board of Directors

In 2013, the Board of Directors decided to extend the powers of the Governance & Remunerations Committee to corporate social responsibility (CSR) issues. Since 2014, there has been a specific committee for CSR, the Human Resources & CSR Committee. The Committee meets at the initiative of its Chairperson or at the request of the Chairman & CEO. The agenda is drawn up by the Chairperson. The Committee shall meet at least three times a year (five meetings in 2021). The Committee may seek advice from any person it feels will help it with its work.

Main responsibilities:
- Employee shareholding schemes and share allocation plans;
- Compensation of Group managers;
- Succession plan for key Group Executives;
- Human resources;
- CSR policy and results.

In 2021, the Human Resources & CSR Committee reviewed the Sustainability strategy.

1.4.1.2 The Group Sustainability Committee

Since 2010, the three members of the Executive Committee in charge of Human Resources, Global Supply Chain, and Strategy & Sustainability have met twice per year with the Sustainability SVP to monitor and steer the Group's action plans in this area. In 2016, the Global Marketing EVP, joined this Committee. In 2020, the Chief Governance Officer as well as the Chief Financial Officer also joined. The committee meets quarterly. In 2021, this committee met three times. The Committee may seek advice from any person it feels will help it with its work.

Main responsibilities:
- Decides the sustainability dynamic;
- Validates the Schneider Sustainability Impact;
- Monitors global sustainability performance and rankings;
- Reviews alignment with United Nations Sustainable Development Goals;
- Informs the Board Human Resources & CSR Committee.

1.4.1.3 The Stakeholder Committee

In order to reinforce its sustainability governance further with solid external insights, Schneider Electric has created a new Stakeholder Committee in 2021.

The Committee is composed of 8 external members, sharing the same passion for sustainability, and its mission is to oversee the delivery of long and short-term commitments undertaken by Schneider Electric in accordance with its Purpose and Sustainability strategy.

The company strives at ensuring diversity of the Stakeholder Committee members, in terms of ethnicity, gender and experience.

The Stakeholder Committee meets three times a year and is chaired by Jean-Pascal Tricoire, Chairman & CEO of Schneider Electric, and Olivier Blum, the Chief Strategy & Sustainability Officer of Schneider Electric, acts as its secretary.

1.4.2 Coordination and monitoring

1.4.2.1 The Group 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 of 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;
- Central point of contact for internal and external stakeholders regarding sustainability at Schneider Electric.

It is organized around four areas:

- Corporate Citizenship, specifically with the Schneider Electric Foundation as well as local economic and social development programs;
- Access to energy, with responsibility for the Access to Energy program;
- Environment, with responsibility for deploying Group climate and environmental policies, actions and strategies
- Group performance, in particular by steering the Schneider Sustainability Impact, the Extra-Financial Performance Declaration, the Schneider Sustainability Report, and the integrated report.

1.4.2.2 Territory Sustainability Leaders

In 2021 Schneider Electric took a commitment to empower local communities and asked its Country and Zone Presidents to take three local commitments that impact their communities under the 6 long-term commitments of the Group and adapted to the specific context in their countries, which resulted in 200 commitments taken worldwide. To manage these programs and to better answer the needs of Schneider's local stakeholders, a new model for sustainability governance in the company was created with a network of 40 Territory Sustainability Leaders. This new network will meet every two months and will work to further instill a culture of sustainability at every level of the company, to empower every employee to act, and to innovate with disruptive sustainability actions.

A Group Sustainable Communities Taskforce, chaired by the Executive Vice-President International Operations, and composed of representatives of each of Schneider's five operational regions and the Sustainability department, has met twice in 2021 to monitor the deployment of the local programs and the creation of the Territory Leaders network. The Taskforce will meet annually going forward to review progress and opportunity for global deployment of local initiatives.

Sustainability governance at Schneider Electric

Management oversight

Board of Directors Human Resources & CSR Committee	Executive Committee Group Sustainability Committee	Stakeholder Committee
• Approve the sustainability strategy and SSI • Approve LTIP and STIP for the Chairman & CEO	• Validate strategy and alignment with the United Nations SDGs • Challenge and monitor global sustainability performance and progress of initiatives	• Participate, challenge and oversee the execution of Schneider's Purpose, Sustainability strategy and delivery of long- and short-term commitments

Co-ordination and monitoring

Sustainability department and local sustainability leads

- Co-ordinates and monitors the sustainability strategy and performance
- Manage innovation projects
- Lead the relationships between internal and external stakeholders

Diffusion

360-degree ESG implementation	360-degree ESG vision	Network and expert committees
Businesses and corporate functions • Implement strategy and Company programs and policies • Execute sustainability objectives (SSI, variable compensation) • Support awareness • Innovate	**SSI Steering Committee** • Establish dialogue with the entire company to boost ambition, innovation and integrate all challenges • Co-develops new SSI programs • Representatives from Executive Committee, operational activities and central functions	**Schneider Electric has expert committees* on dedicated and material topics, in particular:** • Climate • Environment • Human rights • Governance • Ethics • Citizenship • Diversity & Inclusion

All employees — Sustainability Fellows network, Volunteers, Schneider Electric Foundation delegates

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

1.4.3 Diffusion

1.4.3.1 The Schneider Sustainability Impact Steering Committee

In 2020, a specific SSI Steering Committee was created, with about 50 members: representants of each Executive Committee member, each geography, function, and business unit. Three all-hands workshops took place, and the sustainability team organized individual follow up interviews with each member to define precise and measurable programs for the 2021 – 2025 SSI.

1.4.3.2 SSI and SSE pilots and sponsors

The execution of Schneider Sustainability Impact and Schneider Sustainability Essentials programs is ensured, for each program, by operational managers or "pilots", and SVP-level as well as Executive Committee level sponsors.

1.4.3.3 Other key organizations

Several other Committees and organizations drive progress on all pillars of the sustainability strategy, for instance:

- Global Supply Chain organization, with responsibilities including safety and the environment;
- Human Resources organization;
- The Ethics & Compliance organization.

1.4.4 Internal governance model

Internal policies create the backbone of an organization's compliance and security program. They ensure employees understand how to implement critical tasks and meet behavior expectations. Regulators have made clear the need for effective policy development and management programs. It is no longer enough to merely document the existence of policies and procedures.

Organizations must be able to demonstrate that employees know, understand and apply them. In other words, simply developing and publishing policies is no longer sufficient in the eyes of our stakeholders (NGOs, regulators, customers, financial partners, etc.). To that end, Schneider Electric has established a four tier form of documentation pyramid of norms, under the umbrella of its Code of Conduct called the Trust Charter, strengthened by policies, standards, procedures, and guidelines.

Policies consist of formal statements produced and supported by the leadership team, that state where the organization stands on important issues. Schneider has around 85 global policies. The Schneider Electric Global Policy Management Policy provides the rules to be followed for global policies.

Standards defined in these internal policies assign quantifiable measures and define acceptable level of quality. They aim to make a policy more meaningful and effective. Procedures establish the proper steps to take to operationalize a policy and/or standard. Finally, guidelines provide additional guidance with a set of recommendations to clarify expectations in relation to a given procedure.

Trust Charter

In 2021, Schneider Electric evolved its Principles of Responsibility to the Trust Charter, acting as its Code of Conduct and demonstrating its commitment to ethics, safety, sustainability, quality, and cybersecurity. It is an executive summary of our policies and a guide on how we work. It is available publicly on our website in 30 languages. Further details are provided on page 38.

Human rights & corporate citizenship

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 United Nations Guiding Principles on Business and Human Rights (see page 50).

Human resources and safety

The Group's Human Resources policies cover the following topics: diversity, equity and inclusion, health & well-being, safety, security and travel, employee engagement, family leave, anti-harassment, recruiting, international mobility, training, human capital development, talent identification, total remuneration, social benefits, and COVID-19. These apply to the Group and are accompanied by global processes.

Ethical business conduct

In addition to the Trust Charter, different policies bolster the Group's commitments in terms of business ethics and integrity. The Business Agents Policy 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 indicates the commitment to whistleblower protection. The Gifts & Hospitality Policy was approved by the Group's CEO in December 2015 and updated in 2021 before local deployment. It is supplemented by an anti-corruption Code of Conduct detailing related processes. Other policies cover social media management, competition law, conflict of interest, export control, etc.

Cybersecurity, data privacy and protection

With the acceleration of the digitalization, Schneider Electric developed many policies to reinforce its cybersecurity and respect personal data and privacy, such as IT asset management and usage, acceptable use of assets, general information security, data classification, global data privacy, user access management policy, email security policy, and many others. It is the pillar containing the most policies.

Climate and resources

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 and Environment policies. These policies apply to the Group and are accompanied by global action plans.

Responsible sourcing

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. In October 2021, Schneider renewed its Supplier Code of Conduct whereby it requires all its suppliers to review their own operations, take ambitious targets, and initiate bold actions in the areas mentioned in this Supplier Code of Conduct.

Strive for high quality

Schneider's priority is to delight its customers with an outstanding end-to-end experience. Quality is every customer's right and every employee's responsibility. Experience is the most important driver for customers, defining the business relationships they sustain with suppliers and partners. The Group's customers place trust in its resilient, highly personalized, multi-channel experience, and the superior quality of its products. To ensure this, the company acts with agility, discipline, and good business sense throughout the offer life cycle from creation to supply, manufacturing, delivery, when in operation and when being serviced. The Group has deployed a specific Quality Directive "Managing Customer Safety Risks" and a Quality Procedure "Offer Safety Review" to protect its customers. They are supported by a robust Quality Management System, which is improved continuously to fulfill expectations of all relevant parties. It is in full alignment with the Trust Charter as well as in compliance with ISO 9001 standard.

1.5 Open dialog with stakeholders

1.5.1 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 SSI every three years.

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 extra-financial information, meetings and plenary meetings Regular meetings with individual shareholders Quarterly newsletters to shareholders Response to extra-financial rating questionnaires Individual meetings with SRI analysts Response to SRI analyst questions	Finance, Secretary of the Board, Sustainability
Partners	Purchaser/supplier meetings Suppliers' day Supplier qualification process Awareness-raising about the United Nations Global Compact and ISO 26000 Participation in commissions and work groups on the sustainability of professional groups	Procurement, Environment, R&D, Businesses, Sustainability
Social	Yearly employee satisfaction survey Social dialog with employee representation bodies Sustainability Open lines	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	Commitment to and promotion of the United Nations 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

1.5.2 Materiality analysis

2020 methodology

In 2020, Schneider Electric built its third materiality matrix by questioning external stakeholders (e.g., customers, suppliers, international organizations, trade associations, experts, shareholders) and top and senior managers within the Group, including the Executive Committee. Nearly 200 stakeholders have been consulted in total (143 through an internal survey, 54 interviewed in person).

Participants were first asked what they felt were the key worldwide trends most likely to impact Schneider Electric in the future, before being asked to assess the significance of 31 issues according to a quantitative scoring scale. Then, participants were interviewed for qualitative evaluation and justification of the given scores. Participants were guided to prioritize the most transformative issues.

Issues were scored according to their importance as follows:

1 Medium or low importance
2 Important
3 Critical
4 Chosen in top three most critical topics

These surveys and interviews also enabled Schneider Electric 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 2017 materiality analysis. With the help of consulting firm Utopies, the aim is to ensure that Schneider Electric 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 2021-2025 Schneider Sustainability Impact and Schneider Sustainability Essentials, and to confirm the topics to be addressed in the registration document.

Key learnings

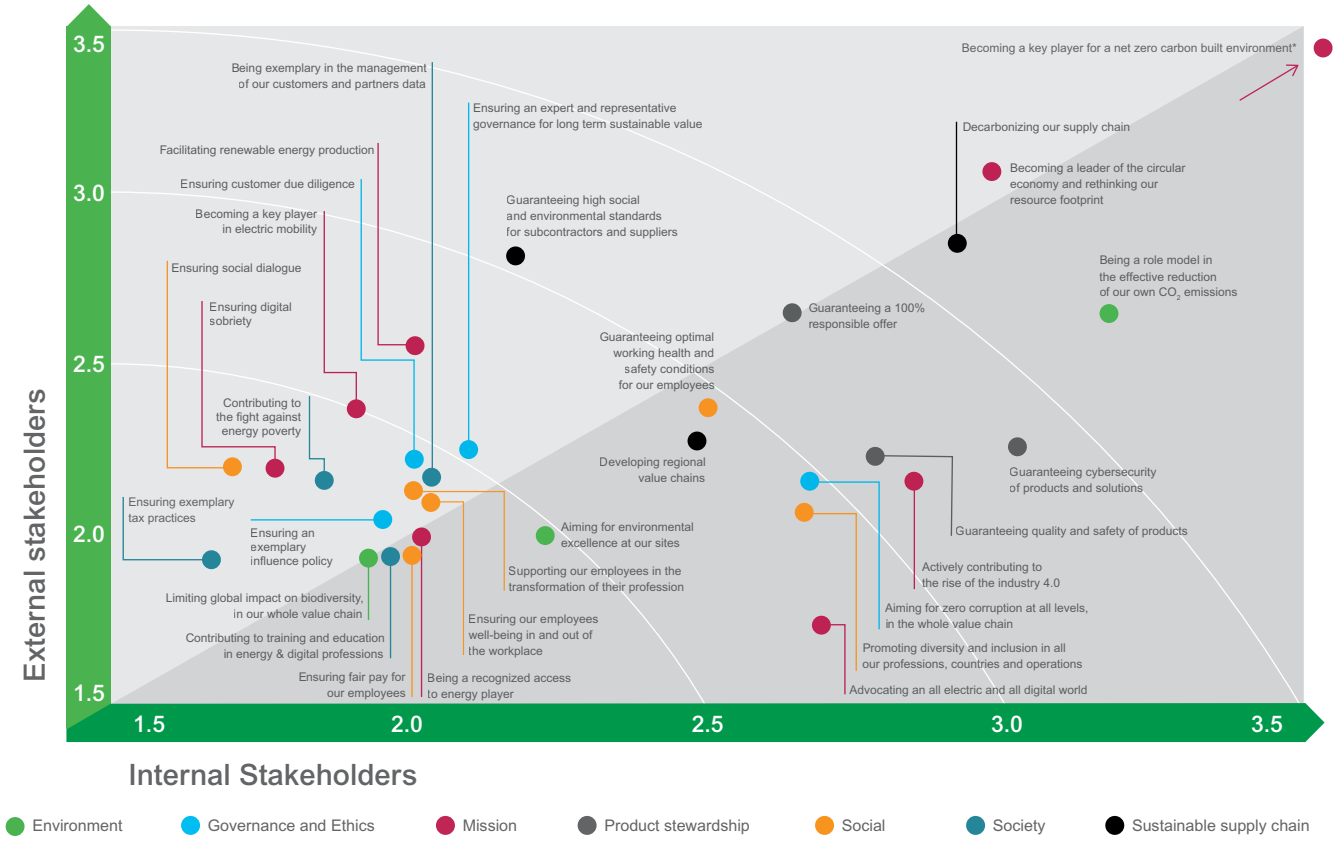
Overall, stakeholders point to growing instability – whether environmental, social, political, or economic. This creates uncertainties for businesses, which should work on building resilience:

- Climate is the main trend identified externally and internally. It includes the trend for energy transition and electrification, on which external stakeholders expect Schneider Electric to take the lead.
- Inclusion and the need for a just transition covering the Company's extended responsibility to its ecosystem, in particular in the supply chain, to ensure the low-carbon transition equally benefits all. Stakeholders also mentioned the growing expectations in providing ethical and sustainable products.
- Resilience, and the move towards more local supply chains, specifically post-COVID-19, can be a way to mitigate geopolitical uncertainty and a rise in protectionism.
- Ethics in digital: the growth of digitalization and the need for stronger ethics represents both an opportunity and a risk for Schneider Electric. This covers topics such as the power of data and the ethical use required, the opportunities and dangers of Artificial Intelligence (AI), as well as people's well-being, or job security in a transitioning world.
- Resource scarcity and circular economy showed very high expectations internally.

During the discussions, some elements were often mentioned:

1. The vision of the Group, endorsing the link between sustainability and digital, is complex and not always easy to understand for non-experts. Schneider Electric could be more pedagogic in its advocacy.
2. There are high expectations for Schneider to become a globally recognized leader for a decarbonized world, with its products and solutions, and in terms of thought leadership.
3. All 31 topics are deemed important, reinforcing our holistic vision of sustainability. Issues were prioritized based on three groups:
   - Licence to operate – fundamental "must have" topics such as product quality and safety, and cybersecurity.
   - Standard issues – topics which are on track, and on which Schneider Electric must remain mobilized (e.g., health and security, environmental excellence, corruption).
   - Key transformational topics – those which have the potential to transform markets and differentiate Schneider Electric from others (e.g., climate change engagement, circular economy, human engagement).
4. The SSI is a renowned and transformative program which is a source of pride internally, and recognition externally, but which needs a new lease of life: simplified, with increased internal buy-in and awareness.

Materiality matrix



Top four expectations

The materiality matrix above displays the results of the analysis, which can be summarized in four megatrends:

1
Leading climate action in our ecosystem with our partners.

2
Pioneering circular economy and being efficient with resources.

3
Ensuring a fair transition and guaranteeing high ethical, social, and environmental standards along more local value chains.

4
Leverage digital in cybersecure solutions to boost positive impact.

The 2021 registration document, Schneider Electric's commitments for the climate (see page 70), and the 2021-2025 Schneider Sustainability Impact cover all these priority challenges through Group policies, improvement plans, indicators, and short or long-term goals.

1.5.3 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 confirms its commitment to and participation in discussions on challenges related to climate change. In the following table we present Schneider's main memberships.

Topic	Commitment
Sustainable governance and cross-functional topics	**International**: World Business Council for Sustainable Development (WBCSD); United Nations Global Compact (Board); Business for Inclusive Growth coalition (B4IG); International Chamber of Commerce (ICC, Environmental and Energy commission); Business for Social Responsibility (BSR). **Europe**: International Business Europe; CEO Alliance; Energy Solutions; European Partnership for Energy and the Environment (EPEE); VDMA (network organization for the mechanical engineering industry in Germany and Europe). **France**: French trade association for electrical equipment, automation, and related services (Gimélec); French Study Center for Corporate Social Responsibility (ORSE, Board); *Entreprises pour l'Environnement* (EpE); French Association of Private Sector Companies (AFEP); French Business Confederation (MEDEF); French trade association for electronic, electric, and communication equipment (FIEEC); French Chamber of Commerce and Industry (CCI France, Environmental and Energy commission). **United States**: National Electrical Manufacturers Association (NEMA, Chair), National Association of Manufacturers (NAM, Executive Committee); Information Technology Industry Council (ITI). **United Kingdom**: BEAMA (UK trade association for manufacturers and providers of energy infrastructure technologies and systems).
Climate	**International**: Energy Transitions Commission (ETC); signatory of the United Nations Global Compact Business Ambition for 1.5°C Pledge; 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 Footprint Network. **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; IEC/ACSEC (Advisory Committee on Information security and data privacy), 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 cybersecurity organization (ECSO, convenorship of the group in charge of the standardization, 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). **National**: 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; CAPIEL/CECAPI (CAPIEL vice Chair; Impact of Digitization for Buildings; Smart buildings); Global Alliance for Building and Construction (GABC); Energy Solutions; CEO Alliance. **Europe**: European Alliance to Save Energy (Vice-chair); Energy Solutions; Solar Power Europe; Wind Europe. **France**: National Industry Council; National Energy Transition Council, Green Building Plan; Promodul, financing company for energy transition; Avere (Electric Vehicle Association, Board and Vice-Chair); 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.
Industry 4.0 and Smart Manufacturing	Industry 4.0 enables smart manufacturing with a wide offer of information and operational technologies as well as communication technology. The acceleration of digitization, software, and data in the industrial field is orchestrated by Industry 4.0 for more interoperability, efficiency, and value creation. **International**: OPC Foundation (Board, CTO); FDT Group (Board); FieldComm Group (FCG, Board); ECLASS (Board); AutomationML (Board); Open Process Automation Forum (OPAF); Industrial Digital Twin Association (IDTA, Chair); Digital Twin Consortia (DTC); Industrial Automation and Control Systems Security (ISA 99); Edge Computing Consortium (ECC); IEC TC65 (Industrial-process measurement, control, and automation, Secretary and chair of Sub-committees); ISO TC184 (Automation systems and integration, Chair); ISO/IEC JTC1 SC 41 (IIOT and Digital Twin); CEN/CENELEC ISO joint working group on CyberSecurity; ISO Smart Manufacturing Coordination Committee; IEC Smart Manufacturing System Committee, Universal Automation.Org (UAO, President of the Board) for distributed control and Orchestration. **National**: Industrie 4.0 (Germany); Alliance Industrie Du Futur (France); Piano Industria 4.0 (Italia), Smart Manufacturing (USA); International Coalition for Intelligent Manufacturing (China).

Topic	Commitment
Smart grids and sustainable cities	**International**: Grid Edge Executive Council (Greentech Media); OpenADR Alliance; Peak Load Management Alliance; IEEE (T&D and Power and Electronics Society); Association of Energy Service Professionals (AESP); Association for an Energy Efficient Economy (AEEE); Urban Infrastructure Initiative led by the WBCSD; Electric Drive Transportation Association (EDTA); ISGAN (International Smart Grid Action Network); **Europe**: T&D Europe (the European association of the electricity transmission and distribution equipment and services industry, President, Executive Committee), Orgalim (Infrastructure Task Force); CAPIEL (European Coordinating Committee of Manufacturers of Electrical Switchgear and Controlgear); smartEn (Smart Energy Europe, Chairman of the Board); **United States**: Research Triangle Cleantech Cluster (Raleigh, North Carolina); Fort Collins Cleantech Cluster (Colorado); Bay Area Climate Collaborative (SF Bay); North American Electric Reliability Council (NERC, Functional Model Demand Response Advisory Team); Pacific Northwest Demand Response program; Think Smart grids; Tenerrdis Energy Cluster.
Circular economy and product environmental performance	Circular economy initiatives and product environmental performance deliver product with lower environmental impact and full transparency on environmental attributes. **International**: Ellen MacArthur Foundation membership; 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; **National Initiatives**: AFEP (Circular economy working group); AFNOR Circular Economy; Gimélec (chairmanship of strategic taskforce for Circular Economy); MTES/Feuille de Route Économie Circulaire (active contributions, working groups).
Access to energy	Access to energy is a fundamental human right and a means for social and economic development. The pooling of forces and the sharing of knowledge between actors are essential to advance public policies, capacity building, new technologies or innovative financing. **International**: Alliance for Rural Electrification (ARE); Sustainable Energy for all (SE4ALL); International Finance Corporation (IFC) Energy2Equal initiative (Empowering Women in Africa's Renewable Energy Sector); Solar Impulse Foundation. **National Initiatives**: ADEME (French Ecological Transition Agency); Renewable Energy Trade Association (SER); HEC Movement for Social & Business Impact.
Diversity, Equity and Inclusion	Schneider Electric's diversity, equity, and inclusion ambition is to offer equal opportunities to everyone everywhere. The Group 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. Promoting diversity, equity, and inclusion is a moral as well as a business imperative as a diversity of people and an environment of inclusion leads to greater engagement, performance, and innovation. **International**: Signatory of the United Nations Women's Empowerment Principles (WEP); Committed to the UN Generation Equality Forum; Signatory of the OECD Global Deal; Member of the World Economic Forum (WEF) Partnership for New Work Standards; Signatory of the Women's Forum climate charter; Member of the ILO Global Business and Disability Network (GBDN); Member of the Gender and Diversity KPI Alliance (GDKA). **National Initiatives**: Diversity Charter; Agreement for professional gender equality; Parenthood Charter; Disability Agreement; Agreement on inter-generational mechanism; Apprenticeship Agreement; Signatory of PaQte, a collective of companies working to be more inclusive with specific action plans for working-class neighborhood; Youth and regional development with associations (FACE, 100 Chances 100 Emplois, Energie Jeunes, ADIE, GEFLUC).
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. **National Initiatives**: Schneider electric 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); Member and co-leader of the B4IG coalition's "Advancing human rights in direct operations and supply chains" working group; IDH - The Sustainable Trade Initiative. **National Initiatives**: *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* (Businesses for Human Rights).
Biodiversity	Livelihoods (carbon offset fund for biodiversity and rural communities), act4Nature Initiative; Caisse des Dépôts et Consignations (CDC) – Positive Biodiversity Businesses club (B4B+) membership.
Philanthropy	**International**: International Association for Volunteer Effort (IAVE), more than 70 NGOs supported each year in over 35 countries; The European Venture Philanthropy Association (EVPA). **National Initiatives**: *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*; *Alliance pour le Mécénat de compétences*. 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*.

1.5.4 Schneider Electric contribution to standardization

With many 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, support the digital transformation of the industry and any other customer values.

Schneider is very active in international committees, covering also National Committees in US, China, India and historically Europe. CEN (European Standardization Committee), CENELEC (European Committee for Electrotechnical Standardization) and ETSI (European Telecommunications Standards Institute) are the three official European standardization bodies.

CEN-CENELEC-ETSI serve as a main contributor of the French electrotechnical institute, which is a founding member of international (IEC – International Electrotechnical Commission) and European (CENELEC) organizations.

CEN

CEN is an association that brings together the National Standardization Bodies of 34 European countries. CEN provides a platform for the development of European Standards and other technical documents in relation to various kinds of products, materials, services and processes. CEN supports standardization activities in relation to a wide range of fields and sectors including: air and space, chemicals, construction, consumer products, defence and security, energy, the environment, food and feed, health and safety, healthcare, ICT, machinery, materials, pressure equipment, services, smart living, transport and packaging.

CENELEC

CENELEC is an association that brings together the National Electrotechnical Committees of 34 European countries. CENELEC prepares voluntary standards in the electrotechnical field, which help facilitate trade between countries, create new markets, cut compliance costs and support the development of a Single European Market. CENELEC supports standardization activities in relation to a wide range of fields and sectors including: Electromagnetic compatibility, Accumulators, primary cells and primary batteries, Insulated wire and cable, Electrical equipment and apparatus, Electronic, electromechanical and electrotechnical supplies, Electric motors and transformers, Lighting equipment and electric lamps, Low Voltage electrical installations material, Electric vehicles railways, smart grid, smart metering, solar (photovoltaic) electricity systems, etc.

ETSI

ETSI creates globally applicable standards for information and communications technologies (ICT), including fixed, mobile, radio, converged, broadcast and internet technologies. Authorized by the European Union, ETSI implements legislation governing electronic use and other EU initiatives

IEC

The IEC is a global, not-for-profit membership organization that brings together more than 170 countries and coordinates the work of 20,000 experts globally. The IEC publishes around 10,000 IEC International Standards which together with conformity assessment provide the technical framework that allows governments to build national quality infrastructure and companies of all sizes to buy and sell consistently safe and reliable products in most countries of the world. IEC International Standards serve as the basis for risk and quality management and are used in testing and certification to verify that manufacturer promises are kept.

Smart grids and sustainable cities

Involved in IEC and CENELEC, at governance and technical levels, Schneider Electric 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.

- Schneider co-chairs the Smart Energy Grid coordination group of the CEN-CENELEC-ETSI 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”.
- It 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 chairs and actively contributes to the definition of Prosumer’s electrical installations, installations integrating local production such as PV, wind, storage to ensure they are designed and erected with a high level of safety and efficiency.
- It chairs the IEC’s Advisory Committee for Energy Efficiency (ACEE) and chairs the Advisory Committee on Safety (ACOS).

Circular economy and product environmental performance

Schneider contributed to the European Commission’s Circular Economy package, with CEN-CENELEC-ETSI developed a set of published standards assessing durability, reparability, reusability, recyclability, ability to be remanufactured, etc. which fall within the scope of the EcoDesign directive. Schneider has appointed active experts in each of the working groups.

It contributes to the terminology of circular economy being the first step of the digitalization of this topic, and also contributes to the material efficiency within environmentally conscious design, to the life cycle assessment product category rules and specific rules for high and low voltage equipment, and to greenhouse gas emission reduction quantification.

Standardization to accelerate environmental transformation

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.

- 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.
- It chairs the IEC TC111 Committee on Environmental standardization of Electric and Electronic Equipment and IEC TC 23 Electrical Accessories (protection devices, wiring devices, home and building control systems).
- It is the secretary of IEC SC23K on Energy Efficiency Products, Systems and Solutions.
- 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 ISO TC 184 (Automation systems and integration).

Digital transformation

Digitization is the key driver for the advanced manufacturing, optimizing the production with more flexibility, more interoperability, more predictability, and continuity, providing a new level of system efficiency and sustainability. More data, software and tools enabling virtual descriptions, defined in digital twins, creating new capabilities and services combined with Machine learning and Artificial Intelligence.

That's why Schneider Electric is strongly involved in ISO and IEC technical committees, and association like Industrial Digital Twin Association to deep dive and deploy the Asset Administration Shell through industrial Use Cases of the standardized digital twin and in Universal Automation.Org, to address a more functional and distributed approach for the orchestration of industrial systems.

National committees

Schneider Electric chairs many French standardization committees hosted by AFNOR (French standards organization) and in other national committees, such as the chair of the French and Swedish Committees 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.

1.6 Main ESG risks and opportunities

1.6.1 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 main extra-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.

The Group Sustainability team leads the evaluation, working in close collaboration with the Group Risk Management function and with the Duty of Vigilance Committee.

The Group's corporate governance bodies supervise the development of internal control and risk management systems. The Audit & Risks Committee has particular responsibility for following up on the efficiency of internal control and risk management systems and reports to the Board of Directors.

Internal tools:

- A regular stakeholder consultation (materiality assessment and matrix), at least once every three years (last exercise done in 2020);
- The Group risk matrix, led by the Group Risk Management function, updated every year;
- Specific committees (Carbon, Human Resources, Ethics, etc.);
- Vigilance risks matrix.

Continuous monitoring of external signals and international frameworks:

- Regulatory framework: the key topics listed under Article R. 225-105 of the French Commercial Code (Extra-Financial Performance Declaration);
- International institutions/organizations (United Nations Global Compact and SDGs);
- Environment, Social, and Governance (ESG) rating agencies;
- Specific requests from investors and customers;
- Recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), and various frameworks (SASB, GRI, etc.).

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

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

- Sustainability, Access to Energy, and Environment, and the Global Sustainability SVP and Chief Strategy & Sustainability Officer;
- Human Resources and the Chief Human Resources Officer;
- Procurement and the Chief Procurement Officer;
- Governance, Safety, and Ethics, and the Chief Compliance Officer and Chief Governance Officer.

The main identified risks are quantified on probability of occurrence and magnitude of impact by these departments to determine gross risks, and an assessment of current mitigation measures informs on potential net impacts. Extra-financial risks presented here are gross risks, i.e., absolute risks before a mitigation plan is implemented.

On this basis, the list of extra-financial risks is reviewed and validated by relevant SVPs, the Board of Directors' secretariat, Internal Audit team, Group Risk Management function and presented to the Human Resources & CSR Committee and to the Group Sustainability Committee at least every 3 years, in coherence with the SSI calendar.

Seven main risk categories were identified and are presented in detail in the following pages:

- Business conduct
- Corporate governance
- Cybersecurity and data privacy
- Environment
- Product, projects, system quality and offer reliability
- Human rights
- Responsible workplace
- Talent development and competencies

1 Sustainability at the heart of our strategy

Following its assessment of material risks, Schneider Electric presents its main ESG risks and opportunities.

Risk description and impact	Policies	Main actions and 2021 performance	Opportunity created
Business conduct			
Competition law			
Non-competitive behavior Schneider Electric products are sold worldwide and are subject to national and supranational competition laws and antitrust regulations. Non-compliance could result in fines and impact the company's reputation.	Trust Charter Conflict of interest Policy Competition Law Policy	• New whistleblowing system in place this year called the Trust Line	Increase relationship with suppliers to ensure compliance.
Corruption and bribery			
Corruption is the abuse of entrusted power for private gain. It may occur through third parties' activities (partners, suppliers, agents, companies to be acquired) and cause various impacts for the company: • Reputational • Legal • Financial • Development of the company • Employer brand	Trust Charter Anti-Corruption Policy Business Agents Policy Gifts & Hospitality Policy Donations Policy Conflict of Interest Policy (new) Business Agent Policy (new)	• Trust Line whistleblowing system • Specific risk mapping dedicated to "Ethics & Compliance" risks • SSI #7: Measure the level of confidence of our employees to report unethical conduct: 81% achieved, aiming for 10pts increase by 2025 • Four additional modules as part our anti-corruption e-learning • SSE #13: 100% of employees trained every year on Cybersecurity and Ethics in 2025 (96% achieved 2021)	More opportunities with actual and potential customers Talent attraction and retention
Corporate governance			
Delivering on ESG performance			
Failure to achieve our long-term sustainability commitments • Brand and reputational impact • Distrust from stakeholders	Internal Governance in place at every level (Board, Executive Committee, Operations) to drive and monitor progress Quarterly Schneider Sustainability Impact (SSI) public disclosure SSI performance embedded in managers' and leaders' short-term incentives	• SSI 2021 performance reached 3.92/10, beyond 3.75/10 target • Top 1% of several ESG Ratings Worldwide confirming we are headed in the right direction	Higher credibility and trust to support our customers in their Climate and Sustainability journey Risks mitigation ahead of competition thanks to the SSI disruptive and virtuous continuous improvement process
ESG compliance			
Failure to report, lack of transparency New Corporate Social Responsibility regulations, Standards and market expectations are redefining what "Sustainable businesses" are • Brand and reputational impact • Risk of exclusion from growing Socially Responsible Investment (SRI), ESG or green portfolios	Transparent public reporting on sustainability objectives and performance in quarterly SSI reports and in annual reports aligned with key frameworks (GRI, SASB, TCFD, WEF Common Metrics, SDGs) Regular engagement with stakeholders to identify critical sustainability topics (materiality analysis) Engagement and dialog with investors to ensure expectations are met	• Upgraded quarterly SSI reports • Winner of the 2021 Transparency Awards for ESG information	Greater attractivity to investors, customers and talents Strengthened partnerships with clients, suppliers, and other partners in the Group's ecosystem Anticipation of sustainability trends and risk mitigation Influence other companies to have better practices

Risk description and impact	Policies	Main actions and 2021 performance	Opportunity created
Cybersecurity and data privacy			
Business disruption			
Industrial activities Risk of a malicious exploitation or intrusion into the infrastructures of Schneider Electric production and distribution centers • Impacts on productivity, data privacy, operations • Financial cost, and loss of confidence from stakeholders	Directive Site Protection Data center, IT Room and Network Enclosure Security Policy IT Disaster Recovery Plan for Business Continuity Policy Network Security Policy Acceptable Use of Assets Policy Security testing for products and systems	• 200+ Cybersecurity leaders appointed and trained • Operational Technologies (OT) workers security awareness deployed • Access level defined, granted, and checked as per the profile/need • Endpoints inventory and protection • Topography of OT network, OT monitoring and threat detection, security policy compliance, incident response process • IT/OT network segmentation secured industrial Personal Computer (PCs), secure remote access, backup restore for PCs and Programmable Logic Controller (PLCs)	Improved supply chain resilience Greater confidence of our customers and partners into our supply chain and products Market access to critical infrastructures/customers Advanced discussions with authorities and greater collaboration on safety and security
Human resources (HR) and employee collaboration Risks of HR systems disruption or HR data leakage • Impact on business continuity, legal compliance and overall reputation	Acceptable Use of Assets Policy Crown Jewel Security Policy Digital Certification Policy Email Security Policy Personnel Management Security Policy Third-Party Security Policy User Access Management Policy	• Cybersecurity Charter shared and signed by all employees and contractors • All employees trained every year on Cybersecurity and Ethics; dedicated mandatory training for high-value asset administrators • Monthly phishing campaigns • Data protection and cleanup yearly campaign • Yearly access audits on all HR applications • Data Protection Impact Assessments for high-risk applications • External pen tests performed on all high-value asset applications • Background verification checks in accordance with relevant laws and regulations	Attractiveness of Schneider Electric for prospective candidates aligned with Trust Charter commitments
Compliance			
Data privacy, retention & residency • Risk of compromise, modification or exfiltration of data from Schneider Electric's data systems • Representing a non-compliance to data protection regulations and laws as well as business purpose leading to potential penalties • Non-compliance to data protection regulations leads to potential fines	Data Privacy Policy Data Classification Policy Global Data Retention Record Creation Backup and Recovery Policy Log Management & Monitoring Policy Acceptable Use of Assets Policy Digital Certification Policy	• Mandatory Cybersecurity & Data Privacy annual training sessions • Data privacy champions appointed • Annual review of all policies • Data Retention implemented by area • Sensitivity label feature enabled on Microsoft Office 365 Suite for all employees	Increase sentiment of trust for our customers, partners and larger community Prove alignment to regulations and devotion to ESG requirements

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Risk description and impact	Policies	Main actions and 2021 performance	Opportunity created
Cybersecurity and data privacy (continued)			
Damage to customers assets			
Field services operations & remote customer support Risk of malware distribution into the production environment of a customer through compromised Field Service end-point or on-site activities • Impact on customer assets and production • Reputational impact	Cyber Badge Principles Third-Party Security Principles Network Security Policy Malicious Software Policy	• Cybersecurity contact identified, ad hoc and periodic assessments for strategic ones For our customer-facing employees: • Deployment of Cyber Badges across 20,000+ customer-facing employees. • Compliance monitoring of Cyber Badge deployment For our customer-facing suppliers: • Consistent Cybersecurity and Privacy Terms & Conditions developed for all suppliers	Increase sentiment of trust for our customers, partners and larger community • Absolute requirement • Global Action Plan
Customer staging and project commissioning Risk of compromised customer assets having an impact at site level, as a result of a failure in the control environment of Schneider Electric • Reputational Impact • Repairment cost	Security Principles Cybersecurity Policy for Products & Systems Network Security Policy Malicious Software Security Policy Source Code Security Policy	• Deployment of an end-to-end Project Supply Chain Security methodology • Datamining for preparing recommendations	Greater confidence of our customers in our products Market access to critical infrastructures Advanced discussions with authorities and greater collaboration on safety and security Fulfillment of contract requirement opening the door for additional or further opportunities. On-time with tendering process
IP theft and loss			
R&D repositories and source code compromise • Compromise, deterioration or exfiltration of R&D repositories and source code • Jeopardizing Intellectual Property availability, integrity and confidentiality	Source Code Security Policy Cybersecurity Policy for Products and Systems Information Security Charter Sensitive Source Code Security and Confidentiality Affidavit	• Site security controls compliance, training and awareness deployed • Assets inventory, topography of R&D sites • Protection against vulnerabilities or malware • Pen tests conducted • Least Privileged Access Control, Disaster Recovery Plan, Network Segmentation, Port Management, and Protocol Hardening applied • Source code reality checks conducted on code content, code engineering, governance, etc. • Threat detection of signals on the surface web, the dark web, social media etc. to spot cracked software, Source Code and IP exposed etc.	Effective visibility for risk management and proper actionable outcomes Perceived as a trusted partner Reducing risk through advance detection of exposure of sensitive code or potentially compromised or modified applications which could facilitate criminal activity or customer compromise

Risk description and impact	Policies	Main actions and 2021 performance	Opportunity created
Environment			
Climate change			
Failure to meet 1.5°-aligned GHG reduction emissions targets • Greater financial costs than anticipated • Lock-in emissions of assets with long operating lifetime or long-term leases • Reputational impacts and loss of trust from customers, investors and employees • Limited engagement of suppliers to decarbonize Scope 3 upstream emissions	Climate strategy for operations and supply chain Business strategy on Electricity 4.0 and Industry 4.0 Thought leadership with Schneider Sustainability Research Institute Climate initiatives (such as Climate Group)	• SSI #1: Grow our green revenues to 80% (71% achieved) • SSI #3: Reduce CO_2 emissions from top 1,000 suppliers' operations by 50% (1% achieved) • SSE #1: 150 Zero-CO_2 sites (51 achieved) • SSE #2: 100% substitution with SF_6-free MV technologies (38% achieved) • SSE #3: 90% of electricity sourced from renewables (83% achieved) • SSE #4: 15% CO_2 efficiency in transportation (-1% achieved) • SSE #5: 15% energy efficiency in our sites (6.6% achieved) • SSE #7: one-third of fleet comprised of electric vehicles (7,7% achieved)	Market growth for Schneider Electric energy efficiency, electrification and renewable offers Showcase of EcoStruxure™ in our sites Customer attractivity
Inadequate evolution of the supply chain footprint Supply chain disruption due to increase of climate-related risks as well as the evolution of international trade and market barriers. • Delays in production and delivery, incurring important costs • Impact on customer experience if delays are too long	Regional Supply Chain footprint Supply chain resiliency with multi-sourcing Independent risk assessment (fire, weather, climate) of our Industrial sites	• Preventive and reactive risk management of Natural risks in Supplier Risk Management • Recurring risk assessment of our Industrial sites through Global Risk Consulting program • Introduction of CO_2 simulations to compare alternative supply chain strategies and footprints, and network models • Implementation of deliberate redundancies of both dual factories for same products, and dual suppliers ("Power of Two") for all critical parts and components	Strong local presence and strategic relationships with suppliers Shorter lead times and low logistics costs and CO_2 from deliveries Ability to make products and gain market share if our supply chain is more resilient than that of competition
Workplace disruption Permanent site disruption due to increased frequency and severity of extreme weather events • Loss of output and remediation costs • Impact on operations	Enterprise risk management Business continuity Disaster Recovery Plans	• Pilot flood study at a critical location in conjunction with our insurance company launched • New Resilience Index created for most critical locations to measure, monitor and improve the site's resilience to external risks	Business continuity expertise extended to critical suppliers Recurring risk assessment program extended to critical supplier locations
Resources			
Resource scarcity Volatile prices and materials and resource availability • Cost increase of primary materials and energy • Disruption of supply	Supply chain resiliency Green materials Sustainable packaging Raw material productivity and hedging strategy Water stewardship in water-stressed areas Proactive product returns and take-back policies for a range of offers	• SSI #4: Increase green material content in our products to 50% (11% achieved) • SSI #5: 100% of our primary and secondary packaging is free from single-use plastic and uses recycled cardboard (21% achieved) • SSE #11: 100% of sites in water-stressed areas have a water conservation strategy and related action plan (9% achieved)	Green offer differentiation. Resilient and efficient supply chain Access demanding green markets Superior resiliency in case virgin raw materials availability gets challenged

1 Sustainability at the heart of our strategy

Risk description and impact	Policies	Main actions and 2021 performance	Opportunity created
Environment (continued)			
End-of-life management of products Safety risk if assets handled by non-certified third parties (repair, end-of-life): • People health and safety impact • Resource waste	Circular offers: ECOFIT™, and takeback schemes (End-of-life, EOL, etc.) End-of-life information for our products with Green Premium™	• SSE #10: 420,000 metric tons of avoided primary resource consumption through 'take-back at end-of-use' since 2017 (203,881 achieved)	Market growth for Schneider Electric circular offers (repair, retrofit, takeback, EOL)
Lack of product substance regulations compliance Strengthening of chemical substance regulation, market shift, and consumers preferences for eco-friendly products: • Difficulty to access market if products are forbidden or blacklisted • Multiplication of uncoordinated regional legislation	Substances and Material Directive: REACh, RoHS, China RoHS, CA Proposition 65, TSCA, POP Schneider Electric Environmental Policy: Green Premium™ EcoDesign™	• SSE #6: 80% of product revenues covered by Green Premium™ (78% achieved) • Substances of Concern In Products (SCIP) registration deployment and communication • Implementation of new Green Premium™ claims to manage and promote recycled content and take back programs • Specific compliance analysis to unblock some markets	Opportunity with Toxic Substances Control Act (TSCA) regulation to demonstrate robust substance and material process and transparency. Market opportunity for Green Premium™ offers
Soil, air and water pollution At Schneider Electric sites: • Non-compliance leading to fines • Health impacts on personnel and local communities • Site property pollution and environmental provisions	Group Environment Policy Environmental risk analysis Environment due diligence in M&A	• Integrated Management System with ISO 14001 certification (244 sites certified ISO 14001 in 2021). • Company-wide Look at Environmental Assessment and Risk Review (CLEARR) Assessment for industrial Global Supply Chain factories. • Environmental provisions	Robust management system to drive environmental performance Increased stakeholder trust
Product, project, system quality & offer reliability			
Deficient product safety			
Product malfunctions or failures could result in: • Liabilities for tangible or intangible damages, or personal injuries • Incurred costs related to the product recall, to new development expenditure, and use of technical and economic resources • New or more stringent standards or regulations for quality and safety controls could result in capital investment or costs of specific measures for compliance.	All our sites are certified ISO 9001 Quality is one of our Trust pillars Phoenix program launched for 4 years is covering our End-To-End Supply Chain ReeD (Reliability End-To-End by Design) to cover Design practices Implement Nets on legacy offer to ensure we capture defects or potential defects internally.	• Development of Agile method in Offer Creation enabling Quality and Customer Satisfaction Transformation, • Phoenix achievement in 2021 initiating move from Reactive to Predictive • ReeD program allows us in 2021 to kick off a strong learning path around Reliability Designer • Creation of the committee Offer Safety Alert Prevention, to coach all Root Causes Analysis Leaders	Listening to signals from within the group and from customers Challenging innovation and R&D to seek for perpetual improvement Become a leader in products quality driving brand reputation and value

Risk description and impact	Policies	Main actions and 2021 performance	Opportunity created
Human rights			
Conflict minerals			
Sourcing of conflict minerals and other similar sensitive materials • Financing directly or indirectly armed groups, fuel forced labour and other human rights abuses • Corruption and money laundering. • Reputational cost	Schneider Electric encourages its suppliers to build and maintain a due diligence process to ensure conflict minerals-free sourcing The Group is an active Responsible Minerals Initiative (RMI) member	• Conflict-free mineral monitoring • 87% of the smelters and refiners identified in our supply chain conformant or active in a recognized third-party validation scheme • Schneider Electric has a "conflict-free objective" • SSE #12: Deploy a 'Social Excellence' program through multiple tiers of suppliers (baseline to be defined in 2022) • SSE #17: 4,000 suppliers assessed under our 'Vigilance Program' (1,203 achieved)	Increase relationship with suppliers, and improved reputation. Increase trust with customers favoring business relations
Human rights			
Violations of human rights and fundamental freedoms • Reputation and brand image • Legal impact • Health & well-being impact for employees of Schneider, its suppliers and sub-contractors	Trust Charter and Trust Line whistleblowing system for internal and external stakeholders Supplier Code of Conduct Schneider Human Rights Policy	• Environmental Engineering and Health Services (EEHS) risk mapping of suppliers • On-site supplier audits with RBA protocol • EEHS in procurement process • Continuous improvement with ISO 26000 standard • SSI #6: 100% of our strategic suppliers provide decent work to their employees (pilot launched Q1 2022) • SSE #12: Deploy a 'Social Excellence' program through multiple tiers of suppliers (baseline to be defined in 2022) • SSE #17: 4,000 suppliers assessed under our 'Vigilance Program' (1,203 achieved)	Increased cooperation with suppliers Increased trust with our customers
Responsible workplace			
Health and Safety			
Serious or fatal employee injury or illness • Loss of, or impact to, employees • Loss of productivity • Property damage • Impact to Company image • Customer confidence • Fines	Safety strategy Global safety directives Serious Incident Investigation Process (SIIP) GlobES reporting, Global Safety Alerts, EHS assessment	• SSE #14: 0.38 or below Medical Incident rate (0.65 achieved)	Increase confidence of current and prospective employees. Systemic MIR drives Safety continuous improvement
Equity, Diversity & Inclusion			
Inclusive workplace Risk of not providing equal opportunities to everyone and limiting the ability to attract and retain the best talents • Cost of turnover • Loss of women in top potential pipeline • Legal issues • Company image	Recruitment of women Women representation in leadership roles Gender pay equity Diversity & Inclusion Committee.	• SSI #8: Increase gender diversity, from hiring (50%) to front-line managers (40%) and leadership teams (30%), (41%, 27% and 26% achieved respectively) • Financial Times, Forbes, Bloomberg, Great Place to Work in the US and Universum recognized Schneider Electric as a great place to work and a leader in Diversity, Equity and Inclusion in 2021	People attraction and retention with equal opportunities for everyone Follow contemporary trends and show support to all communities openly

1 Sustainability at the heart of our strategy

Risk description and impact	Policies	Main actions and 2021 performance	Opportunity created
Responsible workplace (continued)			
Well-being and mental health			
Not providing ideal working conditions leads to • Absenteeism • Cost of turnover • Disengagement • Company image on the market	Employee Value Proposition Global Family Leave Policy Pay equity Global Anti-Harassment Policy Career development and learning Flexibility@Work hybrid policy Well-being practices and training	• 99% of countries deployed the new flexibility @ work policy to support hybrid work. • New Ways of working playbook and training rolled out to all managers and employees	Recognition of Schneider Electric as an attractive employer Improved talent retention
Talent development and competencies			
Talent acquisition and retention			
Risk of not attracting, developing, and retaining the best talent in the market especially for critical skills • Cost of recruiting and onboarding • Gaps in critical skills • Impact on talent's brand perception	New talent acquisition platform to manage prospective talents and hiring processes Grow the early talent pipeline through global program and country-specific initiatives Annual performance and development approach, with fair, transparent and competitive rewards and development Open Talent Market (OTM) for internal mobility, project and mentoring Programs for specific segments of talents at different stages of their professional career Upskilling for today and tomorrow with a strong focus on digital skills, commercial excellence, leadership and functional expertise	• Global Career Week with employees participating from over 90 countries and >250 events • SSE #21: x4 the number of employee-driven development interactions on the OTM (x2.1 achieved) • SSE #22: Digital upskilling through the Digital Citizenship program (74% in 2021) • Accelerated employee branding at global and target country levels; Glassdoor rating of Schneider Electric continued to grow, reaching 4.2/5 in 2021 • Technical and digital skill assessment tool for GSC and distribution centers to review competency levels, gaps and actions for upskilling	Recognized as an employer of choice and market leader for talent development for everyone, everywhere leading to greater talent attractivity
Rewards, benefits and engagement			
Risk of having disengaged employees feeling that their opinion is not valued: • Impact the financial results of the Group • Difficulty to retain talent	Embed a culture of continuous listening, recognition, and ongoing feedback to drive engagement and performance	• A global annual survey covers 100% of Group employees with additional focus on action planning, including a nudge and peer to peer session for managers, deeper verbatim analysis; design and launch of pulse survey targeting populations for whom attention is needed (newly acquired entities, entities undergoing change projects). • SSE #24: 75% Employee Engagement Index (71% achieved)	Greater employee performance, brand image and loyalty Ensure that the group maintains its position of attractive employer

3 Acting for a climate positive world

In this section

"Addressing climate change is the defining issue of our generation, and businesses play a key role. We know that we must go faster if we are to avoid the worst impacts of global warming. Schneider Electric is part of the solution thanks to its existing technologies and products to achieve a climate positive impact."

Xavier Denoly, SVP Sustainable Development

Context and goals

2021 was a year of acceleration, building on the lessons learned from 2020. Acceleration of our collective realization of the fragility of the world's ecosystems, climate, resources, biodiversity, and even human lives. The magnitude of changes needed will not accept incremental year-on-year progress. What is now needed is to place a planet-first lens onto our collective development path: are we living under the limits of one planet? As science tells us this is not the case, let us instead work backwards and define what needs to be done to maintain climate under a 1.5°C global temperature increase and preserve biodiversity and resources.

Companies all over the world are accelerating to align business strategies with a 1.5°C trajectory. Since 2018, the number of companies with targets approved by the Science Based Targets Initiative has doubled every year, to reach over 1,000 companies in 2021, including Schneider Electric. Another 1,000 companies are committed to set such targets soon.

Because it strives to be an Impact Company, the Group's climate strategy addresses all its stakeholders, from employees to supply chain partners, customers, as well as local communities and institutions, and shows there are ways for companies to "do good while doing well".

Concrete actions for the 2021-2025 period are monitored and shared transparently in Schneider Sustainability Impact and Essentials and are overseen by various dedicated Committees up to the Board of Directors. In the longer term, the Group is committed to net-zero CO_2 emissions in its operations by 2030, and took specific commitments for renewable electricity, energy efficiency and electric vehicles under the RE100, EP100, and EV100 initiatives. By 2040, the Group will be carbon neutral along the whole of its value chain, meaning all products will be carbon neutral. Importantly, beyond targeting excellence in reducing its own footprint, Schneider Electric also delivers about 100 million tonnes CO_2 gains to its customers each year with EcoStruxure™.

2021 Highlights

Schneider Electric is on the CDP Climate Change A list for the 11th year on a row.

The Energize program, first-of-its -kind supplier program to advance Climate Action with 10 Pharmaceutical companies.

Schneider Electric wins four awards for Sustainability and Smart Home leadership at the CES 2022 Innovation Awards, recognizing its commitment to sustainability and innovation.

Key targets and results

Progress against our 2021-2025 Sustainability commitments

Schneider Sustainability Impact

Long-term commitments aligned to UN SDGs	2021-2025 programs	Baseline(1)	2021 progress(2)	2025 Target
Climate	1. Grow our Schneider Impact revenues(3)	70%	71%	80%
	2. Help our customers save and avoid millions of tonnes of CO_2 emissions	263M	347M	800M
	3. Reduce CO_2 emissions from top 1,000 suppliers' operation	0%	1%	50%

Schneider Sustainability Essentials

Long-term commitments aligned to UN SDGs	2021-2025 programs	Baseline(1)	2021 progress(2)	2025 Target
Climate	1. Decarbonize our operations with Zero-CO_2 sites	30	51	150
	2. Substitute relevant offers with SF_6-Free medium voltage technologies	0%	38%	100%
	3. Source electricity from renewables	80%	82%	90%
	4. Improve CO_2 efficiency in transportation	0%	-1%	15%

(1) Generally, the 2020 performance serves as a baseline for Schneider Sustainability Impact (SSI) and Schneider Sustainability Essentials (SSE) 2021-2025 programs, except for SSI #1 (2019).
(2) Each year, Schneider Electric obtains a "limited" level of assurance from an independent third party verifier for all of the SSI and SSE indicators (except for SSI #6, SSI #7, SSI #+1, SSE #12 and SSE #23), in accordance with ISAE 3000 assurance standard (for more information, please refer to the Universal Registration Document). The 2021 performance is also discussed in more details in this section.
(3) For the reporting requirements under the European Taxonomy Regulation, for more information, please refer to the Universal Registration Document.

Long-term roadmap

2030

- Net-zero operational emissions and reduction of Scope 3 emissions by 35% (vs. 2017);
- Switch to 100% renewable electricity (RE100);
- Double energy productivity vs. 2005 (EP100);
- Shift 100% of Company fleet to electric vehicles (EV100).

2040

Become carbon neutral on full end-to-end footprint (full Scopes 1, 2, and 3), 10 years ahead of 1.5°C climate trajectory.

2050

Engage with suppliers towards a net-zero CO_2 supply chain.

3.1 Climate governance

3.1.1 Governance

Schneider Electric sees itself and reviews its progress as part of a broader ecosystem: firstly, how the Group as a company and in its supply chain delivers progress to align with a 1.5°C climate trajectory; secondly, how customers are helped to do the same through Schneider's offers; and thirdly, how Schneider helps communities accelerate climate action.

The process for designing a new SSI includes a sustainability risks and opportunities assessment (including climate), which leads to the design of concrete transformation programs to align the company on the challenges identified. Several governance bodies are involved in this process:

- The Board of Directors and its Human Resources & CSR Committee;
- The Executive Committee and its Group Sustainability Committee;
- The SSI Steering Committee and the Sustainability department.
- A Carbon Committee is in charge of continuously assessing climate-related risks and opportunities, to steer the Climate Pledge and to propose a strategy and management plan to the Group Sustainability Committee.

At Group level, the Chief Strategy & Sustainability Officer helps determine and enforce the Group's environmental goals and underlying transformations.

Additionally, environmental transformations are driven by a network of leading experts in various environmental fields (eco-design, energy efficiency, circular economy, CO_2, etc.). On an annual basis, a process identifies and recognizes those individuals who own a specific expertise that the company is keen to maintain and grow. 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.

3.1.2 Risks and opportunities

Climate-driven opportunities

While the climate crisis is sobering, it is also stimulating significant action and innovation across businesses, industries, and governments. The combined challenge of the COVID-19 virus with increasing climate-related impacts has given rise to unprecedented financial flows for recovery tied to improvements in efficiency and emissions reduction, such as the EU's Green Taxonomy and the US infrastructure package.

Increasing awareness of the risks posed by climate change has also led thousands of businesses to make commitments to and act on decarbonization, energy efficiency, electrification, renewable energy procurement, and more. These existing solutions are only the beginning: the next decade will showcase the surge in "clean technologies," as entrepreneurs and corporations alike seek to imagine, realize and scale innovations in energy storage, carbon capture, nature-based solutions among others, further stimulating the global economy and creating a new class of clean, green jobs.

This growing demand for greener, low-carbon products and services creates a strong business opportunity for Schneider. Where appropriate, opportunities for growth are identified and translated into new products (for instance our unique SM AirSeT™ switchgear to avoid using SF_6, or the creation of the new Sustainability Business). The Group is uniquely positioned to seize these opportunities because it acts on both sides of the equation:

- The energy management, industrial automation, and sustainability consulting solutions Schneider brings to the market are directly linked to activities to mitigate greenhouse gas emissions and improve humanity's resilience to climate change.
- At the same time, Schneider acts to reduce its end-to-end CO_2 footprint, aiming for a carbon neutral value chain by 2040, with precise steps for 2025 and 2030.

In 2021, 71% of the Group revenues qualify as Impact revenues, following Schneider Electric's definition: revenues from offers that bring energy, climate, or resource efficiency to customers, while not generating any significant harmful impacts to the environment. The Group aims to grow its Impact revenues to 80% by 2025 (SSI #1). Additionally, more than 90% of Schneider's innovation projects contribute to solutions relating to climate change mitigation and environment protection.

Climate-driven risks

Failure to meet 1.5°C-aligned GHG reduction emissions targets
Missing its decarbonization commitments could trigger greater financial costs than anticipated for Schneider due for instance to locked-in emissions of assets with long operating lifetime or long-term leases, or reputational impacts and loss of trust from customers, investors, and employees.

Inadapted evolution of the supply chain footprint
Volatility of energy and commodity prices as well as regulation strengthening will generate increasing and volatile operating and investment costs along Schneider's value chain, impacting both Schneider's expenditures and those 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 energy supply, increasing resource-efficiency, and increasing resale prices along the value chain. Also, physical assets are retrofitted for resource-efficiency, as competition with newly 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.

Transition risks
Schneider considers the possible financial impacts of future CO_2 costs on its activities, by taking into consideration both operational and supply chain footprints. Given the relatively low level of the Group's Scope 1 and 2 carbon emissions, carbon pricing has indirect rather than direct impacts, resulting in increased supply chain costs, especially regarding the purchase of raw materials and manufactured components containing metals and plastics. A carbon tax at EUR 50/tonne of CO_2 is estimated to have an impact on the Group's industrial supply chain up to EUR 420 million globally (including direct and indirect impacts).

Climate change mitigation will likely lead to regulation strengthening, which can disrupt markets. For instance, SF_6-insulated switchgear can have a significant impact on climate change if SF_6 is mishandled at the end of life of the equipment and leaks into the atmosphere. Schneider Electric strives to anticipate regulation changes and launches innovative SF_6-free solutions.

Workplace disruptions
Extreme weather events, floods, droughts, and other climate impacts will increasingly put pressure onto supply chains. Shortages of all kinds 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.

To further tie climate-related issues to financial planning, Schneider successfully launched the first-ever sustainability-linked convertible bonds in 2020. This bond has been linked to three SSI targets by including the objective to save and avoid 800 million tonnes of CO_2 on the customers' end by 2025.

3.1.3 Risk management

Risks are identified and assessed through specific internal and external metrics, but also through interviews with experts and leaders, run by the Internal Audit Department and the Group Risk Management Department, to update the list of general risks at Group level each year. In 2021, around 40 of the Group's top managers were interviewed in addition to Board members. Environment and climate-related risks are included in Schneider's unique risk taxonomy (more details in the Universal Registration Document).

Every three years, a materiality analysis is conducted by the Sustainability department, leveraging an external consultant, and complements the risk analysis with a focus on environment, social, and governance (ESG) topics and longer-term risks and opportunities.

Overall, the different governance bodies involved in the definition and monitoring of the sustainability commitments and programs (SSI and SSE), and in particular the Carbon Committee, are in charge of defining strategic mitigation programs in response to the risks and opportunities identified. Strategic programs defined at Group level are then cascaded into business divisions, down to the sites for implementation, and are monitored through the digital platform, EcoStruxure™ Resource Advisor. Performance against those programs is published quarterly in the Schneider Sustainability Impact (SSI), and annually in the Schneider Sustainability Essentials (SSE) and Universal Registration Document. Each program of the SSI has a dedicated pilot in charge of driving the transformation, and is sponsored at the Senior Vice-President and Executive levels to ensure management control and oversight.

Climate adaptation risks are also studied and mitigated at site level for the industrial sites. The Group's Property Damage and Business Interruption program, inspired from ISO 22301 standard, maps substantive risks of financial impact on the business, including asset destruction (buildings, equipment, inventories) and profit loss due to business interruption. The program reviews annually the natural hazard exposures of our manufacturing and logistic locations. An example of a risk analyzed at site level is flooding risks.

Risk analysis of industrial sites includes an analysis of interdependencies, study of alternative supply, and estimation of time to recover in case of damage, etc. Typically, all critical industrial sites are externally audited onsite at least every two years. In addition, starting 2021, Global Supply Chain has defined a resiliency index to assess and mitigate business interruption risks. This resiliency index covers several risks (such as physical security, political stability, etc.) and includes exposure to natural and climate-related hazards and mitigations.

Finally, environmental risks (including climate) are assessed and mitigated at site level through the Group's Integrated Management System (IMS). The IMS covers the 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. At present, the impact of climate-related matters is not material to the Group's financial statements.

With suppliers, sustainability risks (including natural and climate-related hazards), are embedded into Supplier Risk Assessment. This process enables to define risk mitigation action plans with suppliers, as well as prioritize double sourcing strategies. Leveraging external data providers, the Group monitors events across 10,000 nodes (such as ports and critical supplier locations) to shorten reaction time when events occur and minimize business impact.

3.2 Roadmap towards a 1.5°C climate trajectory

3.2.1 Climate impact commitments

In its Trust Charter, Schneider Electric adopts an unequivocal position regarding impact on climate change and CO_2 emissions. The Group 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 solutions across operations, by supporting its clients in achieving their low-carbon and efficiency objectives, and by allowing more than 30 million people to gain access to electricity. Schneider also takes an active role 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. Since 2011, the Group has also been contributing to the Livelihoods Funds, which proposes innovative investment models to simultaneously address environmental degradation, climate change, and rural poverty.

The Group aims 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 the Group's activities. Ultimately Schneider aims to reduce the end-to-end emissions of its offers, by engaging suppliers and eco-designing offers for lifecycle climate and circular performance.

Short to medium-term targets

- Before 2025, demonstrate that Schneider Electric is carbon positive together with its customers and partners, thanks to CO_2 savings delivered by EcoStruxure™.
- On the Group's operations (scope 1&2): be carbon neutral by 2025 and net-zero CO_2 emissions by 2030.
- On indirect emissions (scope 3) in its supply chain and with customers: reduce emissions by 35% by 2030 (vs 2017), by actively engaging suppliers to accelerate their climate strategy, by sourcing greener materials, and by proposing more efficient solutions to its customers.

The Group's 2030 targets (net-zero CO_2 emissions on scope 1 and 2, and -35% on scope 3) have been validated 1.5°C-aligned by the Science-Based Target initiative in 2019.

Long-term targets

- Become carbon neutral on the Group's full end-to-end footprint by 2040 (scopes 1, 2 and 3), 10 years ahead of 1.5°C trajectory. This means that all Schneider's products will be carbon neutral in 2040.
- Engage with suppliers towards a net-zero CO_2 supply chain by 2050.

In 2040, the Group commits that all Schneider Electric products will be carbon neutral. By connecting technology, business, and collaboration, Schneider joins the likes of global partners, such as Amazon, Infosys, and Daimler to help deliver carbon neutrality by 2040 as part of the Climate Pledge, a jointly created initiative between Global Optimism and Amazon. The Climate Pledge was founded on the conviction that global businesses are responsible and accountable for acting on the climate crisis, together.
This milestone is set 10 years earlier than the pledge made in 2015 by all United Nations country members at Paris COP21, showing the Group's eagerness to accelerate the world economy decarbonization to respect the 1.5°C targets.

By 2050, achieving net-zero CO_2 emissions in its supply chain will require Schneider Electric to work transversally with all stakeholders, from product design, to sourcing, manufacturing and shipping.

3.2.2 Concrete actions in our ecosystem

3.2.2.1 Net-zero CO_2 emissions in operations by 2030

To deliver its Scope 1 and 2 targets, the Group has launched several transformations under the Climate and Resources pillars of Schneider Sustainability Impact:

- Reach 150 Zero-CO_2 sites by 2025 (SSE #1),
- Propose SF_6-free alternatives for all medium voltage technologies by 2025 (SSE #2),
- Source 90% of electricity from renewables by 2025 (SSE #3), and 100% by 2030,
- Increase energy efficiency in our sites by 15% by 2025 (SSE #5) and double energy productivity by 2030 (vs 2005),
- Shift one third of corporate vehicle fleet to electric vehicles by 2025 (SSE #7), and 100% by 2030.

The Group leverages its Power and Building EcoStruxure™ IoT architectures to deliver these ambitions, 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.

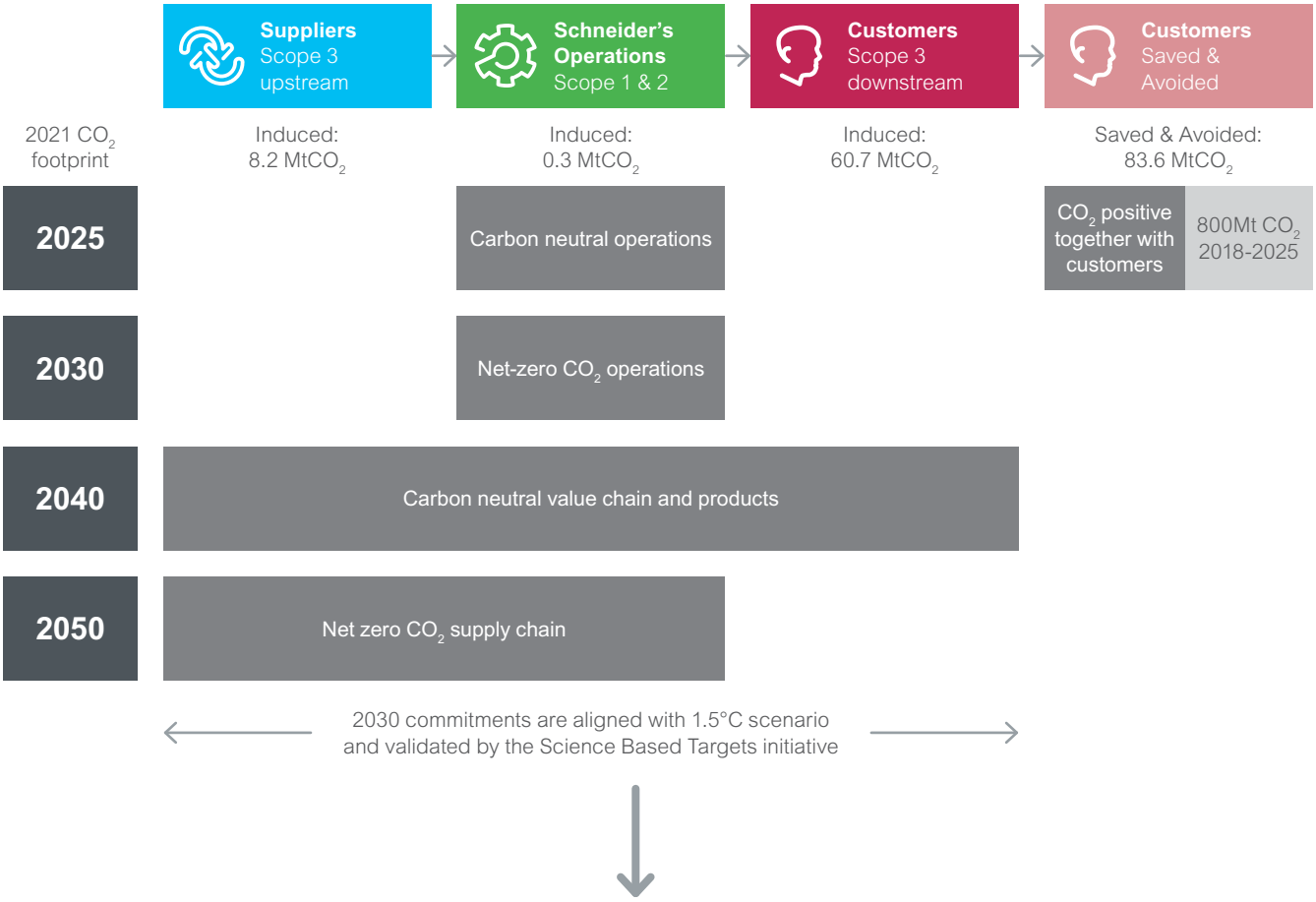
This strategy has delivered an absolute reduction of 405,028 tonnes of CO_2e emissions on Scope 1 and 2 (from 699,079 tCO_2e in 2017), which is a 58% decrease.

3.2.2.2 End-to-end carbon neutrality by 2040

Schneider Electric is already taking concrete actions to engage its suppliers to decarbonize:

- Engage 1,000 top suppliers to reduce their operational CO_2 emissions by 50% with The Zero Carbon project (SSI #3).
- Reduce purchase-related CO_2 emissions with EcoDesign Way™ to improve the end-to-end lifecycle environmental footprint of its offers, notably by reducing and substituting materials and components in products. The Group aims to source 50% green materials by 2025, favoring bio-sourced, recycled, and sustainable options (SSI #4).
- Have 100% of its primary and secondary packaging free from single-use plastics and made from recycled cardboard (SSI #5).
- Reduce CO_2 emissions from freight and logistics activities, by shifting from air to sea freight and optimizing fill rates and travel routes (SSE #4).
- Reduce CO_2 emissions from waste management, with its "Waste as Worth" program. In 2021, 126 sites achieved the "Waste to Resources" designation as part of SSE #9.
- Reduce CO_2 emissions from capital goods by optimizing real estate space occupancy as saved surfaces translate directly into lower CO_2 emissions, as well as spared natural habitats and agricultural land.

Roadmap towards a 1.5°C climate trajectory



Concrete actions

Engage suppliers towards net-zero CO_2 supply chain	Reduce operational CO_2 emissions, towards net-zero CO_2	Deliver CO_2 savings to customers
SSI #3: The Zero Carbon Project	**SSE #1:** Zero CO_2 sites	**SSI #2:** Saved and avoided CO_2 emissions
SSI #4: Green materials	**SSE #3:** Renewable electricity (RE100)	**SSE #2:** SF_6-free technologies
SSI #5: Sustainable packaging	**SSE #5:** Energy efficiency (EP100)	**SSE #6:** Green Premium™
SSE #4: CO_2 efficiency in transportation	**SSE #7:** Electric vehicles (EV100)	**SSE #10:** 420,000 metric tons avoided primary resource consumption

These commitments were taken as part of the "Business Ambition for 1.5°C – Our Only Future". Since 2018, Schneider Electric has been one of the 15 companies (out of 4,500+ signatories) to join the Global Compact LEAD initiative "Pathways to Low-Carbon and Resilient Development" in which businesses proactively share best practices in sustainable climate strategies.

3.2.3 CO_2 footprint

Schneider Electric updates its end-to-end carbon footprint (Scope 1, 2 and 3) annually and obtains a "limited assurance" from an independent third party verifier on all figures. Scope 3 emissions represent more than 99% of the Group's carbon footprint, of which 90% are due to the use phase and the products' end of life, and around 10% result from the purchase of raw materials, equipment, and services.

The charts below represent Schneider's carbon footprint on Scopes 1, 2 and 3, including all greenhouse gas emissions (GHG), from the upstream activity of all its suppliers to the use and end of life of its offers sold to customers. During the use phase, emissions saved and avoided by customers thanks to energy efficiency and renewable technologies are represented as negative emissions.

Coverage of reported emissions is 100% for energy, fugitive SF_6 emissions, waste, purchases, capital goods, commuting, travel, and freight (coverage is estimated using a relevant activity indicator for each source of emissions, such as spent for purchases and business travel, surface for energy and capital goods, headcount for commuting and waste). Schneider reports no GHG emissions on franchises, investments, or downstream-leased assets, because these emissions are not considered relevant for its activities.

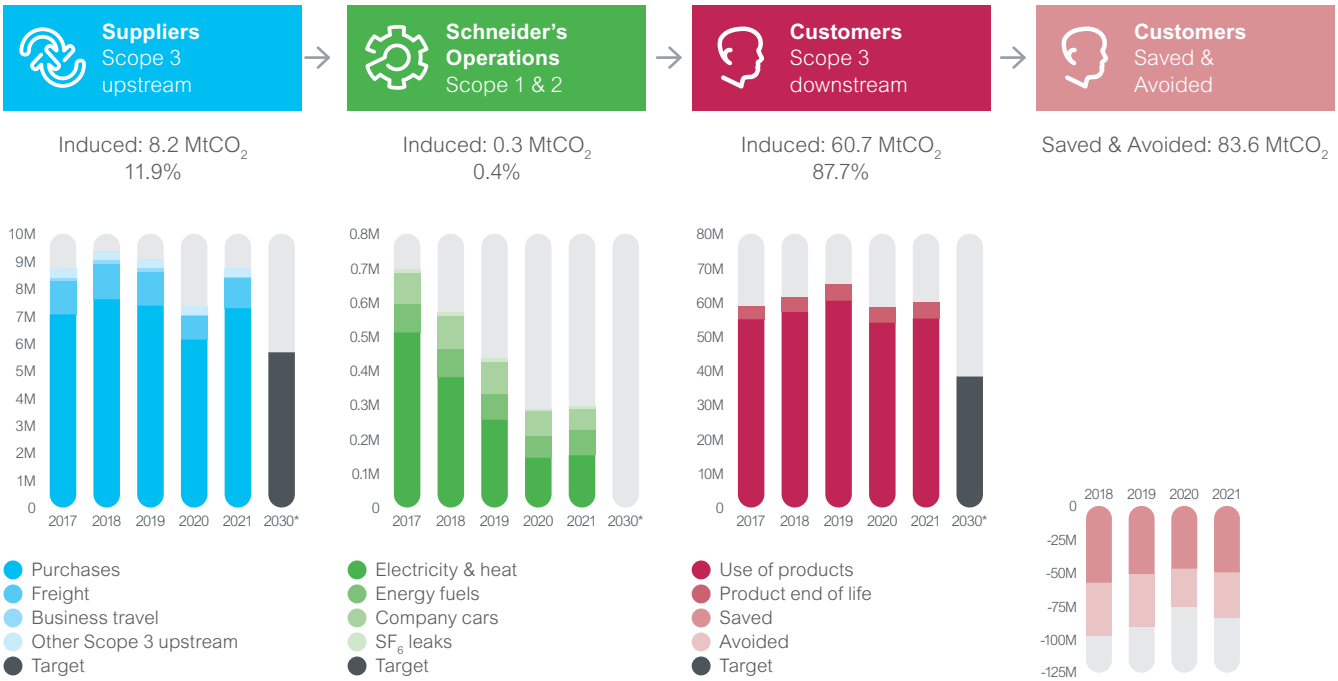
3.2.4 Internal CO_2 price

To lead the global transition to a zero-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.

As part of its carbon pledge, Schneider is committed to take into consideration a carbon pricing of EUR 50 – 130/ton (depending on time horizons) to inform the Group's climate strategy. In line with the vision, an internal price on carbon is already used in several cases to include the cost of CO_2 externality in decision-making and strategy.

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, taking into account CO_2 emissions from energy consumption and SF_6 leaks in industrial sites. CO_2 cost is also taken into consideration in industrial network modelling to account for future CO_2 prices in industrial decisions. This enables measurement of the potential impact of CO_2 pricing on the Group's supply chain. Schneider views internal CO_2 pricing as a useful tool to reinforce its governance and external commitments on CO_2.

Schneider Electric carbon footprint: 2017 to 2021 evolution



* Projection assuming that the -35% applies equally on all Scope 3 sources

3.2.5 Climate scenarios embedded in the Group's strategy

In line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, Schneider Electric launched a prospective approach on climate change and energy transition three years ago, by setting up a dedicated organization in charge. Schneider has a dedicated Strategy Prospective & External Affairs Senior Vice-President in charge of climate and environment scenario analysis. That person is attached to the Chief Strategy & Sustainability Officer.

Several scenarios to 2050 were developed in 2019. Those included critical reviews of the geopolitical landscape, commodity and resource availability, economic and financial evolutions, climate sensitivity and evolving policies, energy transition pathways, and technology developments, among others, with quantified consequences, taking into consideration 10 regions and a number of sectors individually, framing the business landscape in which Schneider operates. In 2020, these scenarios were further updated. Beyond impact for long-term analysis, the COVID-19 short-term impact assessment has also been reviewed in detail, including the importance and feasibility of climate-compatible recovery plans. Finally, in 2021, Schneider published a set of scenarios exploring the feasibility of a 1.5°C trajectory.

The scenarios developed by Schneider demonstrate that a net-zero carbon future, aligned with IPCC's 1.5°C scenarios, is still possible, and the Group is uniquely positioned to embark its ecosystem onto an inclusive, zero-carbon transition. The Group sees the energy and climate transition as an opportunity for companies who are "part of the solution" to grow their revenues. Schneider Electric's Energy Management and Industrial Automation offers 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.

The Group sees an acceleration of the dominant role of:

- Electrification: the world is becoming more electric, with demand growing potentially up to 3x by 2050;
- 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, notably around efficiency in energy and resource use and circularity, as well as increased resiliency and security.

All these findings, and their potential financial impact on our business have helped us fine-tune key development areas that will allow us to actively contribute to the low-carbon transition, enabling us notably to develop our sustainability portfolio of offers.

Key findings are regularly cross-checked with new publications, particularly the ones from the International Energy Agency, BNEF, and the IRENA, among others. Governance is in place, under the leadership of the Chief Strategy & Sustainability Officer, and both short- and long-term analysis are shared internally and used to inform strategic priorities across businesses and operations.

3.3 Delivering a climate positive impact with EcoStruxure™

3.3.1 Save and avoid 800 million tonnes of CO_2 emissions on customers' end

With EcoStruxure™, the 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 using Schneider's offers. New technologies were added to expand the methodology coverage in 2021: SF_6 recovery services, SF_6 AirSet solutions, Field Services, Energy Management Systems (EMS for electrical network) and data center design. Overall, from 2018 to 2021, Schneider Electric helped customers save and avoid 347 million tonnes of CO_2e.

From 2021 onwards, Schneider is committed to extend the methodology to progressively include all relevant offers, to report both saved and avoided CO_2 emissions with customers and partners, and to help customers save and avoid 800 million tonnes of CO_2 by 2025, cumulatively since 2018 (SSI #2). This commitment is one of the three performance indicators of the first ever convertible Sustainability-Linked Bond launched by the Group at the end of 2020.

The innovative CO_2 accounting methodology to quantify CO_2 savings delivered to customers, created by Schneider, allows for the quantification of CO_2 induced and saved by the Group's solutions at its customers' premises. Detailed calculation rules are defined per offer, leveraging sales data, market expertise, and technical knowledge. The methodology is designed to become a shared industry standard, its principles are applicable across the capital goods and consumer durables sectors. Attention was given to define rigorous calculations, with conservative assumptions. The methodology is public and was developed with Carbone 4, an expert CO_2 accounting consulting company.

Saved emissions are net emissions (savings are netted from use-phase induced emissions) and consider savings delivered on brownfield (retrofit) projects. Avoided emissions are defined with respect to greenfield sales (new infrastructures); they are defined as a limitation of emissions increase versus a reference scenario. Avoided emissions are net emissions. They represent the difference between emissions of a reference scenario and emissions with the implementation of Schneider Electric's offer.

Schneider's methodology, "Saved and avoided CO_2: decarbonization creates value" is available for download on se.com; as well as the detailed methodology (and hypothesis) for all Schneider's solutions

3.3.2 Deliver access to energy products and solutions

Today, 25% of the world's population still has no or reduced access to energy, and only 17% of the total global energy consumption was renewable in 2017. Schneider Electric's products and solutions aim to address this "energy paradox", balancing the need to reduce the planet's carbon footprint while ensuring the inalienable human right to quality energy and digital access.

In line with its carbon pledge towards net-zero CO_2 emissions, Schneider has committed to provide access to green electricity to 100 million people in underserved areas by 2030, both as a fundamental right and a means for social and economic development. Schneider's Access to Energy program bridges the energy gap by focusing on offerings and business models for village electrification and domestic energy needs, as well as investing in and supporting companies providing affordable, clean, and renewable energy.

Products and solutions address individual and collective needs across the energy chain, from solar lanterns and solar home systems to decentralized small power plants, water pumping systems, and street lighting. A great example of Schneider's products is the portable Mobiya solar powered lamp providing individual lighting and mobile charge for 48 hours. In emerging markets, this type of device helps extend the number of hours of activities and livelihoods, but also limits the use of kerosene lamps that have a significant environmental impact. Villaya is another great example of decarbonized energy solutions available for businesses and communities to ensure electrification in remote sites, either 100% solar or hybrid.

All of these social impact products and solutions complement the Group's offerings for its customers to be the digital partner for sustainability and efficiency.

Climate

SSI #2

Deliver 800 million tonnes of saved and avoided CO_2 emissions to our customers

CO_2 savings are delivered at every layer of EcoStruxure™. For instance, Building Management Systems (BMS) monitor, control, and optimize the performance of buildings throughout their lifecycle. This drives occupancy productivity as well as energy savings. From 2018 to 2021, Schneider Electric's BMS sales enabled customers to save 11 million tonnes of CO_2e.

Baseline	2021 Progress	2025 target
263M	347M	800M

Saved and avoided CO_2 are delivered at every layer of EcoStruxure™

Together with Customers and Partners:

347M tonnes

cumulated CO_2 saved and avoided from 2018 to 2021

Annual savings are equivalent to:

43M people in the EU

416M 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 (PPAs)

Edge control

Manage on-site operations, with day-to-day optimization of energy consumption through remote access and advanced automation.

CO_2 savings in infrastructure (building or industrial process)

Example: Building Management System (BMS)

Connected products

Connected products are eco-designed to improve their efficiency and deliver electricity savings.

CO_2 savings at product level

Example: high efficiency UPS Uninterruptable Power Supply and Transformers

3.4 Decarbonizing our operations by 2030

To deliver its net-zero target on Scope 1 and 2 by 2030, the Group has launched several ambitious transformations:

Climate and Energy

	405,000 tCO_2 reduced (scope 1 and 2) vs 2017 baseline	76% energy productivity (EP100) since 2005	82% renewable electricity	47 sites with onsite renewable electricity	7.7% share of electric vehicles in global fleet
Target	**Net-zero CO_2 on operational scope by 2030**	**100% target by 2030**	**100% target by 2030**	**50 target by 2025**	**100% target by 2030**

3.4.1 EP100: deliver efficiency from the inside out, Energy Action program

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 centers, the Group implements the three-layer 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 the Group to optimize operations and maintenance, for maximum uptime and longevity.

Four of Schneider Electric's smart factories have been designated as 4th Industrial Revolution (4IR) Advanced Lighthouses by the World Economic Forum (WEF), in China, France, the US, and Indonesia. Another two are classified as Developing Lighthouses in China and Mexico. Recently in 2021, the Lexington facility in the US was named one of the first three Sustainability Lighthouses in the world by the WEF. With its Smart Factory and Distribution Center (DC) programs, the Group has deployed advanced manufacturing technologies in over 80 smart factories and DCs in the past four years.

In offices, Schneider Electric'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 continuous right sizing of its footprint and site occupation to keep energy consumption and resultant emissions to a minimum, while reducing costs and improving employee experience and comfort.

Spotlight: IntenCity R&D Center, Grenoble, France
Near the end of 2020, Schneider opened IntenCity, its new R&D flagship located in the scientific area of Grenoble, France. This 26,000 square meter building welcomes 1,500 employees, and aims to become a world reference of sustainability and efficiency in buildings.

IntenCity was designed and built with Schneider building and power management technologies. Its building management is operated by EcoStruxure™ Building Operation (EBO). Energy consumptions are optimized thanks to EcoStruxure™ Power Monitoring Expert (PME). Finally, IntenCity produces its own green and microgrid connected energy, managed by EcoStruxure™ Microgrid Advisor (EMA).

IntenCity is equipped with a heating and cooling system made of two thermorefrigerating pumps which enable the building to efficiently serve its very low power needs. The rooftops are covered with 4,000 square meters of solar panels complemented by two vertical wind turbines and backed by 300 kWh of battery storage capacity. Thanks to these energy production and storage systems, the full 970 kWh required to operate the building on an annual basis can be entirely compensated by its on-site green energy production.

The combination of those technologies enables IntenCity to drop its energy needs in operation to a staggeringly low level of 37 kWh/sqm/year, and, according to the WGBC definition, to be net-zero carbon emission right from its commissioning date. IntenCity is currently in the process of gaining LEED Platinum certification with the ambition to achieve a score of 100/110, making it the most efficient and sustainable building in the world.

Solar and wind-powered roof at IntenCity facility in Grenoble, France

Global, regional, and site energy reporting is delivered with the EcoStruxure™ Resource Advisor software suite. EcoStruxure™ Resource Advisor provides a data visualization and analysis application that aggregates volumes of raw energy data into actionable information. EcoStruxure™ Resource Advisor is 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 Electric expert services.

The Group is a member of EP100 (Energy Productivity 100), a Climate Group initiative. Its 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 2021, the Group achieved 76% energy productivity (against a 2030 target of 100%) compared against 2005.

In general, Schneider sites are low consumers of energy compared with other industries because industrial processes are discrete and assembled. The Schneider Energy Action program uses site energy experts along with Schneider's Sustainability Business consulting team to report and analyze energy consumption, to identify energy saving opportunities, and to deploy actions. Since 2005, the Group has fixed annual objectives for energy efficiency each year. Schneider met or exceeded its energy efficiency goals during the previous four Company programs (2009–2011, 2012–2014, 2015–2017, and 2018–2020), by achieving 10%, 13%, 10%, and 10%, respectively, totaling over 40% reduction from 2009 to 2021.

The 2021–2025 Company program aims to reduce energy consumption by a further 15% over five years compared to 2019 (SSE #5).

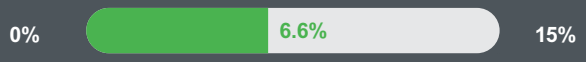
Resources

SSE #5

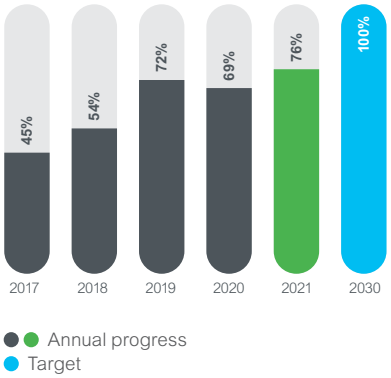
15% energy efficiency in our sites

The Group measures energy efficiency in its 200+ largest energy-consuming sites, accounting for 85% of the total energy consumption of the Group. At the end of 2021, this program enabled the following achievements:

- About EUR 5 million and 65 million kWh were saved in 2021 compared to 2019 baseline.
- About EUR 5.2 million was invested, of which EUR 5 million was capital costs and EUR 0.2 million was operating costs.



Annual energy productivity progress against 2030 EP100 target (vs 2005)



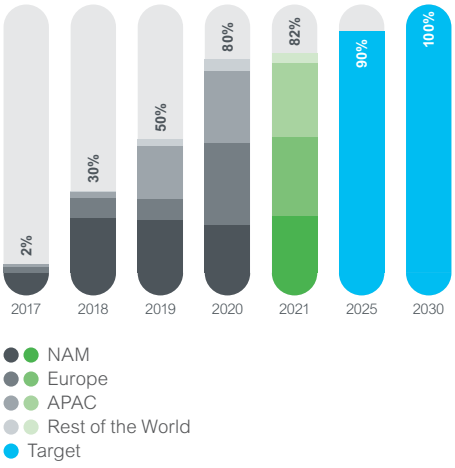
CLIMATE GROUP
EP100

3.4.2 RE100: switch to 100% renewable electricity by 2030

In 2017, Schneider Electric joined RE100 and committed to source 100% of its electricity from renewables by 2030, with an intermediary target of 90% by 2025. In 2021, the Group sourced 82% of its electricity from renewable sources, up from a starting point of 2% in 2017. To deliver its target, the Group leverages four complementary tools: green tariffs, renewable certificates, power purchase agreements, and on-site generation.

This commitment entails many benefits. First and foremost, going green is deeply aligned with the Group's strategy. Schneider wants to be one of the corporate players who shape the future energy landscape, having its own sites producing and consuming renewable electricity. Second, renewable sourcing is an important pillar to drastically cut down 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. In a lot of cases, renewable supply enables savings on electricity costs. It is also a way of diversifying energy supply risks and reduces 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 reduce downtime risks. Fourth, because the Group wants to demonstrate the value add of its own technologies and solutions, by showcasing EcoStruxure™ Microgrid IoT architecture on its own sites. Sites leverage Schneider Electric's connected inverters, Molded Case Circuit Breakers (MCCB), and transformers to connect on-site solar panels to the grid and use the energy and microgrid software to manage energy production and consumption. Schneider also leverages the expertise of the Sustainability Business consulting teams to deliver this transformation.

Annual renewable electricity usage percentage by region, and 2025 and 2030 (RE100) Group targets



RE100

CLIMATE GROUP

In 2020, Schneider Electric was recognized as the 2020 Clean Energy Trailblazer by Climate Group's RE100. This was the first year of the RE100 Leadership Awards, which recognizes companies going above-and-beyond to accelerate a clean energy future. Schneider was awarded the honor based on its wide-ranging commitments, including the Company's own CO_2 reduction targets, CO_2 savings delivered by EcoStruxure™ technologies to customers, clean energy advisory services, and its Access to Energy program, which provides energy access in underserved communities globally.

Climate

SSE #3

90% of electricity sourced from renewables

Since 2017, the Group has accelerated renewable electricity sourcing and the installation of on-site solar panels, coupled with EcoStruxure™ metering and power architectures. In 2021, more than 195 sites source 100% renewable electricity and 47 sites are equipped with on-site solar capacities.

Baseline	2021 Progress	2025 target
80%	82%	90%

3.4.3 EV100: Shift 100% of company fleet to electric vehicles

As part of Schneider Electric's climate strategy, we investigate opportunities to improve the 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 customer sites.

At the 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. By 2025, Schneider Electric aims to switch one-third of its corporate car fleet. 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. At the end of 2021, 7.7% of the Group's corporate car fleet was comprised of EVs.

CLIMATE GROUP

EV100

Resources

SSE #7

One-third of corporate vehicle fleet comprised of electric vehicles (100% by 2030)

The Group has set an ambition to pace its 2030 ambition of an all-electric fleet.

Germany Is leading this transition for Schneider Electric. Their journey started in 2018, with the objective to shift towards 50% electric vehicles by 2021. Their approach was holistic, taking into consideration all variables from infrastructure maturity to fleet and driver profile; today the country has 40% EV (due to delays in the supply chain) and aims to reach 100% by 2023.

Baseline	2021 Progress	2025 target
1%	7.7%	33%

3.4.4 Zero-CO_2 Sites

The path towards net-zero CO_2 emissions in operations by 2030 will require more than just renewable electricity. While many applications can be electrified, some applications do not, and may not in the near future, have electricity-based alternatives. As such, Schneider Electric has begun identifying applications on sites that currently have electrification alternatives as well as those which will require the use of fossil-free fuel solutions.

This effort has resulted in the Group newly embarking on its journey towards Zero-CO_2 Sites. The ambition is to source 150 sites with fossil-free energy (e.g., renewable electricity, biofuels) by 2025. But it's not enough to just use renewable energy; it remains critical to maintain energy efficiency. That's why the program also requires digital energy monitoring. For large sites in particular, this means installing connected meters on the site's significant energy uses and connecting them to systems like EcoStruxure™ Power Monitoring Expert, EcoStruxure™ Resource Advisor, or EcoStruxure™ Building Operation to ensure real-time monitoring of energy which allows for active energy management and efficiency.

Climate

SSE #1

150 Zero-CO_2 sites

The Group aims to eliminate fossil-based energy consumption from 150 of its sites by 2025 through electrification and sourcing renewable electricity and the use of biofuels.

For sites that have achieved the Zero-CO_2 site status, they were able to reduce 43,000 tonnes of CO_2 in 2021.

Baseline	2021 Progress	2025 target
30	51	150

3.4.5 Reduction of SF_6 emissions

SF_6 gas has excellent insulating properties which have historically helped ensure the safety and quality of certain Schneider Electric products. However, SF_6 gas has a Global Warming Potential (GWP) 25,200 times higher than CO_2, making it one of the highest GWP gasses. As such, Schneider is innovating its offers to move away from SF_6 gas (SSE #2: 100% substitution with SF_6-Free medium voltage technologies by 2025). In 2021 the promises from Schneider to deliver new SF_6-free medium voltage switchgear became a reality with the installation of innovative products on several customer sites. 2021 was the year of the industrialization of several new product lines, free of SF_6, to prepare the full commercial launch of this new generation of products.

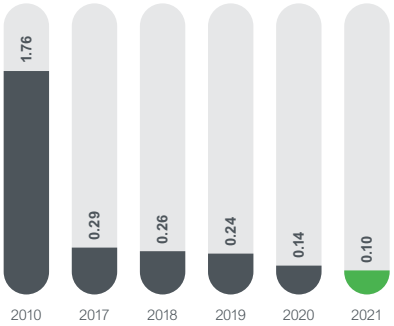
In the interim, all Schneider manufacturing plants and R&D laboratories handling SF_6 gas in their processes are actively reducing, as much as possible, SF_6 leaks and emissions during the different phases of their activities. A worldwide community of SF_6 experts are sharing best practices for processes, including procedures, equipment, and training.

In 2021 our advanced Emission Monitoring System was improved to become more digital, with centralized monitoring, but also more robust to any potential failure mode. This new kind of system will be deployed in 2022 on the biggest manufacturing site of the Group.

This technology allows for continuous measurement of SF_6 concentration in enclosures around devices and piping networks. In the event of any deviations, an alarm notification is automatically sent to maintenance teams. Additionally, the seal testing processes of the products are mainly done with helium instead of SF_6. This method ensures that no emissions are coming from non-compliant enclosures during the production time.

Thanks to this global activity and to the commissioning of efficient equipment, Schneider has exceeded the 0.19% target set for 2021. The Group achieved 0.1% leakage rate globally in 2021, systematically decreasing from 4% in 2008. This SF_6 leakage reduction enabled savings of 11,400 tonnes of CO_2 equivalent in 2021 versus 2017.

Annual SF_6 leakage rate



Climate

SSE #2

100% substitution with SF_6-free medium voltage technologies

Milan is in the process of powering a fleet of 1,200 eBuses not only with clean energy, but also with green power infrastructure.

The innovative SM AirSeT™ MV switchgear, free of greenhouse gases, are deployed in Milan depots' charging infrastructure for its bus fleet, to be 100% electric by 2030. Digital and connected solutions allow smart and efficient energy management and ensure greater continuity of service.

Baseline	2021 Progress	2025 target
0%	38%	100%

3.5 Decarbonizing our supply chain by 2050

Decarbonizing the world at scale, in line with the conclusions of the Intergovernmental Panel on Climate Change (IPCC), requires immediate collective action. Schneider Electric is committed to engaging its suppliers towards net-zero CO_2 emissions by 2050, and is already taking concrete action, through its Zero Carbon Project for the next 5 years.

Achieving carbon neutrality in the Group's value chain will require Schneider to work transversally with all stakeholders, from product design, through sourcing and manufacturing, to shipping.

3.5.1 The Zero Carbon Project

The Zero Carbon Project (TZCP) is the first step of this journey to galvanize the upstream supply chain and take coordinated actions to reduce the greenhouse gas emissions from Schneider's suppliers.

Schneider Electric's Executive leadership launched the initiative in April 2021, on the occasion of an all-digital global event, attended by the leadership of key supplier partners.

The ambition of TZCP is to collaborate with 1,000 suppliers and reduce their operational greenhouse gas (GHG) emissions by 50% by 2025 (SSI #3).

The fundamental tenets of TZCP include:

- Quantifying GHG emissions;
- Targeting ambitious emission reductions;
- Implementing an action plan to achieve the targets.

The participating suppliers will be required to make public commitments for their reduction targets and share the emission reduction progress with Schneider. The participating companies cover more than 60 procurement categories from various regions, and vary in terms of carbon maturity and size. To adapt to this diversity, the participating suppliers are allowed a certain flexibility to customize their reduction plans by defining their own base year and baseline and adopt adequate reduction targets and time frames.

So far, more than 1,000 suppliers have committed to participate in the program. An initial survey with those suppliers showed that more than 70% of them have not yet quantified their GHG emissions, so an important part of the journey will be for them to develop a robust GHG accounting tool.

Partnership and collaboration

Partnership and collaboration are at the heart of The Zero Carbon Project. Over the past years, Schneider has implemented several decarbonization measures and successfully reduced its own operational GHG emissions by more than 50%. To ensure that Schneider's partners benefit from this experience and get a headstart in the journey, the Group conducted eight technical training sessions, spanning over 30 hours, for suppliers and partners across timezones and language proficiencies. Those sessions detailed the actions implemented at various Schneider locations, with leading decarbonization technologies and solutions, methodology for GHG footprint calculation, and case studies of successful implementation at other companies. Over 1,300 suppliers attended the sessions.

To ensure constant engagement with these partners, The Zero Carbon Project Forum Community Calls have been initiated on a monthly basis. Those calls provide a platform, a safe space, for experience sharing and brainstorming on decarbonization-related experiences shared by the suppliers, so that all parties can learn from collective intelligence.

As a support to those who are new to the decarbonization topic, 9 handholding sessions, in English and Mandarin were organized on the GHG footprint methodology in December 2021.

Additionally, to provide specific handholding during the quantification of GHG emissions, Quick Response Teams were constituted to clarify and support supplier actions at regional level.

In addition to the "one-to-one" support extended to the suppliers, a dedicated web portal has been deployed. This web portal provides single-window access to all thought leadership, research, trainings, case studies, decarbonization levers, and tools for quantification of GHG emissions and decarbonization.

Calculating GHG emission reductions

As a result of the engagement described earlier and outreach, the suppliers are starting to focus on setting up strong governance within their organizations, which will help navigate their decarbonization journey in the years to come.

The GHG emission reduction reported in Schneider Sustainability Impact (SSI) #3, is measured as the average carbon intensity reduction of reporting suppliers, multiplied by the proportion of reporting companies among the 1,000 committed suppliers. This normalization is done to give a more adequate picture of the overall progress of all participating suppliers.

The initial efforts so far have resulted in about 1% reduction of the GHG for 1,000 suppliers, and Schneider remains committed to working together with its partners to strengthen their efforts for stronger decarbonization. The Group will continue to record its suppliers' GHG declarations on an annual basis to ensure the most accurate and updated information is available for reporting performance.

Climate

SSI #3

Reduce CO_2 emissions from top 1,000 suppliers' operations by 50%

To address the suppliers' need for handholding, the engagement approaches deployed are:

- 8 technical training sessions
- 9 CO_2 calculation training sessions
- Monthly TZCP Community Calls
- Dedicated TZCP Web Portal

3.5.2 CO_2 efficiency in transportation

Schneider Electric uses a robust transport network to connect its factories and 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, 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 aimed to further reduce CO_2 intensity in transportation by 10% in 2020 compared to 2017. By the end of 2020, performance compared to 2017 regarding transport-related CO_2 emissions had decreased by 8.4%.

With Schneider Sustainability Essentials 2021-2025, the Group aims to further reduce CO_2 intensity in transportation by 15% compared to 2020, or a 3% reduction year on year (SSE #4).

For 2021, unprecedented shortage in materials and components sourcing, coupled with lower reliability and availability of transportation means, led to an absolute CO_2 emissions increase in freight paid by the Group of 24% (compared to 2020), yet a 1% increase in CO_2 intensity only.

Building on the work done in prior years, Schneider will be further enhancing its CO_2 reporting capability in 2022 to not only report on freight CO_2 footprint but to facilitate engagement with transport suppliers on continuous improvement.

Collaborative engagement with the Group's transportation suppliers will continue, focusing on the pillars of optimizing existing transport footprint, as well as supporting and piloting advanced low carbon transportation technologies across all transport modes – air, sea and road freight.

Climate

SSE #4

15% 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, on the East Coast of the USA, electric terminal trucks are used by a final mile transport partner to move containers between the Distribution Center and the Port's Terminal.

Baseline	2021 Progress	2025 target
0%	-1%	15%

Some evidence of Schneider initiatives to mitigate the impact of transport-related CO_2 emissions include:

- Implementation of container freight stations (CFS) in Schneider's sea shipping network to allow for origin consolidation and destination deconsolidation of ocean containers resulting in a reduction of the number of containers shipped.
- Implementation in various South American countries of final customer delivery utilizing electric vehicles and bicycles. Additionally, piloting rail shipments from the regional ports to Schneider's facilities.
- In North America, a strong focus on our trucking asset utilization with the implementation of multi-deck trailers on the Mexico-USA lane, significantly increasing fill-rate and reducing the number of trips required.
- Exploring the use of smaller, faster, zero carbon sea transport options to connect our shorter, high-frequency lanes to potentially replace air freight and reduce traditional sea shipments.

3.5.3 Green materials

Purchases are responsible for the largest share of Schneider Electric upstream Scope 3 CO_2 emissions. Schneider has committed to increase green materials in products to 50% by 2025, and tracks progress quarterly under Schneider Sustainability Impact (SSI #4). While this program does not focus on CO_2 only, but also mitigates other environmental impacts such as resources, biodiversity or toxicity, this initiative will contribute to reduce the Group's Scope 3 supply chain emissions, in line with its 1.5°C carbon pledge. To achieve this ambition, Schneider will participate actively with industry leaders in dedicated working groups to become a change agent of the low-carbon economy while enhancing the traceability of materials. At the end of 2021, 11% of materials in scope where qualified as "Green".

3.5.4 SF_6 Recovery services

Sulfur hexafluoride (SF_6) is a gas with high dielectric (insulation) strength, and it has been widely used for building switchgear – especially medium voltage gear – for the past 30 years, as it allows to reduce the size of electrical gear.

The electric power industry uses roughly 80 percent of all SF_6 produced worldwide, and the global installed base is still expected to grow by 75% by 2030.

In 2013, Schneider Electric started offering its customers a seamless service for the removal and/or recycling of obsolete equipment called "SF_6 recovery services". Today, recovery services are available in France and 10 other countries; the customer support is under development to propose a model adapted to the different markets in different countries all over the world.

The ambition is to offer recovery services to any SF_6 Schneider legacy by 2025.

The recovery service allows Schneider's customers to dispose correctly of their machinery, against a green disposal certificate, thus granting them peace of mind. The service consists in collecting the equipment and, together with our partners, dismantle and reuse, recycle or dispose of all the components (such as metals or thermoplastics) appropriately. Specifically, SF_6 is extracted from machines and sent to a specialist company for regeneration and destruction.

3.5.5 Green information technology (IT)

Considering digital acceleration increases the utilization of IT services, a challenge arises to decouple rising demand from environmental degradation. Bearing that in mind, Schneider Digital's Green IT initiative prioritizes measuring and optimizing the environmental footprint of Schneider Electric's information systems.

An action plan has been implemented to optimize the environmental footprint of the various components of IT.

The Group IT Asset Management (ITAM) Policy and standards have been updated with a strong focus on standardization, sustainability, and circular economy enablement, creating a holistic approach to sustainability throughout the entire lifecycle of IT assets.

The consolidation and adjustment of the personal computer (PC) replacement lifecycle allowed Schneider to reduce its yearly PC carbon footprint by more than 15%.

Carbon footprint reduction is an integrated requirement for the IT vendor selection processes. Consequently, new PCs are up to 40% more energy efficient and have a 50% lower carbon footprint than the corresponding end-of-life equipment to be replaced. Shifting demand to standardized PC models has resulted in an estimated 1,000 tonnes of avoided CO_2/year in 2020. Setting ultra-small form factors as the default PC choice has also resulted in further CO_2 avoidance of more than 1,500 tonnes per year.

Additionally, upholding the Group's IT vendors to sustainability requirements, the annual 2021 CO_2 emission avoidance reached the level of 1,300 tCO_2 and 180 MWh of energy consumption.

IT asset disposal is especially important from a sustainability and circular economy perspective. Therefore, the IT Asset Disposal approach has been designed taking into account sustainability and circular economy principles ensuring that Schneider Electric gives preference to Responsible Recycling (R2) or e-Steward compliant IT Asset Disposal vendors.

By using leasing services (mainly in Europe and North America), donations, and offering an Employee Purchase Scheme (mainly in Asia Pacific and China) a second life is made possible for retired PCs. Refurbishing IT devices to give them a second life can extend their lifespan by several years. Extended lifespan implies a decrease of the weighted yearly carbon footprint by over 50% through the amortization of embedded CO_2 emissions over time.

A pilot was carried out in 2021 supporting green search engine practices. In one month, the Group financed the planting of approximately 387 trees. This not only aids in reversing biodiversity loss, but also contributes to carbon sequestration absorbing anthropogenic emissions as well.

During the year 2020, Schneider developed and introduced a framework based on a data-driven approach to track sustainability KPIs for End User Group devices. In 2021, the Group framework was deployed to track sustainability KPIs with regards to IT on-premise infrastructures. In 2022, the aim is to enable the tracking of sustainability KPIs for cloud-based infrastructures as well.

Employee education on Green IT best practices was introduced in 2021, thus driving efficiency not only from the top-down but from the bottom-up as well. This was hosted through events such as Schneider Digital Open Days.

Optimization of the Group data center footprint is achieved via its sustainable-first hybrid IT strategy. This was performed using two levers in 2021: the rationalization of on-premise servers and the move towards cloud. This switch has continued, partnering with providers who have made commitments in terms of sustainability and carbon neutrality. Thanks to that particular effort, the Company cloud infrastructure footprint increased by 25% in 2021, and over 80% of its server infrastructure has been virtualized. In addition to that, on-site servers were rationalized, thus saving about 1,300 tonnes of CO_2 in 2021.

Schneider Electric has been utilizing Business Cloud Storage from a vendor which uses data centers that have achieved or have committed to achieve 100% renewable energy targets, therefore reducing its carbon footprint. In 2022, the aim is to migrate to a new solution which, through a data optimization approach, will allow a reduction of up to 40% of the size of used cloud storage data, thus further reducing corresponding carbon footprint emissions.

The hosting of the Schneider Infrastructure for Europe & Global applications is provided by 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 data center sites hosting Schneider workloads were 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, 380 applications were decommissioned in 2021, allowing Schneider Electric to reduce data center footprints, as those applications are replaced with applications running on more efficient infrastructures.

Regarding the network footprint, as the move towards cloud influences network energy consumption itself, Schneider Electric has implemented initiatives to optimize application hosting between edge and the cloud. A standard hybrid architecture, allowing local hosting on virtual machines for network intensive applications while having a cloud DRP with the best service level has been defined using the Schneider "smart bunker" solution.

As part of the Group IT Resilience program (formerly known as IT Disaster Recovery program), Schneider's own EcoStruxure™ solutions were implemented in 63 more facilities in 2021, allowing for actionable insights to improving IT efficiency. Additionally, 3,600 Schneider Electric products were added to our IT rooms in 2021. This is highlighted by the rollout of EcoStruxure™ IT Expert and EcoStruxure™ IT Advisor already underway.

Finally, various collaboration solutions are still being implemented for messaging, web audio, and video conferencing. This roadmap was expedited by COVID-19. Indeed, innovative digital solutions allowing virtual teams to work in an agile way were implemented in 2020 and improved in 2021 via remote collaborative brainstorming tools, electronic whiteboard, and telepresence robot. International travel was significantly reduced and replaced with digital interaction including hosting large-scale internal and external events virtually.

4 Being efficient with Resources

In this section

"Sustainability is the first pillar of our supply chain transformation, building carbon-neutral and circular supply chains whilst preserving local biodiversity. Together with our supply chain partners we continue to improve energy efficiency and sustainability throughout the entire product creation, delivery, and support life cycle."

Mourad Tamoud, Chief Supply Chain Officer

Context and goals

2021 came with yet additional evidence of the speed of climate change, resource scarcity, and biodiversity losses. In 2021, "Earth Overshoot Day" fell on July 29, meaning that humanity consumes its natural capital budget of the year.

The decline recorded last year has been caught up due to an economic rebound with respect to 2020. Humanity's common goal is clear: push back the date of overshoot to December 31 and beyond to live within the limits of our one planet. Only by working hand-in-hand will businesses, finance, and governments be able to drive global systemic and transformative change, thus unlocking new opportunities and allowing everyone to live sustainably on a healthy planet.

Schneider Electric's long-term commitment is to be efficient with resources, by protecting and restoring biodiversity and innovating towards circular business models.

On biodiversity, Schneider Electric is committed to fast-track the adoption of ambitious biodiversity strategies, leveraging best practices from climate Science-Based Targets: measuring impacts and aligning targets with science.

With Schneider Sustainabilty Impact and its concrete programs, the Group innovates towards a more circular economy, in industrial processes, product design, and business model innovation.

2021 Highlights

Schneider Electric recognized as the Best Global Sustainable Supply Chain Organization by GSSC

Schneider joining forces for circularity innovation with Accenture through the Circulars Accelerator program

1st company in the world to publish its biodiversity footprint, followed by bold commitments to fight biodiversity loss

Key targets and results

Progress against our 2021-2025 Sustainability commitments

Schneider Sustainability Impact

Long-term commitments aligned to UN SDGs	2021-2025 programs	Baseline(1)	2021 progress(2)	2025 Target
Resources	4. Increase green material content in our products	7%	11%	50%
	5. Primary and secondary packaging free from single-use plastic, using recycled cardboard	13%	21%	100%

Schneider Sustainability Essentials

Long-term commitments aligned to UN SDGs	2021-2025 programs	Baseline(1)	2021 progress(2)	2025 Target
Resources	5. Improve energy efficiency in our sites	0%	6.6%	15%
	6. Grow our product revenues covered with Green Premium™	77%	78%	80%
	7. Switch our corporate vehicle fleet to electric vehicles	1%	7.7%	33%
	8. Deploy local biodiversity conservation and restoration programs in our sites	0%	0%	100%
	9. Give a second life to waste in 'Waste-to-Resource' sites	120	126	200
	10. Avoid primary resource consumption through 'take-back at end-of-use' since 2017 (metric tons)	157,588	203,881	420,000
	11. Deploy a water conservation strategy and action plan for sites in water-stressed areas	0%	9%	100%

(1) Generally, the 2020 performance serves as a baseline for Schneider Sustainability Impact (SSI) and Schneider Sustainability Essentials (SSE) 2021-2025 programs.
(2) Each year, Schneider Electric obtains a "limited" level of assurance from an independent third party verifier for all of the SSI and SSE indicators, in accordance with ISAE 3000 assurance standard (for more information, please refer to the Universal Registration Document). The 2021 performance is also discussed in more details in this section.

Long-term roadmap

2030

- No net biodiversity loss in our direct operations by 2030
- 100% waste recovery by 2030

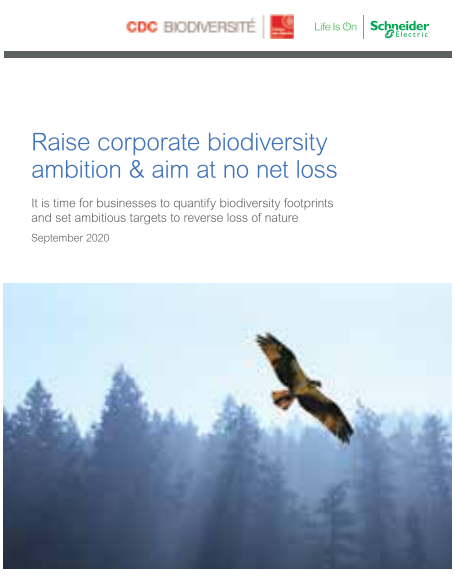
4.1 Preserving the planet and its biodiversity

According to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) global assessment report, biodiversity loss is unsustainable, and transformative changes are required to safeguard economic and social models. Major biodiversity loss undermines nature's ability to support people and communities, a factor which strongly improves both quality of life and business prosperity. The fight against nature loss should be a business priority: nature is essential to global economic prosperity and individual business success.

A sustainable future for people and economies will be possible if nature, climate, and people are addressed in an integrated way. Indeed, climate change is among the main drivers of biodiversity loss, and yet nature is part of the climate solutions. To engage in a transformative change, clear and measurable international targets, meaning counterparts to both the 1.5°C – 2°C increase climate limit and its associated carbon budget, must be defined. Schneider Electric supports the creation of ambitious biodiversity targets during the COP15 for Biodiversity.

Schneider Electric calls for all companies to fast-track the adoption of ambitious biodiversity strategies, leveraging best practices from climate Science-Based Targets. In a joint effort with Marc Abadie, Chairman of CDC Biodiversité and Eva Zabey, CEO of Business for Nature, Schneider invites all companies to "raise corporate biodiversity ambition and aim at no net loss".

In addition to improving resource efficiency, it is also necessary in order to live within the limits of our planet to transform industrial processes and business models to move towards a circular economy. Circular economy is an obsession to avoid wastage and to reuse, repair, retrofit or recycle materials, maximizing environmental and financial value.



A circular mindset also triggers process innovations and opens the door to new business models, enhancing customer intimacy and 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.

From a risk standpoint, some challenges may arise from a lack of stringent regulations or uncontrolled practices if used products come back into the loop without adequate controls and expertise, especially regarding life-critical products and electrical safety.

Schneider Electric embraces circular principles all along the lifecycle of products and offers. The keystone of circularity is EcoDesignWay™, a process that is applied to the development of all new products. EcoDesignWay™ enables the right trade-offs between the environmental impact along the lifecycle of products, allowing to coordinate the efforts over the whole value chain.

Product innovation

On product design, Schneider has committed to:

- Phase-out potentially harmful substances and provide transparent information on environmental performance of products
- Design with a circular mindset with Green Premium™, for increased durability, repairability and recyclability
- Provide public and transparent information for the proper dismantling and end-of-life management of products
- Increase green material content in products to 50%
- 100% of its primary and secondary packaging is free from single-use plastic and uses recycled cardboard

Process innovation

In the manufacturing phase, the Group applies circularity principles in its operations and with customers:

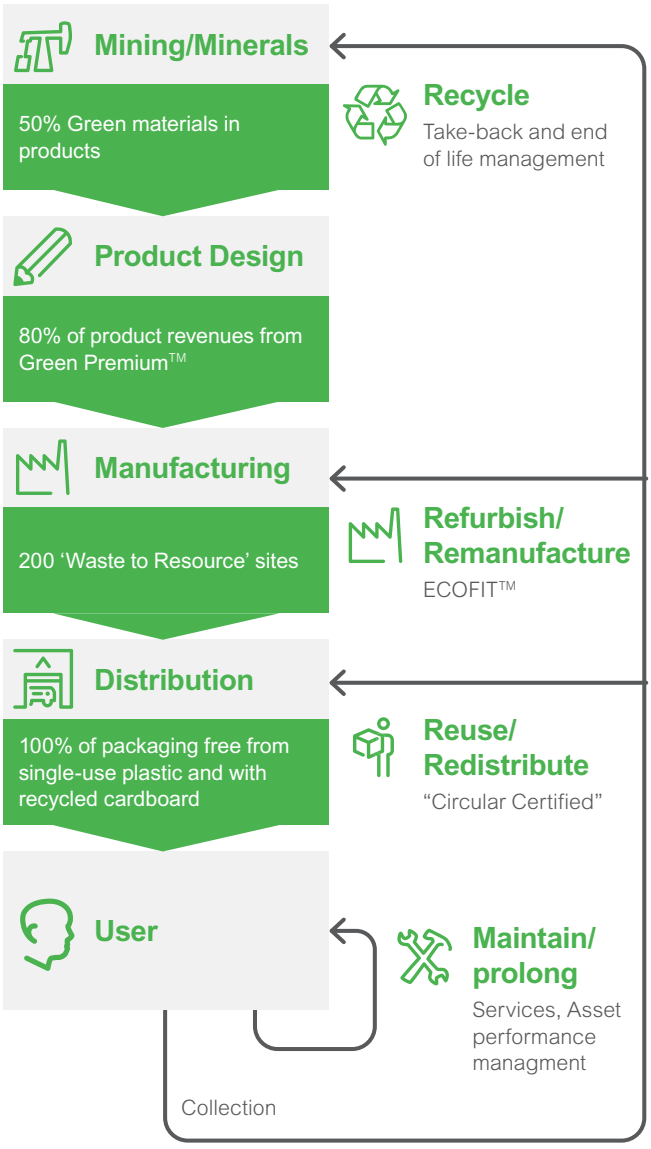
- Have 200 'Waste-to-Resource' sites by 2025 to optimise waste generation and recycling on the Group's sites
- EcoStruxure™ solutions help customers improve resource efficiency in industrial processes

Business model innovation

Over the lifecycle of offers, Schneider commits to innovate with circular business models and services:

- Support customers to optimise asset lifecycle management for increased durability and efficiency, with Asset Performance Management (APM) services
- Give a second life to products (unsold or obsolete stock, commercial returns), with the 'circular certified' label launched in France in 2020
- For specific product ranges such as products containing SF_6, offer take-back and end-of-life management services. The Group is committed to avoid 420,000 metric tons of primary resource consumption through 'take-back at end-of-use' from 2017 to 2025

In the image below, an overview of circular initiatives at Schneider Electric, over the whole value chain.



4.1.1 Governance

At Schneider Electric, environmental considerations are integrated in the Group's strategy, R&D, manufacturing, procurement, finance, human resources, transportation, sales, marketing, services, and the way value propositions to customers are spelt out. To deliver ambitions, environmental transformations are driven by a global network of over 600 managers and experts responsible for the environmental management of sites, countries, product design, and marketing. The network of leaders driving environmental transformations consists of the following:

- **For the design and development of new offers:** Sustainable Offers Managers and leaders in each business are in charge of integrating key environmental considerations into the development of new products and producing expected environmental information for customers.
- **For the management of industrial, logistics, and large tertiary sites:** Safety, Environment, and Real Estate Vice-Presidents are nominated in each region, with dedicated teams. They are responsible for implementing the Group's policies across all sites in their geographical remit. In each region, directors coordinate teams across a group of sites (clusters), as well as on site.

These environmental and safety leaders are in charge of reporting on performance as well as executing environmental progress plans in the field.

- **For logistics:** the Logistics Senior Vice-President 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 and safety champions are appointed in each country and are 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, and monitoring national substance regulation such as RoHS China); the proactive management of local environmental initiatives; and relations with local stakeholders.
- **Edison experts:** a process recognizes individuals who have a specific expertise that the Group is eager to maintain and grow. There are 10 specific domains in which Edisons are identified, one of them being environment. Each year, an environment Edison is expected to dedicate 10% to 20% of his/her time to lead a global initiative related to his/her expertise, such as the development of an e-learning course, a new standard, or an innovation.

Various governance bodies enable those communities to meet every month or quarter to ensure consistent adoption of environmental policies and standards throughout the Group. This network has access to a wide range of resources including standards, policies, best practices, benchmarks, and guidelines, all of which are shared on the dedicated intranet site and databases.

Environmental performance is reported and discussed during leadership meetings of concerned entities, including Global Supply Chain leadership meetings, Sustainable Innovation Taskforce with business units, the Board Audit & Risks Committee, Board of Directors, Executive Committee, Human Resources & CSR Committee, and Group Sustainability Committee.

To educate all employees on sustainability, an Essential Sustainability e-learning training was rolled-out in 2021, including a presentation of the Group's carbon pledge and the roadmap for execution. In addition, various e-learning modules have been developed on topics such as climate and biodiversity. Additionally, an environment intranet site is accessible to all employees, informing them about the ongoing programs, best practices, results, goals, and upcoming deadlines.

In 2019, Schneider Electric launched a company-wide initiative named Act for Green whereby each of its employees can share their suggestions on how the Group can "Green" its operations. In 2020, thanks to the suggestions of many employees, the #stopsingleuseplastic initiative to ban the single use of plastics was launched and integrated in 2021 as part of a biodiversity for sites program (SSE #8). Communities of passionate ambassadors facilitate e-learning and workshops (such as Climate Fresk) to increase awareness on climate change.

On June 5, 2021, on United Nations World Environment Day, as it has been the case for each year over the last eight years, Schneider organized its annual "Global Environment Day" event involving tens of thousands of Group employees, inviting them to celebrate and to share innovations in the areas of climate and the circular economy, both internally to the Group and externally, in association with local communities. That year, a special focus was made on the importance of the ecosystem restoration.

4.1.2 Biodiversity footprint

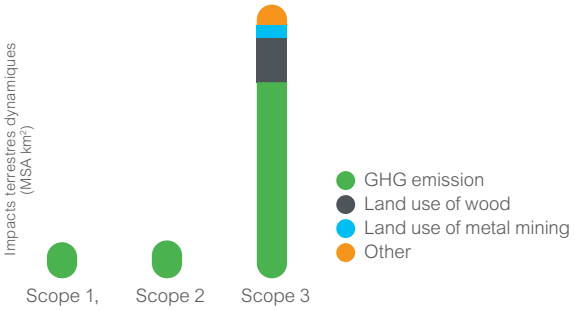
To drive change, companies need quantitative metrics to estimate, monitor, and pilot the impacts of their activities on biodiversity loss or demonstrate their contribution to biodiversity restoration. Creating aggregated and standardized biodiversity metrics and protocols is a much-needed step to ensure nature is truly placed at the heart of the business strategy.

In 2020, Schneider Electric was the first company to publish the end-to-end biodiversity footprint of its activities, using the "Global Biodiversity Score" (GBS) tool developed by CDC Biodiversité. By sharing its experience with other companies and choosing to publish results transparently, the Group aims to demonstrate that measuring biodiversity footprints is a key first step to help companies define relevant and impactful biodiversity strategies, across their entire value chain.

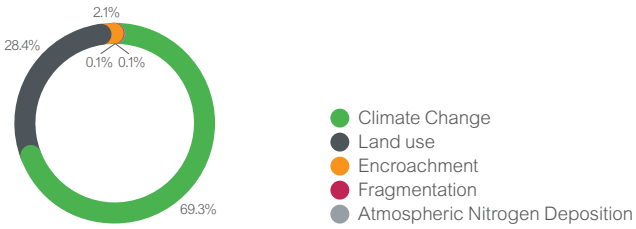
The GBS gives detailed and modular results which can be split by input line (for example, by raw materials such as metal, plastic, or timber); by pressures on biodiversity (such as land use, climate change, fragmentation, or encroachment); or it can be presented by scopes in Mean Species Abundance per square kilometer (MSA.km²) like a carbon footprint. The end-to-end assessment allowed Schneider to identify hotspots around which it is most effective to develop a biodiversity strategy and actions.

The bar chart below illustrates Schneider Electric's dynamic terrestrial impact, with detail by pressure. The pie chart highlights the weight of greenhouse gas (GHG) emissions which represent almost 70% of Schneider Electric's pressure on biodiversity. Land use accounts for almost 30% of "cradle-to-gate" impacts.

Schneider Electric's biodiversity industrial footprint (in MSA.km²)



Cradle to gate terrestrial dynamic pressures on biodiversity



The biodiversity footprint results are expressed in MSA.km², a metric that has all the ingredients it needs to become the international standard: synthetic, easy to understand, and widely applicable. In 2018, the world average terrestrial MSA was only 66%, meaning that a significant part of the species abundance of ecosystem integrity has already been lost. Under a business-as-usual scenario, this number would fall below 60% MSA by 2050. That is far beyond the safe operating zone that respects the planetary boundary, which is estimated at 70% MSA (CDC Biodiversité). Such a high biodiversity loss undermines nature's ability to provide its contribution to people, which is vital for human existence and a good quality of life.

4.1.3 Taking action towards no net biodiversity loss

Climate change is one of the major pressures on biodiversity globally and is the main Group's biodiversity impact. Therefore, Schneider's carbon pledge will have a significant impact on reducing the Group's pressure on biodiversity. Five main levers of actions have been identified and will be addressed through specific actions.

Quantify and regularly publish the assessment of impacts on biodiversity (MSA. km²)

As per the first step of the Group's main commitments, the ambition will be validated thanks to the results of the Biodiversity Footprint Assessment performed with the Global Biodiversity Score (GBS). Consequently, the Group is committed to updating it regularly.

Commit to reduce our impacts and align biodiversity objectives with science

Schneider Electric recognizes the importance of nature and biodiversity for humankind to thrive; we are all dependent on natural resources and ecosystem services. The Group's purpose is to empower all to make the most of our energy and resources, bridging progress and sustainability for all. That is why, in 2021, Schneider stepped up its ambition and publicly committed, through act4nature international, to achieving no net biodiversity loss in its direct operations by 2030 (Scope 1) and to aligning with the recommendations of international bodies (Convention on Biological Diversity by the Science Based Targets Network).

act4nature international

Develop solutions and technologies that contribute to the preservation of biodiversity

Schneider Electric's solutions and technologies directly support biodiversity preservation. Its EcoStruxure™ technologies leverage digital solutions to conserve energy, water, and resources, reduce climate change pressure, optimize land usage, and build transparency, traceability, and circularity in value chains. The Group also contributes to the access to green electricity for millions of people each year thereby mitigating further climate change while providing economic opportunities to those people.

Engage and transform the value chain

The second largest share of the Group's biodiversity footprint lies in its upstream supply chain, mainly due to GHG emissions and land usage (due to wood and metal sourcing). The Group aspires to engage and transform its value chain and to source greener materials, which will require innovations both in terms of supply chain traceability and product design. Schneider Electric calls for the creation of raw material traceability and certification schemes to provide information all along the value chain as it is one of the most pressing issue to solve in order to engage in a more virtuous procurement practice.

Act locally, engaging employees and partners

Schneider is engaged to act locally to preserve and restore biodiversity by joining forces with other stakeholders through coalitions and partnerships. Its Foundation also supports NGOs that raise the awareness of the public on nature protection (Global Footprint Network, WWF, etc.) and act for nature restoration with partnerships such as Livelihoods Funds. By 2025, Schneider is engaged towards 100% of sites with a local biodiversity conservation and restoration program (SSE #8), on top of water conservation plans for sites in water-stressed areas (SSE #11). To support the efforts at site level, a multi-site analysis has been performed with IBAT (Integrated Biodiversity Assessment Tool). IBAT integrates different biodiversity databases (such as Protected Areas, Key Biodiversity Areas, and IUCN Red List species) and enables a site level analysis within a buffer of 1 km. The top 30 sites, as per risk and exposure, have been selected to perform a deeper analysis called STAR (Species Threat Abatement and Restoration metric), to quantify the contribution of operating at specific locations and to reduce the threat of species extinction risk.

Along its journey, Schneider Electric will continue to leverage its partnerships with external organizations such as CDC Biodiversité, Livelihoods Funds, and many of the VolunteerIn initiatives.

LIVELIHOODS FUNDS ACT TODAY FOR A BETTER FUTURE

4.2 Eco-efficient manufacturing

4.2.1 Risks and opportunities

Environmental risks related to manufacturing include soil, water, and air contamination. For instance, the release of hazardous substances can be harmful for fauna, flora, and human health. It can also disrupt continuity of operations and tarnish reputation. In addition, with 183 factories and 94 distribution centers in our Global Supply Chain organization, spread across dozens of countries and different national environmental regulatory frameworks, risks of non-compliance exist. These risks include for instance effluent management, handling of waste, or greenhouse gases related expectations.

A proactive approach towards site and property environmental risks and environmental compliance helps preserve the continuity of operations, reduce reputational and legal risks, and avoid expensive remediation steps. When Schneider runs projects for customers, its superior execution ability on environmental matters may trigger preference from its customers and give the Group an edge over the competition.

Resource and energy efficiency 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 on which a facility relies to maintain production. The Group's CO_2 emissions contribute to climate change and may also incur additional costs as carbon taxes become implemented worldwide. 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 mitigate risks. The Group 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.

4.2.2 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 included in the Group's supply chain strategy, and referred to as Schneider Sustainability Essentials (SSE), starting 2021.

The Group's eco-efficient manufacturing goals:

- Protect the environment, prevent pollution, and limit emissions;
- Continuously improve the environmental management system and meet compliance obligations;
- Decouple the supply chain from natural resource consumption;
- Invent circular business models and supply chain loops;
- Include the environment in its strategy and governance;
- Extend environmental ambitions to suppliers and partners;
- Spread a culture of environmental excellence in the company.

The Group's energy management goals:

- Reduce the energy intensity of its operations, sustainably decoupling energy consumption from activity growth;
- Reduce the CO_2 intensity of energy consumption, and absolute CO_2 footprint, in line with the Group's commitments to achieve a 1.5°C climate change trajectory;
- Adopt Schneider's own Energy Management and Automation EcoStruxure™ solutions wherever possible, to showcase the Group's solutions for customers and business partners, and help embark them onto an energy excellence journey.

Schneider Electric 2025 sustainable supply chain ambitions

Preserve life and act responsibly

0 fatal and serious accident

100% of applicable sites certified with ISO 14001, ISO 50001 and ISO 45001

Act for a climate positive world

150 Zero-CO_2 sites

90% of electricity comes from renewable sources

100% of sites deliver energy savings, with EcoStruxure™ Power and EcoStruxure™ Resource Advisor

Top 1,000 suppliers reduce operational CO_2 emissions by 50%

15% CO_2 efficiency in transportation

Be efficient with resources

200 'Waste-to-Resource' sites

100% of packaging is free from single-use plastic and uses recycled cardboard

100% sites with Circular supply chain innovations

100% sites with local biodiversity preservation programs & water efficiency

Biodiversity, Waste, and Water

17	96%	126	-34%
sites banning single-use plastics* in 2021	waste recovery in 2021	'Waste-to-Resource' sites	water intensity since 2017
Target: 400 sites by 2025	Target: 100% target by 2030	Target: 200 sites by 2025	Target: -35% target by 2025

These ambitions are embedded in the Group's Trust Charter and the Group's supply chain strategy as well as two global policies that drive eco-efficiency performance: the Environment Policy and the Energy Policy. The Group also partners with its suppliers to extend its environmental ambitions to its upstream supply chain.

Flagship programs to achieve these goals include:

- Zero-CO_2 sites (SSE #1),
- Delivering energy efficiency with EcoStruxure™ solutions (SSE #5),
- Powering facilities with renewable energy (SSE #3),
- Maximizing waste recovery through the 'Waste-to-Resource' program (SSE #9),
- Sustainably sourcing packaging (SSI #5),
- Focusing on water-stressed sites (SSE #11),
- Emphasizing the importance of local biodiversity (SSE #8), and
- Reducing CO_2 emissions generated by transportation (SSE #4).

4.2.3 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.

Key ongoing initiatives include:

- The Integrated Management System (IMS) covers the Group's plants, distribution centers, and large offices, and hosts ISO 14001, ISO 50001, ISO 9001, and OHSAS 18000/ISO 45001 compliance management systems. Each site is audited periodically, either externally by Bureau Veritas (every three years), or internally.
- The Company-wide Look at Environmental Assessment and Risk Review program (CLEARR) was continued, with additional and updated surveys of select manufacturing sites that focused on historical and current potential environmental risks.
- Environmental risks and provisions are reviewed with local and corporate finance, as well as legal functions.
- 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.
- Risks and mitigation actions are presented to the Board Audit & Risks Committee.
- Schneider Electric's global risk matrix takes into consideration the biggest environmental risks (on suppliers, products, sites, and customer projects).

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.

Additionally, Schneider uses third-party services to assess each of its key sites' risk profile, in relation to a certain number of external risks such as fires, earthquakes, flooding, and other natural disasters. Through this process and its business continuity planning efforts, Schneider endeavors to gauge related risks and anticipate possible steps which would be required. With around 244 ISO 14001 certified sites globally, the footprint is balanced geographically. Roughly 90 of the Group's plants are in areas classified as 'high' or 'extremely high' baseline water stress, as defined by World Resources Institute's (WRI) Aqueduct Water Risk Atlas. The nature of the Group's manufacturing processes (mainly assembly) allows for the rebalancing of manufacturing lines in a fairly prompt manner, if needed.

During the year 2021, no new material environmental impacts were identified. Furthermore, no Schneider Electric sites are Seveso-classified.

4.2.4 ISO 14001 and ISO 50001 certification

ISO 14001 certification allows Schneider Electric to define and sustain robust environment governance on its sites, supporting continuous improvement to deliver environmental performance. As soon as the ISO 14001 environmental management standard was published in 1996, Schneider 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. 244 sites are certified ISO 14001 as of the end of 2021, representing approximately 76% of the Group scope based on the share of site surfaces, 82% of the Group scope in terms of energy consumption, and over 85% of the Group scope in terms of water consumption, waste generation, and Volatile Organic Compounds (VOC) emissions.

* The scope of the single-use plastics ban for the biodiversity program is "consumer" plastics (e.g. cups, cutlery, gifts/souvenirs, etc.). "Industrial" plastics (e.g. primary/secondary packaging, products) are covered in Schneider Electric's SSI #4 and SSI #5 programs.

The Group's environmental reporting scope and targets are based on all ISO 14001 sites. Environment reporting metrics include energy consumption, Scope 1 and 2 CO_2 emissions, waste generation, water consumption, and VOC emissions at ISO 14001 sites.

Schneider Electric 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 aims to ISO 50001-certify all sites consuming over 5 GWh per year. By the end of 2021, 140 sites were certified ISO 50001.

ISO 14001

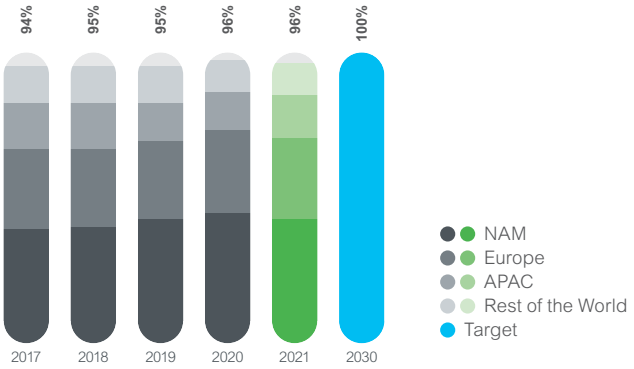
ISO 50001 ENERGY MANAGEMENT

4.2.5 Waste to Resources

In 2021, global challenges with supply chains, material shortages, and increased visibility towards waste pollution such as ocean plastics have reaffirmed what Schneider Electric has known and strived towards for years: the depletion of the Earth's resources in the current linear take-make-dispose models of resource consumption are not economically or environmentally sustainable and must be replaced with circular economy models.

In its previous program, Towards Zero Waste to Landfill, the Group put a strong emphasis on diverting waste from the landfills through alternative solutions. The Group achieved 206 sites meeting its stringent requirements of 99% metal waste recovery, 97% non-metal waste recovery, and 100% hazardous waste recovery using the best available handling/treatment options available locally. This helped the Group to achieve 96% waste recovery across its operations overall.

Waste Recovery Performance



Resources

SSE #9

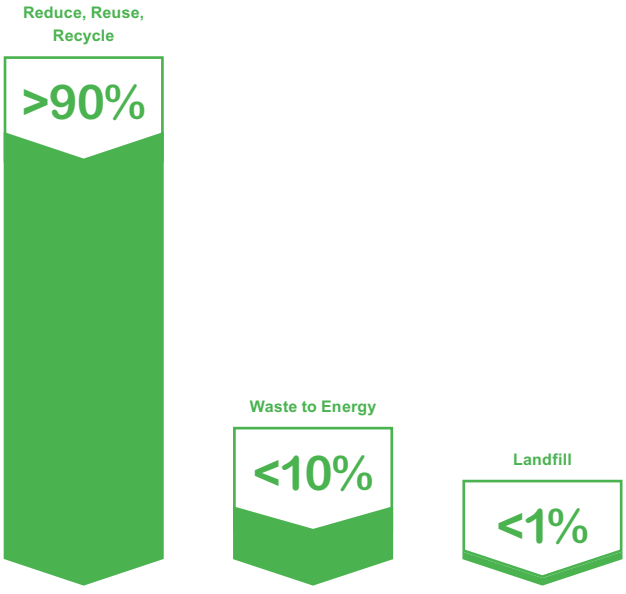
200 'Waste-to-Resource' sites

Schneider Electric is driven to maximize the value of its resources, considering waste as a resource and ensuring its waste stays within a circular system. Beyond avoiding landfill and looking at traditional recycling solutions, Schneider strives to move up the waste hierarchy and find reduce and reuse solutions for its resources.

Baseline	2021 Progress	2025 target
120	126	200

In its new program, 'Waste-to-Resource', Schneider pushes even further with its waste recovery ambitions. Sites now must achieve 99% recovery for all non-hazardous waste and still achieve 100% hazardous waste recovery using the best available handling/treatment options locally. Additionally, to promote and emphasize the importance of circular economy, 'Waste-to-Resource' sites will not be allowed to use waste-to-energy solutions for more than 10% of their waste. This provides an opportunity for sites to work collaboratively within their internal supply chains, along with external suppliers and waste management providers to find innovative reduce, reuse, and recycle solutions.

'Waste-to-Resource' ambition at Schneider: maximising value recovered from waste in sites



Schneider Electric generated around 135,000 tons of waste in 2021, most of it being solid waste. Continuous improvement plans have been deployed to manage this waste, in line with the ISO 14001 certification. In 2021, the Group recovered 96% of total waste reported (recovery ratio includes material and energy recovery) and a 91% recycling rate without energy recovery. The recovery ratio has increased from 81% to 96% since 2009, thanks to site-by-site waste management action plans.

Schneider is committed to ensure that the potential adverse impacts of hazardous waste on environment and health are mitigated. Two main levers are investigated as part of the 'Waste-to-Resource' program: first, all sites generating hazardous waste ensure visibility of handling and end-of-life treatment paths. They also 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 performance 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 30% against the 2017 baseline.

In 2021, hazardous waste generation intensity was 0.3 tonnes/million EUR of revenue, an evolution of -30% versus 2017.

Schneider Electric's Benalla site, Australia

4.2.6 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 the sustainability materiality analysis. In 2021, water management and performance information was disclosed in the CDP Water program, and Schneider was awarded a B rating.

However, Schneider fully realizes the importance of water in local communities, especially those that are located in water-stressed areas. Having approximately 90 ISO 14001 sites in areas classified as 'high' or 'extremely high' baseline water stress, as defined by World Resources Institute's (WRI) Aqueduct Water Risk Atlas, the Group has set the ambition that 100% of its sites in water-stressed areas have a water conservation strategy and related action plan by 2025 (SSE #11).

Under this program, three types of actions can be implemented:

- Standard actions which apply to all sites;
- Conditional actions which apply to certain sites based on their type and volume of water usage;
- Site-specific actions.

In 2021, the Group achieved 9% of its 2025 target.

In addition, Schneider's aims to reduce water intensity (in m^3 of water consumption per euro of turnover) by 35% in 2025 versus 2017, with a focus on sites with high water consumption and within severely water-stressed areas. In 2021, water consumption intensity was 72 m^3 per million euro of revenue, an evolution of -34% against the 2017 baseline.

Resources

SSE #11

100% of sites in water-stressed areas have a water conservation strategy and action plan

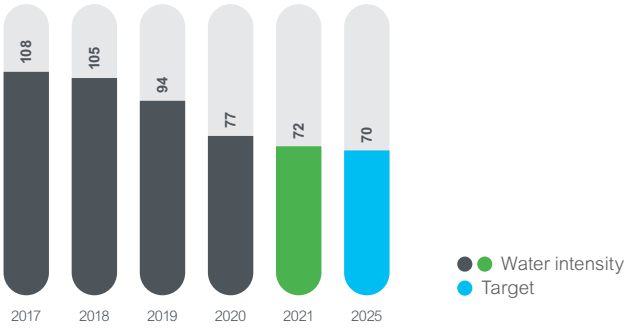
Schneider Electric has approximately 90 sites located in water-stressed areas all over the world. These include factories, distribution centers, and large offices, with water usages including process-based, HVAC, sanitary/canteen, and irrigation.

For instance, Schneider's Benalla site in Australia has installed 130,000 Liters of rainwater storage, which allows the site to source 60% of its water needs from rainwater.

Baseline	2021 Progress	2025 target
0	9%	100

The Group provides a 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 Group level, water is primarily used for cooling and sanitary purposes and, on a few selected sites, for processes such as surface treatment. Water drawn for the sole purpose of cooling and immediately released without alteration is also monitored separately. For industrial water use, water discharge is subject to appropriate treatments to reduce pollutant potential and subject to a monitoring plan.

Global water intensity evolution (m³/million €)



4.2.7 Biodiversity on sites

Biodiversity is a local matter and actions are required at site level to reduce local impacts: the Group has committed to increase its biodiversity site actions and raise the awareness of employees. In fact, site activities such as energy and water consumption, building infrastructure, food, landscaping, waste generation, light, sound and other forms of pollution, exert a pressure on biodiversity that can be reduced. For example, manicured, non-native landscaping could potentially increase water consumption and promote invasive species that don't support native wildlife.

The objective is to achieve 100% of sites with a local biodiversity conservation and restoration program by 2025 (SSE #8). To meet this target, sites have to define and deploy a biodiversity program consisting of a ban of single-use plastics (related to office use) and at least one local action with significant ecological impact.

The program was launched in 2021 and many sites already started the journey, understanding the complexities of biodiversity, assessing their impact and identifying the right local stakeholders to involve in a preservation or restoration program.

As it takes time to build impactful and consistent biodiversity programs, a slow ramp up in terms of global performance of the indicator is expected, with an acceleration after 2023.

With the objective to get an overview on biodiversity priority sites, inform risk management, and address potential biodiversity impacts, the Group decided to run a multi-site report with the Integrated Biodiversity Assessment Tool (IBAT). Developed through a partnership with Bird Life International, Conservation International, International Union for Conservation of Nature (IUCN) and United Nations Environment World Conservation Monitoring Centre (UNEP-WCMC), IBAT collects and enhances the underlying datasets and maintains that scientific information.

Resources

SSE #8

100% of sites with local biodiversity conservation and restoration programs

Schneider Electric is engaged to act at local level implementing on every site mitigation, preservation, or restoration initiatives. Every site will engage in at least one action pursuing an ecological impact with social benefits.

In Scarborough (England, UK), the site started to restore a wasteland area to provide a friendly environment for local biodiversity (and employees). In alignment with local authorities, community network, volunteers and local nature specialists, the site performed an ecological assessment and has moved forward with the project.

Baseline	2021 Progress	2025 target
0%	0%	100%

The IBAT report enables users to assess the biodiversity-related features of multiple operational sites for corporate disclosure. In particular, the report is relevant for Global Reporting Initiative (GRI) standard GRI 304: Biodiversity. For each operational site, the report provides the counts of protected areas and Key Biodiversity Areas (KBAs) within a kilometer radius.

The results of the "IBAT multi-site Report, 2021*" include all Schneider Electric sites and show that, within 1-kilometer radius:

- 21% of its sites are in proximity of a protected area as defined by the IUCN, of which:
  - 8% are in category 1a, 1b and 2 (just 6 sites are in proximity of a category-1-protected area)
  - 29% are in category 3 or 4
  - 31% are in category 5 or 6
  - 32% are not applicable, not assigned or not reported

Among the sites in proximity of a protected area, 33% are either industrial sites (characterized by discrete industrial processes such as assembly lines) or distribution centers (warehouses and logistics); the remaining 66% are office buildings.

- 3% of the Group's sites are in proximity of a key biodiversity area (defined by IBAT as either "Alliance for Zero Extinction (AZE)" or "Important Bird and Biodiversity Areas (IBAs)).

All the concerned sites are invited to consider their proximity to natural areas in their biodiversity program.

* IBAT Multi-site Report. Generated under license 26614-25299 from the Integrated Biodiversity Assessment Tool on 15 December 2021 (GMT). www.ibat-alliance.org

4.2.8 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 2021, Schneider manufacturing sites conducted their annual review of pollution risks as part of ISO 14001 monitoring. No significant spills or discharges were reported in 2021 with known harmful impacts regarding soil pollution.

Hazardous materials are stored, handled, and used in compliance with regulations and with appropriate pollution protection mechanisms. As part of the 'Waste-to-Resource' program, additional focus is brought on hazardous waste, with efforts to eliminate, substitute, or improve treatment.

4.2.9 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 locally tracked as required by current legislation. No significant spills or discharges were reported in 2021 with known harmful impacts in terms of water or air pollution.

Emissions of NO_x and SO_x and particles into the air are monitored at site level in accordance with applicable legal requirements; monitoring of these emissions is verified via ISO 14001 audits. Those emissions are not consolidated at Group level.

Schneider Electric is committed to preventing adverse health and environmental impacts from Volatile Organic Compounds (VOC) emissions, and for this reason, the Group works to reduce VOC emissions from industrial activities by 10% every three years. VOC emissions are primarily linked to production. VOC emissions decreased from 29 kg/million EUR in 2017 to 17.4 kg/million Eur in 2021 (-40%). The Group engages with each of its industrial sites that contribute the most to VOC emissions, and which together concentrate over 90% of the Group's VOC emissions, in a Pareto law approach. For these sites, environment, health and 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 mitigated. Those 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 Schneider industrial activities. These emissions are not consolidated at Group level.

4.2.10 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 significant light pollution externality.

4.3 Green offers

Schneider Electric products support customers every day, make their lives easier, and enable efficient operations. But because products also consume resources and energy, during their production and use, Schneider is committed to reducing their environmental impact.

Since 2003, a Product stewardship team has been dedicated to providing high environmental performance products to the Group's customers as well as full transparency regarding environmental impact. Initially, efforts were focused on compliance with the most rigorous environmental regulations, then on data transparency (through Product Environmental Profiles and End of Life Instructions). Over the last few years, additional efforts have been made to develop a more customer-centric program, helping Schneider customers to better differentiate offers based on strong environmental value propositions.

With the Green Premium™ program and the EcoDesign Way™ process, Schneider reduces the environmental impact of its products using lower impact materials, drastically changing its packaging strategy as well as bringing circular value propositions to extend the durability of products.

4.3.1 Risks and opportunities

The increasing complexity of environmental regulations could slow down the Group's innovation potential, and could phase out specific chemical substances or resources too quickly with no suitable alternative being found in a scalable manner. The complexity is directly linked to a "regionalization" of environmental regulations (e.g., California Prop 65 and China RoHS) while global resources are limited.

With increasingly stringent environmental regulations year after year, there is a risk for Schneider Electric to have key materials and substances that could be utilized to deliver high performance to be regulated themselves. This would limit the innovation potential of products that would fall within the regulation radar with possible restrictions. There is also a risk to face contradictory recommendations due to regulations overlap (e.g., substances restriction versus circularity performance).

By its customers' side, Schneider has observed a multiplication of external repositories 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.

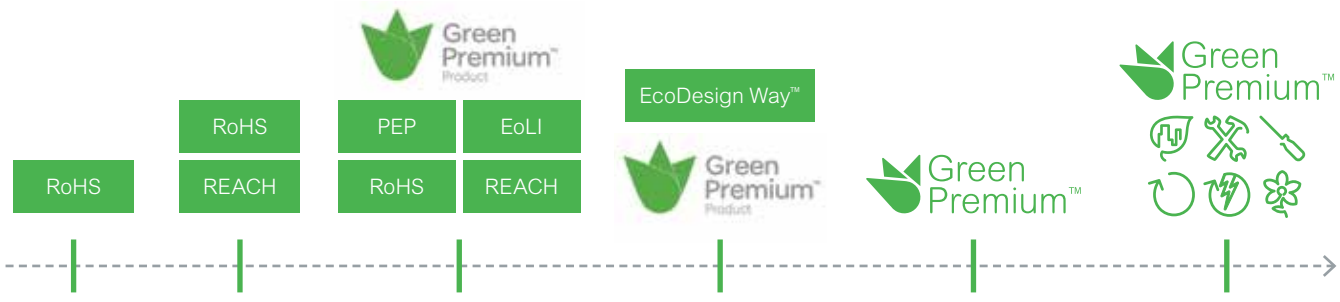
To circumvent the risks stated earlier, Schneider relies on the completeness of the Green Premium™ program, enabling it to cover all relevant product-oriented environmental topics. Relying on the EcoDesign Way™ process and tools is also key to include environmental performance as soon as possible in the new product development process. This enables Schneider product development teams to innovate while delivering more Green Premium™ products that will differentiate themselves from those of competitors thanks to higher environmental performance.

The multiplication of environmental regulations requires a lot of information to be shared with the supply chain and updated regularly. Only the best-in-class suppliers will be able to answer this challenge. Also, it is an opportunity for the Group to put in place a strong interaction with those suppliers and ensure that future restrictions will be anticipated.

Schneider reinforces a worldwide approach of environmental product stewardship directives fed by a regional and local environmental steward network, which strengthen its influence position towards regulators through Schneider professional associations.

From the customers' perspective, Schneider relies on the "Check a Product" platform, a public website (https://checkaproduct.se.com/CheckProduct.aspx?cskey=4b4b15ad9d8148759e39fcb1b346ad9f) providing all relevant product environmental information. Thanks to "Check a Product", the Group is in a good position to be well referenced in external databases such as the SCIP (Substance of Concern in Products) database and in customers' prescription tools.

In a commitment to go one step further, Schneider takes the necessary steps to digitize the environmental information of offers. Within a fully digitized ecosystem, the Group can provide a streamlined and efficient process to share environmental data with external third-party databases or customers' own prescription tools.



RoHS: Restriction of Hazardous Substances. REACH: Registration, Evaluation, Authorization and Restriction of Chemicals.
PEP: Product Environmental Profile. EoLI: End-of-Life Instructions.

4.3.2 Group policy

Schneider Electric strives to distinguish itself through innovative green offers as mentioned in the Environment 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 is committed to:

- Invest in R&D to create energy-efficient and environment-friendly solutions;
- Create new eco-designed products and solutions and develop lifecycle thinking;
- Invent circular offers and business models, through products that can be reused, repaired, retrofitted, refurbished, and recycled, as well as 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.

4.3.3 Green Premium™

Launched in 2008, Schneider Electric's Green Premium™ program was created to provide its customers with more sustainable products and to be transparent with environmental information.

Since then, Green Premium™ has been the absolute warranty for the Group to deliver products that comply with RoHS and REACH regulations as well as being perfectly transparent by delivering environmental disclosures and end-of-life instructions.

The program has evolved over the last few years to integrate Schneider's EcoDesign Way™ process as well as green value propositions for an enhanced differentiation.

As an example, Schneider embedded new durability value propositions such as the "take-back" program in Green Premium™. Customers who have purchased one of the APC Uninterruptable Power Supplies (UPS) have access to complimentary recycling when the battery in the product reaches its end of usable life. In 2021, this service collected around 14,000 tonnes of batteries globally for recycling.

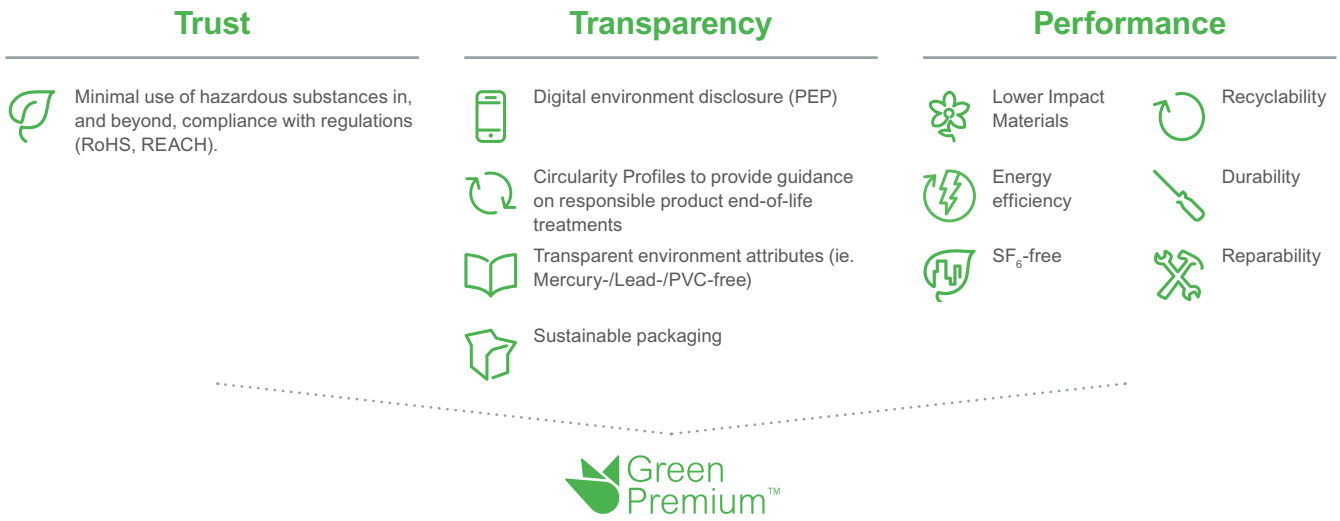
In 2021, the main objectives for the Green Premium™ program were to:

- Ensure compliance with the latest regulations within an even more demanding context;
- Develop new environmental claims within products for higher performance and a clearer differentiation;
- Prepare the digitization of environmental information and ease data sharing with partners;
- Prepare the future of product stewardship for the years to come by developing competencies within the Company.

Schneider Electric is redefining the program that will encompass three pillars in 2022: Trust, Transparency, and Performance:

- **Trust** means for Schneider to continue to be transparent with customers providing RoHS and REACH substance information and going beyond regulations by applying the same rules regardless of the geographies. That is and will remain the core of the Green Premium™ program.
- **Transparency** is the warranty from Schneider to disclose in a digital way the environmental impacts of its products, their end-of-life treatment, as well as any environment-related attribute meaningful for customers. This is crucial in the Group's strategy, as the first step for improvement is measurement and quantification.
- **Performance** is Schneider's commitment to deliver products with reduced environmental impact. Performance can take several forms:
  - Usage of lower impact materials (i.e., recycled plastics);
  - Enhanced product recyclability to reduce waste and loss of critical raw materials;
  - Energy efficient products with at least 10% of improved energy efficiency with respect to the market average or to previous generations;
  - Improved durability and the ability to function as required under defined conditions of use, maintenance, and repair, until a final limiting state is reached (which should be at least 5% higher than market average);
  - The ability to provide SF_6-free products;
  - Repair parts of products easily.

Green Premium™ information, including conformity declaration, Product Environmental Profiles (PEP), and End of Life Instructions, are digitally available 24/7 for customers in the technical data sheet of the online catalog, in the mySchneider mobile app, and on the "Check a Product" website at https://checkaproduct.se.com/.



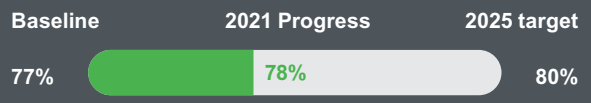
Today, 78% of Schneider Electric's product sales come from Green Premium™ products and the ambition is to reach 80% by 2025 (SSE #6).

Resources

SSE #6

80% of product revenues covered by Green Premium™

In 2021, Schneider Electric received an increasing number of customer inquiries requesting detailed information regarding the material content and environmental impacts of its products. In response, the Industrial Automation Environmental Experts of the Group generated more than 75 new Product Environmental Profile (PEP) documents. This has enabled the certification of a larger amount of products through the Green Premium™ program to deliver even more transparent information.



4.3.4 EcoDesign Way™

EcoDesign Way™ is Schneider Electric's proprietary process, deployed on product development projects of more than EUR 300,000. It is fully integrated in the Group's Offer Creation Processes (OCP), mandatory deliverables, and encompasses all involved functions: Marketing, Quality, Design, Supply Chain, and Project Manager. EcoDesign Way™ involves 3 steps:

1. Identification of relevant environmental performance for customers with inputs from marketing
2. Research and assessment of alternative solutions to target the selected environmental performance
3. Once performance is reached, draft of a marketing pitch.

The EcoDesign Way™ scorecard is fully aligned with all Green Premium™ value propositions. Moreover, several initiatives have been launched to embed EcoDesign Way™ earlier in the OCP with strong inputs from the Future Offer Manager to foster innovation and increase EcoDesign Way™'s positive impact. For instance, a simplified Life Cycle Assessment tool was deployed to assess t he environmental potential of incubated projects.

In 2021, Schneider Electric initiated a revamp of the EcoDesign Way™ process to better include the latest global sustainability programs such as Green Materials and Green Packaging. The new eco-design process is expected to be more integrated within the Agile framework Schneider is deploying globally. The process should also involve the assessment of CO_2 emissions at a very early stage in the creation of new offers in order to encourage oriented investments. Moreover, the new eco-design process will not be limited to products but will also include systems/architectures. Finally, the revamping of ecodesign will be the opportunity to enhance sustainable innovation DNA by developing training and coaching modules for the project teams.

4.3.5 Green materials

Schneider Electric has committed to increase green materials use in its products to 50% by 2025, as part of Schneider Sustainability Impact (SSI #4). With that long-term commitment, the Group aims to:

- Be a change agent to accelerate the transformation toward a low-carbon and circular economy of the material industry;
- Reduce Scope 3 supply chain emissions, in line with the 1.5°C carbon pledge;
- Differentiate Schneider products from those of competitors in the eyes of customers by using low CO_2, circular, and safer materials in products.

In 2021, Cross-functional experts at Schneider (Procurement, R&D, Environment) have worked in close relationship with suppliers to define the Green attributes for each commodity in scope, based on existing international schemes and standards. A green material is:

- A material with a lower environmental footprint; and/or
- A material that is the output of an industrial technology which is a key enabler for a 1.5°C climate scenario and/or a more circular economy.

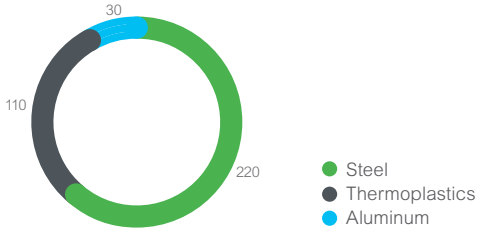
Considering this definition, Schneider has identified two levers of action:

- Build traceability in the value chain. This is a priority for metals today, where visibility on the environmental impact and technology-origin of procured metals is low.
- Select green materials based on a lower environmental footprint.

The lower environmental footprint attributes are defined for each commodity in scope, as the environmental performance of metal cannot be based on the same attributes as plastic. In 2021, the scope of green materials focused on three types of commodities covering about a third of purchased materials in volume:

- **Thermoplastics** (including both direct and indirect procurement). Thermoplastics are qualified as "Green" when the supplier is bringing evidence of a minimum recycled content, biobased content (minimum threshold depends on whether the compound is halogenated or not) or is using a green flame retardant.
- **Steel** (direct purchases). Steel is qualified as "Green" when the supplier is bringing evidence that the mill of origin is an Electric Arc Furnace (EAF) or has a Green certificate such as the ones delivered by Responsible Steel.
- **Aluminum** (direct purchases). Aluminum is qualified as "Green" when the supplier is bringing evidence that the product carbon footprint is below 8 tonnes of CO_2 per ton of Aluminum, is using a minimum of 90% of recycled content in its product or that the mill of origin has a Green certificate such as the ones delivered by the Aluminum Stewardship Initiative.

Volume and distribution of green materials (in kt)



The example of the definition of “green thermoplastic” is provided in the illustration below.

A GREEN THERMOPLASTIC IS

REACH / RoHS / POP compliant(1)

AND

Case 1	Case 2
If plastic is **Halogen free(2)**	If plastic is **Halogenated(2)**
Complies with at least one criteria below: ≥ 20% of **recycled** content(3) ≥ 20% of **biobased** content(4) **Green Flame Retardant** *For FR plastic only*(5)	Complies with at least one criteria below: ≥ 50% of **recycled** content(3) ≥ 50% of **biobased** content(4)

(1) List January 2021
(2) According to EN 50642
(3) According to ISO 14021 & EN 45557
(4) According to EN 16785 or ASTM D6866
(5) According to GreenScreen used in TCO Certification

At the end of 2021, 11% of materials in scope were qualified as “Green” under the definition described before.

The inclusion of other commodities like copper, thermoset, and indirect steel will be reassessed in next phases, as the program maturity and the transparency of supply chains improve. Extending the Green materials scope to indirect procurement would allow to include new green criteria such as ‘lead-free alloy’, a substitution initiative Schneider Electric is working on to anticipate future regulation on lead.

In January 2022, Schneider became a member of Responsible Steel, the world’s first global scheme for responsibly sourced and produced steel. Its mission is to enhance the responsible sourcing, production, use and recycling of steel. Schneider is one of the first steel products consumers outside of the automotive industry to join Responsible Steel. Being a member of Responsible Steel will allow the Group to have a voice to influence the scheme development while fostering opportunities to build strong partnerships with Steel manufacturers and consumers. In 2022, Responsible Steel will launch a standard for the certification of steel products.

Responsible Steel | standards & certification

Schneider Energy Management and Industrial Automation businesses are currently working on an implementation roadmap of the green materials in the projects portfolio. Some offers, like Odace Sustainable, are already out, and more are expected to come from 2022 onwards.

Resources

SSI #4

Increase green material content in our products to 50%

The new Odace Sustainable offer from Schneider Electric is a range of stylish, smart switches and plug solutions for the residential market. Developed from recycled materials collected from electrical drop off centers and supermarkets, wasted plastics enter a circular economy loop using a WEEE (waste electrical and electronic equipment recycling) system, which transforms discarded materials into new products.

Baseline	2021 Progress	2025 target
7%	11%	50%

4.3.6 Green packaging

Packaging is the first visible asset seen by customers and is associated with major environmental challenges such as resource depletion, CO_2 emissions, waste generation, and marine pollution. Globally, a strengthening of the regulatory framework requires the development of new packaging alternatives to enhance recyclability and minimize the current and upcoming Polluter-Pays packaging taxes.

By 2025, Schneider has committed to make sure that:

- 100% of primary and secondary packaging uses recycled cardboard.
- 100% of our primary and secondary packaging is free of single-use plastic.

In 2021, Schneider Electric Green Packaging Experts released a new sustainable packaging guideline to define Schneider's requirements and best practices to foster improved environmental performance of packaging by minimizing waste generation and improving recyclability to make it an integrated part of a more circular economy.

In 2022, the focus will be put on:

- Setting up partnerships with key suppliers to secure greener packaging options;
- Building up traceability in the supply chain by collecting suppliers' declarations and strengthening procurement systems to better track single-use plastic packaging;
- Accelerating the implementation of the "green packaging" definition in the business projects portfolio to ensure new and legacy products switch to more sustainable packaging options.

Resources

SSI #5

100% of our primary and secondary packaging is free from single-use plastic and uses recycled cardboard

The newly launched Wiser IP Camera is delivered without any plastics in the box and a cardboard made with 70% of recycled content. In addition, the in box user guide contains mandatory information only and remaining content is fully accessible online through a QR Code.

Baseline	2021 Progress	2025 target
13%	21%	100%

4.3.7 Product Environmental Footprint

More and more customers, green building standards, distributors, and electricians prefer offers with green credentials and request environmental data. Many building standards and local regulations, demand or promote offers providing Environmental Product Declarations. There is clearly a growing premium assigned to transparency.

An environmental footprint is a product or solution-related content that provides quantitative information based on Life Cycle Assessment (LCA, according to ISO 14040-44 standard). Environmental footprint enables the assessment of multiple environmental impact indicators, including the carbon footprint, for all product or solution lifecycle stages. The scope of this assessment is also referred as 'cradle-to-grave'. Environmental footprint is a mandatory requirement in the Green Premium™ program.

Schneider Electric relies on Product Environmental Profiles (PEP) to fulfill this requirement. A PEP is defined as a product-oriented "summarized" version of a full LCA. It relies on Product Category Rules (PCR) or Product Specific Rules (PSR).

At Schneider, there are two types of PEP available:

- **Certified** – a type III Environmental Declaration in compliance with ISO 14025. The certified PEP is externally reviewed by an accredited verifier and published by a program operator according to the rules provided by this operator (e.g., PEP Ecopassport). In 2021, 182 certified PEPs were published on the PEP Ecopassport association website.
- **Internal** – the internal PEP follows the exact same rules as the certified one. However, an internal PEP is reviewed internally and therefore, cannot be registered through an independent program operator. A process of accreditation for internal verifiers guarantees the adequate level of internal PEP verifications. Verifiers check PEPs from other lines of business than their own, thus ensuring independence. Internal PEPs comply with the ISO 14021 self-completed declaration.

In 2019, 77.3% of Schneider's product revenue was covered by a PEP, including 33.9% of ISO 14025 type III declarations and 43.4% of ISO 14021 type II self-completed declarations.

Environmental configurators

Beyond PEPs, Schneider Electric also relies on some offers' environmental configurators which are better suited to assess the environmental footprint of systems and solutions. A configurator makes it possible to assess a dynamic environmental footprint that better reflects the specific situation of customers or end-users. In 2021, a web configurator was developed to leverage the environmental benefits of the ECOFIT™ service. Schneider aims at supporting the creation and use of such configurators since they allow the Group to provide better environmental inputs to customers, facilitate the discussion around the environmental footprint of offers, and therefore ease the identification of meaningful eco-designed solutions. In 2021, Schneider accelerated the digitization of the PEP process in order to encourage the use of the configurator.

PEP Ecopassport PCRed4

In 2021, Schneider Electric strongly contributed to the development of the new Product Category Rules of the PEP Ecopassport association (PCRed4 issued in September 2021), which are:

- Compliant with the EN 50693:2019 standard: Product category rules for life cycle assessments of electronic and electrical products and systems – currently being mirrored in the IEC/TC111 Working Group 15 (IEC 63366);
- Fully aligned with the EN 15804+A2 standard: Sustainability of construction works – Environmental product declarations – Core rules for the product category of construction products;
- Integrate key elements of the EU Product Environmental Footprint (PEF), such as mandatory impact indicators, end-of-life formulae, and quality ranking;
- Aligned with ISO 14067:2018: Greenhouse gases – Carbon footprint of products – Requirements and guidelines for quantification, integrating the latest requirements of the French regulatory texts from RE2020.

The application of PCRed4 enables electrical and electronic equipment manufacturers to produce product environmental declarations, in accordance with the best-known international standards, thus fostering cross-region and cross-industry recognition. Schneider aims at using this new PCR document to influence and strengthen the environmental footprint practices of the sector through standardization (TC111 Working Group, ZVEI initiative) and regulations (Sustainable Product Initiative of the European Commission, Green Taxonomy).

By relying on the PEP Ecopassport PCRed4 methodology on the one hand and on the acceleration of the environmental data digitization on the other hand, Schneider strives to provide systematically and seamlessly to customers quantified environmental footprint to differentiate the green offers, and therefore, be a change agent towards a low-carbon and circular economy.

4.3.8 Substances strategy

With increasing chemical substances regulations, raising standards from a well-being perspective, especially in the building space, and a growing number of questions from B2C and B2B customers on health matters, the ability to ensure compliance of several hundreds of thousands of product references has never been so critical. When such product traceability is mastered at scale, with robust processes and systems in place, clear business opportunities emerge, as digitization of such data is more and more needed. Schneider Electric seamlessly captures underlying data from suppliers, aggregate it, and disseminate it swiftly to customers who need that information.

REACH and RoHS

In Europe, the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and the Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) directive are engaged in a refit process and Schneider actively participated in the public consultations through the professional organizations, by making some key proposals to improve efficiency and limit the administrative burden.

Substances of Concern in Products (SCIP)

In the frame of the Waste Framework Directive, the European Chemicals Agency (ECHA) was mandated by the EU commission to put in place the database for information on Substances of Concern In Products (SCIP), beginning in 2021. Since 2021, manufacturers and importers of products containing substances of very high concern (SVHC) above the 0.1% threshold, must register those products into this SCIP database. Despite the difficulties to manually register Schneider's products without any IT to IT systems, nor any easy solution provided by ECHA, the Group registered most of the relevant products by the end of 2021, being one of the top contributors, and reinforcing our transparency objective in this domain.

The environmental compliance IT system which allowed Schneider to have a competitive advantage in terms of transparency and substitution management, virtually throughout the last decade, must be replaced. 2021 was dedicated to specifying our needs in order to maintain and even improve this advantage at least for the next 10 years. This is a key element of our substance and regulation management strategy.

TSCA

In the US, the Toxic Substances Control Act (TSCA) regulation which restricts the use of chemicals was reinforced with the introduction of new substances. Schneider Electric worked hard to identify the use case of those substances and launch adequate actions. The TSCA restriction list will be fully integrated in Schneider Electric's global substances strategy soon.

IEC 62474

Substances information data sharing is key to target substitutions. Schneider is very active in the development of data exchange formats on substances through the IEC 62474 standard.

Other substances under investigation

Among the different subjects investigated in 2021, the Polyfluoroalkyl substances (PFAS) restriction proposal and Silver classification update were two points of focus. Lead substitution was also investigated in anticipation and will be promoted when possible.

4.3.9 Circular business models

The risks that Schneider Electric sees are around the perception of "one size fits all" for circularity, as well as the temptation to see it through a waste or 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'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" can be 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.
- Ensuring the safety of people and assets through qualified and certified services. Indeed, while promoting services to extend the products' lifespan, Schneider 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, on condition that concerned product categories are adequately maintained and serviced by qualified and certified experts.

There are opportunities to leverage the circular economies, both externally with customers and internally in operations. Schneider's value propositions have long delivered resource efficiency, enabling customers to "do more with less".

Schneider's deeply ingrained belief in the circular economy helps create a win-win-win-win ecosystem: good for the planet, good for customers (lower Total Cost of Ownership, 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.).

Through circular capabilities such as local models of reuse, retrofit, repair, refurbish, and take-back, and by unleashing the potential of IoT, connecting and digitizing products (predictive maintenance, performance optimization, leasing, pay-per-use, performance contracting), Schneider creates shared value for its customers.

Most of Schneider's new products are digital, connectable, ensure full product lifecycle management and predictive maintenance, and guarantee optimum performance, hence enabling the Group 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. Those solutions, using up to 60% less materials than using brand new equipment, enable pull-through and constant payback, increase customer stickiness, and long-term relationships.

Schneider's first circular distribution center

Since 2020, the Schneider Electric site in Bourguebus, France has supported the Group's strategy to help accelerate its transformation towards the circular economy.

Bourguebus helps deliver on 4 key aspects of Schneider's circular economy strategy including:

- **Repack:** repackaging of new Schneider products whose packaging has been damaged.
- **Reuse:** sorting, selecting, redistributing never-energized Schneider products that are unsold and/or returned by our customers under the "Circular Certified" label.
- **Refurbish:** managing the supply chain for collecting used Schneider products and sending them to the Schneider Electric Privas, France partner site for repair and managing customer orders on our second-hand web platform.
- **Recycle:** dismantling of products to recover and resell the valuable materials.

Schneider Electric's Bourguebus site, France

Bourguebus's innovative circular economy transformation, along with the added value proposition of the "Circular Certified" label, has led to saving 4M€ of stock in 2021 and has avoided 950 tonnes of CO_2e.

In 2022, the site will continue to grow circular industrial capabilities to support business innovation and differentiating offers to customers. This includes capabilities such as refurbish, remanufacture and reverse logistics. One particular customer-centric project will include developing a website that will support the take-back of Schneider products at customer sites.

External engagement

Schneider Electric has been part of task forces on circular economy, playing leadership roles in multi-stakeholder dialogs. For example, the Group is active in France's Circular Economy Roadmap and engaged in China with MIIT (Ministry of Industry and Information Technology) on circular strategy, leading AFEP, Gimélec, FIEEC, IGNES, and ORGALIM discussions for its sector on circular economy, publishing articles, and speaking at conferences (Greenbiz, Gartner, WEF, SCM World, peer-to-peer, EthicalCorp, and WindEurope, among others).

Here are some white papers and partnerships for circular economy to which Schneider contributed:

- Enabling a Circular Economy for chemicals with a mass balance approach;
- Remanufacturing: Designing new products for many lives;
- Making manufacturing sustainable by design;
- The need for sector-specific circularity;
- Partnership with Accenture for the Circulars Accelerators program.

Schneider Circular Certified label

Schneider Electric launched the "Circular Certified" label for the French market in September 2020. The label is dedicated to the sale and promotion of products from the circular economy and in line with the Group's circular economy strategy. Currently available for the French market, it is planned to be deployed more extensively in the near future.

Schneider Electric
Circular
Certified

Quantifying impact of circular offers

Under Schneider Sustainability Essentials, Schneider quantifies its Circular Economy efforts, such as repair, reuse, refurbish and recycling and targets to avoid 420,000 metric tons of primary resource consumption through "take-back at end-of-use" by 2025, cumulatively since 2017 (SSE #10). This program enables waste, material, energy consumption, CO_2 emissions and/or water savings.

Activities in this program will enrich on the basis of the Group's increasing focus on circularity business models, and are currently constituted of:

- Batteries take back and recycling;
- Volume of devices refurbished and repaired in our repair centers (such as UPS or Drives);
- Volume of Medium Voltage, Low Voltage and Transformers refurbished or recycled in our ECOFIT™ Centers.

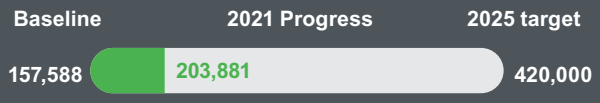
Resources

SSE #10

420,000 metric tons of avoided primary resource consumption through "take-back at end-of-use" since 2017

Danone Evian wanted to upgrade its bottling facility to deliver natural mineral water more sustainably by reducing energy consumption at every stage of production. Among other upgrades, the LV switchgear were modernized within Schneider Electric's ECOFIT™ solutions.

By choosing equipment modernization with ECOFIT™ instead of immediate replacement, Danone Evian saved an estimated 315 metric tons of CO_2 equivalent, 372 m^3 of water and 47 tonnes of raw materials.



4.3.10 End-of-life product management and WEEE

Schneider Electric has been engaged for a long time in a process that protects the environment and the health of people in the treatment and recycling of its products at the end of their lifecycle.

In the context of the application of the Waste Electric and Electronic Equipment (WEEE) directive, Schneider implements product identification and selection actions, establishing recycling streams and pricing the taxes to be applied in compliance with the regulations of each country where the Group's 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 the "Check A Product" public website.