Integrated Report **2019**

Digital innovations for a SUSTAINABLE world

Putting ideas into action to combat climate change

Life Is On | **Schneider Electric**

se.com

About this report

Who?
This report aims to engage in a dialog with all our stakeholders about our value-building strategy and sharing it.

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

How?
This report is based on the principles of 'integrated thinking' and the framework proposed by the International Integrated Reporting Council (IRRC), and meets the requirements of the Non-Financial Performance Statement (*Déclaration de Performance Extra-Financière*). The Group also draws on the Global Reporting Initiative (GRI), the United Nations Global Compact and ISO 26000, International Reporting and Information Standards.

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

When and where?
This report covers fiscal year 2019 (January 1 to December 31, 2019) and the Group entities consolidated in the financial scope. It is available from June 2020 in French and English.

Changes in the report
This fifth edition of the integrated report builds on the continuity of the integrated reports published by the Group since 2015. In an ongoing process of progress, this new edition highlights Schneider's purpose and the actions taken to lead a fairer global digital and energy transition. It also presents Schneider's business model, focused on its two activities, for sustainable and shared growth.

Contents

A praised non-financial performance

DJSI World

3rd
place in its sector

CDP Climate Change

A
for the 9th consecutive year

FTSE4GOOD

4.7/5
ESG rating
Schneider is included in the Developed, Environmental Leaders Europe 40 index

Vigeo Eiris

1st
place in its sector

EcoVadis

Gold medal
Advanced 80/100 level

Impak Finance

1st
CAC 40 company for its contribution to the UN Sustainable Development Goals

Equileap 2019

31st
most advanced company in the world in the field of gender equality

Gartner supply chain top 25

11th
place for the exemplary management of its value chain

Global 100

29th
place out of 100 in the Most Sustainable Corporations ranking

Carbon Clean 200

9th
company in the world for its revenue supporting the energy transition

Fortune

9th
company included in the Change the World 2019 ranking for its circular economy offers and services

Other ESG indices

Industry leader
ISS-ESG
Sustainalytics
MSCI

A concrete plan for a more sustainable world

The COVID crisis puts fundamentals in perspective. There are primary threats, and secondary subjects. Both the pandemic and climate change belong to the first category. Climate change is the greatest challenge of our generation, and the next ten years will be crucial to addressing it. Together we must reduce CO_2 emissions and halt the rise in Earth's temperature.

At Schneider Electric, our commitment is to be the partner of our customers in their journeys toward sustainability and become carbon positive ourselves,fully aligning with our strategy and purpose. These engagements exemplify innovation for an all-digital and all-electric world. We advocate for bold measures, to accelerate the emergence of a low-carbon world that will meet the demands of future generations.

Two critical disruptions – digital and renewables – can help rethink our energy model, and protect our planet's future. At Schneider Electric, we combine these technologies to advance a world that increases efficiency and sustainability for buildings, industries, infrastructures, IT, and cities.

If the world is to achieve the United Nations (U.N.) Sustainable Development Goals (SDGs) by 2030, we must build momentum now – and leave no one behind. This is why Schneider answered the call for new 1.5°C ScienceBased Targets in 2019, accelerating our carbon neutrality goal by five years and establishing the roadmap for a post-carbon economy.

In addition to expediting our 2030 goal of carbon neutrality in our extended ecosystem by 2025, we commit to net-zero operational emissions by 2030 and a net-zero supply chain by 2050.

But we should go further. Therefore, we support partners and customers on their individual sustainability journeys, and team up with likeminded vendors and suppliers with the same goals in mind. We work with public and private sector members to reduce carbon emissions and limit rising temperatures to 1.5 °C, end poverty, and assure equal rights. As companies that are part of local communities, we play a crucial role.

In 2019, we partnered with the Business for Inclusive Growth (B4IG) coalition, joining forces with 34 international companies to invest a combined total of over $1 billion USD in more than 50 current and future initiatives, benefiting 100 million people to date. In 2020, we launched the Tomorrow Rising Fund to support the communities around us to face the coronavirus pandemic. Schneider is a responsible company that engages with its environment.

This is part of the momentum we've been building through 20 years of engagement and innovation in sustainability. We have positioned Schneider to empower everyone to make the most of their energy and resources. Our technologies reconcile growth, access to energy for all, and a carbon- free future for our planet. We play a unique role in contributing to the solutions of global issues. More than just economic actors, we bring ideas, skills and technologies and deploy them at scale thanks to our people, and our partners, who serve locally communities all around the world.

At Schneider, we believe that companies can make a positive impact and contribute to societal progress. We empower all to make the most of their energy and resources to ensure that Life is On everywhere, for everyone, and at every moment. We pioneer digital solutions for sustainability. We have the duty to be profitable. We also have the responsibility to build a resilient and sustainable future, where energy and digital, those fundamental human rights giving access to a decent and safe life, and to education and economy – are available to all.

Do good to do well and do well to do good: that is our program for the coming decade.

Jean-Pascal Tricoire,
Chairman & Chief Executive Officer,
Schneider Electric

"We should learn from this crisis. Digital, resilience and trust are key to build a true sustainable world"

Jean-Pascal Tricoire,
Chairman & Chief Executive Officer, Schneider Electric

In the face of COVID-19, Schneider acts

Following the global pandemic, Schneider Electric's response aims to mitigate the impact on its people and operations, as well as customers, partners and suppliers while reinforcing its commitment to make a positive difference during recovery.

At Schneider Electric, we provide essential services to support mission-critical operations and infrastructure, ensuring 24/7 business continuity for hospitals, data centers, power and utility networks and other vital industries, maintaining the right level of business activity for our environment to keep working. Our purpose has never been clearer and our Environmental, Social and Governance (ESG) commitments are fully aligned to the United Nations 17 Sustainable Development Goals (SDGs).

Before the onset of COVID-19, new ways of working had been implemented throughout our operations. We have evolved these and reacted swiftly to the latest changes and regulatory decisions during COVID-19 to anticipate the human, economic and societal impacts in order to sustain business continuity while ensuring the health and safety of our employees, customers and partners.

Schneider Electric is focused on:
- Ensuring the health and safety of employees, customers and partners;
- Acting in the public interest by supporting critical industries and local communities, in alignment with local governments; addressing the needs of impacted communities with emergency support, longer-term reconstruction, education and professional training;
- Supporting green and fair stimulus measures.

Our actions in detail

Ensuring the health and safety of employees, customers and partners

- Our priority is the health and safety of people, ensuring that our sites strictly comply with local regulations to protect individuals.
- In these unprecedented times, we are closely listening to the feedback and concerns of all employees, customers and partners. We have in place a designated help line where employees can safely and anonymously report any issues that make them feel uncomfortable. The same is true for customers or partners, with our designated green line.
- Schneider Electric has enhanced its existing global benefit standards (life, health and family care) for all its employees worldwide, for the duration of the crisis.
- We provide digital training for both employees and partners during these unprecedented times.

Acting in the public interest by supporting critical industries and local communities, in alignment with local governments; addressing the needs of impacted communities with emergency support, longer-term reconstruction, education and professional training

- Schneider Electric is committed to and collaborating closely with our ecosystem of partners to service and secure the world's critical infrastructures.
- We are working with all stakeholders in our ecosystem to ensure business continuity and contribute to the production of masks and ventilators in some regions.
- Schneider Electric Foundation launched the "Tomorrow Rising Fund" to help the most vulnerable to respond, recover and become more resilient.
- The Foundation organizes fundraising and volunteering activities so employees and other stakeholders can get involved.

Supporting green and fair stimulus measures

- We are convinced of the opportunity to transform the world in a positive way, by calling for investments in favor of decarbonization, decentralization and digitization.
- With this in mind, Schneider Electric has joined the European Alliance for Green Recovery to contribute to post-COVID investment plans to revive the economy while remaining consistent with our climate and sustainability commitments.

Market trends opening up opportunities

The climate emergency calls for a radical transformation of our economies, toward a multi-local, all electric and digital, decarbonized and decentralized world.

The various scenarios developed by Schneider show that a carbon-free future is possible: the energy and low-carbon transition is under way, while the Industry 4.0 era offers unprecedented energy efficiency gains. These trends continue to shape our lives, create new challenges, and call for a more just energy and digital transition.

		Trend
A world that is... all-electric	**X3** IT power consumption between 2020 and 2035*	In an increasingly connected world, IT systems, devices and applications are all powered by electricity. Despite continuous energy efficiency gains, demand continues to rise, owing in particular to the digitization of businesses and society, the increasing electrification of industrial processes and transport, and tertiary and residential buildings. However, almost one in every ten people still does not have access to electricity, and – in developing countries – the situation still shows major contrasts between urban and rural areas.
A world that is... all-digital	**60%** By 2022, more than 60% of global GDP will be digitized**	Digital leads to disruptions in every sector of our economy. As industries digitize, the Internet of things (IoT), real-time information, and digital tools break traditional silos between investments and operations, help effectively manage the life cycle of facilities and contribute to the creation of new innovative and sustainable economic models.
A world that is... multi-local	**-30% to 50%** In Australia and India, energy from renewable sources costs 30% to 50% less than the grid***	In an energy landscape that consists of a multitude of local electrical standards and installations, local or regional regulatory frameworks for connectivity, cybersecurity, or data protection will emerge.
A world that is... decarbonized	**50%** Of the energy production in 2050 will be solar or wind***	The major challenges for the 21st century include climate change and the need to reduce CO_2 emissions. Schneider Electric works for industries that account for the majority of global energy consumption but as energy consumption is not always optimized, it makes it one of the largest sources of CO_2 emissions.
A world that is... decentralized	**70%** New energy capacities will come from renewable energy in rural areas by 2040*	The energy transition is transforming the way energy is produced. Previously centralized, today, energy is also produced at the heart of regions, within smaller local structures, combining renewable energies, energy storage and microgrids.

*Schneider Electric; **WEF, 2019; *** Bloomberg New Energy Finance*

Challenges for our customers

The demand side is now the center of gravity of the new power system, creating a multitude of opportunities:

- Access to energy for all
- Development of new infrastructures
- Growing consumer awareness of the new energy paradigm
- Demand for more reliable, more resilient and more efficient networks.

The increase in connectivity is redefining the industrial and commercial equation for our customers and creating new requirements for controlling and optimizing consumption and processes:

- Search for smart, connected products, open to integration
- New ways of working, especially with online platforms and tools
- Complete digital experience expected by companies and their suppliers.

With the growing autonomy of every region of the world, our customers expect tailor-made solutions:

- Need to adapt the offer to the requirements of each local market
- Search for offers that can be tailored to a variety of local standards
- Ease of remote control and optimization of automation management
- Control and optimization of energy consumption.

The energy transition that is underway requires products and solutions that enable companies to adopt more sustainable and efficient energy profiles. Demand for reliable and profitable decarbonized energy solutions is increasing:

- Global awareness of environmental and societal issues
- Actions to address global warming
- Increasingly competitive energy production costs.

Growth in demand for energy solutions is resulting in increased demand-side flexibility and a desire among end-users to control and optimize their consumption:

- Energy efficiency and reduced energy consumption
- Greening of the energy mix through on-site solutions
- Search for infrastructures and offers adapted for various energy generation systems coexisting.

Opportunities and our responses

The four markets in which Schneider Electric is positioned are at the heart of this new paradigm, representing the bulk of the demand for future electricity. Schneider improves the energy efficiency and comfort of buildings, reducing energy costs by up to 30%. Its unique energy management and automation technologies can also improve all industrial processes, resulting in gains, productivity and efficiency.

In order to provide an unmatched digital experience, the Group provides a comprehensive response to the need to increase the digital capabilities of its partners and customers with EcoStruxure™: a comprehensive software portfolio and an open digitization platform to optimize energy, resources and manufacturing and construction processes while providing significant gains in reliability, security and sustainability.

The integration of the Ecodesign Way™ since 2015 into the process of creating the Schneider offer allows for local adaptation. Beyond that, our unique multi-hub model empowers our geographical organizations to make decisions, be extremely local and agile, and adapt in terms of business and technology to the growing autonomy of each region of the world. Our people footprint reflects our business footprint, allowing our teams to react swiftly to market reality and avoid unnecessary centralization. Our network of partners, the largest in the industry, is helping to expand our capabilities.

Schneider wants to play a key role in the fight against climate change, by offering its customers smart, resource-efficient solutions, following the principles of the circular economy and encouraging sustainable innovation. The combination of renewable energy and energy efficiency with the electrification of end-uses is essential to the success of the energy transition and the reduction of energy-related CO_2 emissions:

- Automation solutions that help save up to 30% of a building's energy needs
- Provision of IoT solutions for the plants and machines sector
- Energy & Sustainability Services and renewable energy purchases
- Reduction of the energy bill
- Access to energy for all.

Our advanced digital solutions and services enable all players across the electricity value chain, from producers to prosumers and consumers, to operate efficiently in a decentralized environment:

- Development of digital microgrid solutions
- Consulting on energy supply strategies.

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

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

Our key resources and relationships

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

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

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

Environment
We optimize our energy and resources across **230** ISO 14001-compliant facilities and **193** sites committed to zero landfill waste. **50%** of electricity from renewables in 2019. **Over 97,000** tons of primary resource consumption saved with circular models.

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

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

Our unique way

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

All-electric

Energy Management

Adjusted EBITA margin

18.4%

We are a worldwide leader of digital solutions for energy efficiency and sustainable development in our end-markets:

Homes and buildings

Data centers

2018~2020
SCHNEIDER
SUSTAINABILITY IMPACT

SUSTAINABLE DEVELOPMENT G⦿ALS

Engaging with our suppliers
toward a net-zero supply chain

- We are a world leader in open, connected and interoperable solutions.
- We supply best-in-class products to partners to integrate in their solutions.
- Safety, reliability and cybersecurity are our top priorities.

Industrial
Automation

Adjusted EBITA margin
18.1%

All-digital

Infrastructure

Industry

Our sustainable value for all stakeholders

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

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

The number of medical incidents per million hours worked was reduced to **0.79**.

Achieving sustainability goals alongside our customers
- We help customers reduce their carbon footprint with EcoStruxure solutions and our Energy & Sustainability Services entity.

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

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

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

246,268 underprivileged people received vocational training.

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

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

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

A **+54%** change in share price.
Market capitalization of **€53.2 billion** (at December 31, 2019).
Proposed dividend of **€2.55** per share, **+8.5%** vs. 2018.

Lead a fairer global digital and energy transition

Schneider Electric provides digital solutions that combine energy and automation, for greater efficiency to serve a more sustainable world. To support our customers' transformation, this commitment is being realized on a daily basis in decarbonizing our own operations and in the actions we take to achieve a fairer transition.

Transforming our model for greater efficiency and sustainability

Since 2003, Schneider has evolved its economic model to build a comprehensive range of offerings and integrate it into its EcoStruxure™ platform from 2008 onwards. In 2018, we completed consolidating our businesses around two core activities: energy management and automation. We are now accelerating the implementation of our strategy to prioritize more products, more services, more software and better systems.

At the heart of our value proposition, EcoStruxure™ is an open, multi-industry, high-value-added ecosystem that improves energy efficiency and management for residential housing, tertiary buildings, data centers, infrastructure, and industries. EcoStruxure™, an interoperable, plug-and-play, and IoT-compatible architecture and platform combines connected products and peripheral controls, applications, analytics and services to deliver an unmatched digital experience.

We also differentiate ourselves by the priority we give to sustainable development and ethics, which we integrate at all levels of the company, to improve our production processes, strengthen employee engagement, and make our practices increasingly accountable and transparent. Accordingly, we have written guidelines that promote an ethical framework and strategic roadmap in which the activities of the Group are carried out: the Principles of Responsibility, updated in 2019, which are supplemented by policies and related directives. For 15 years, we have deployed a single, specific sustainable development performance monitoring tool with specific goals, renamed Schneider Sustainability Impact (SSI) since 2018. SSI action plans are conducted across the Group and progress is measured quarterly. We also apply our technologies to our own facilities. Eighty of our factories now qualify as Industry 4.0 flagships, and 193 are committed to No Waste to Landfill thanks to a strong focus on circularity.

Success Story

The Batam factory, at the vanguard of the Fourth Industrial Revolution

Schneider transforms its own production facilities into inspirational showcases for Industry 4.0 by deploying the best of the Group's technologies in real-world conditions. Four Schneider Electric smart plants have been recognized as the world's most advanced by the World Economic Forum, including the Batam plant in Indonesia. This site deploys a wide range of industrial IoT solutions including intelligent sensors, predictive alarms and augmented reality to reduce maintenance costs while increasing overall equipment efficiency. The factory also develops tools combining digital solutions and connected objects and conducts tests to integrate artificial intelligence into its processes.

Results:

44%
reduction in downtime of plant equipment

40%
improvement of delivery times

Learn more: https://www.se.com/ww/en/about-us/press/news/corporate-2019/batam-smart-factory.jsp
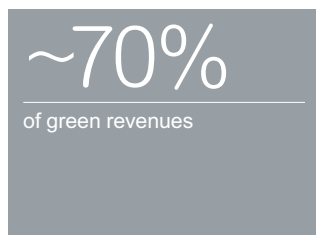
Learn more: 2019 Universal Registration Document
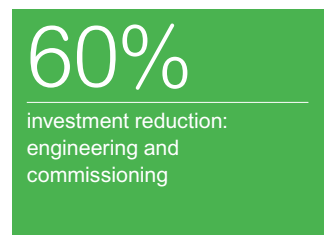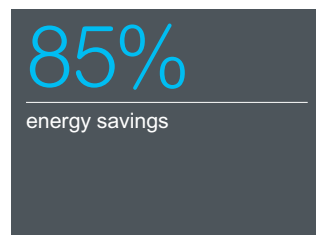1.4 Our growth journey
2.1 Sustainability at the heart of Schneider Electric's strategy

Contribute to the energy and low-carbon transition of our customers through smart energy management products and solutions
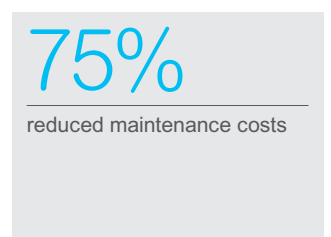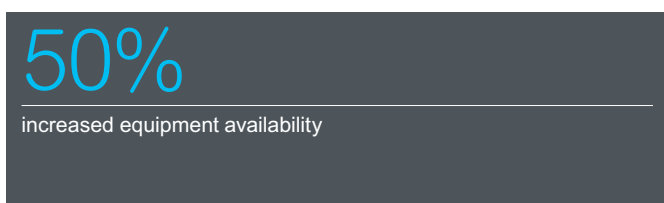
Sustainability

89M	~70%
tons of CO_2 saved by customers	of green revenues

Efficiency

85%	60%
energy savings	investment reduction: engineering and commissioning

Reliability

50%		
increased equipment availability	~30% average cost reduction	75% reduced maintenance costs

Of its four business segments, Schneider's proposed solutions are directly related to climate change mitigation, adaptation, and resilience activities and help its customers to be more energy efficient and reduce their CO_2 emissions. IoT innovations reduce the environmental impact of solutions through optimized material use, decarbonization of energy demand, and a prolonged product life cycle:

- Low carbon footprint products

100% of our new offerings are designed with EcoDesign way™, an eco-design method that is central to our Green Premium Program™ enabling the delivery of performance in terms of resource efficiency, wellness and cost reduction. Deployed in 2018, the new Green Premium™ program provides added environmental value for the entire portfolio of offerings (products, services, software), with an even more customer-oriented approach, to take into account the specificities of each market segment. For most of our products, we provide our customers with carbon and environmental footprints, accessible 24/7, on MySchneiderApp with a simple QR code access that allows them to aggregate or compare CO_2 data.

- Decarbonization systems

Our EcoStruxure architectures offer CO_2 savings benefits to our customers' facilities and systems. On existing assets, we quantify the savings made – for some offerings, and soon for all – at about 45 Mt CO_2 per year. On new projects, some of the assets we equip save more CO_2 than they emit, that is, they are carbon neutral, if not negative.

- *Energy & Sustainability Services* (ESS)

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

- Circular innovations and functional economy

Schneider's circular models are adding new trade-in, repair and modernization offerings, each reducing CO_2 emissions and the cost of ownership options for customers. In addition, leasing and performance contracts are very popular in many markets. In 2019, for example, we gave new impetus to AlphaStruxure, a 50/50 joint venture with the Carlyle Group, which focuses on the provision of energy as a service, focusing on the optimal use of resources and the reduction of CO_2 emissions.

Business model

Success Story

Schneider Electric Exchange, a new digital ecosystem for global economies of scale for IoT solutions

In April 2019, the Group launched Schneider Electric Exchange, the first open and cross-sectoral ecosystem for the Internet of things (IoT), in the fields of energy management and industrial automation, to exchange and promote ideas, work with experts to create solutions and take advantage of the know-how to develop activities on a broader scale. In 2019, the platform brought together about 100 private and public communities of experts and innovators from the industrial world looking to meet challenges or share ideas. More than 50,000 users are registered, about 300 applications have been developed and more than 150 service providers are referenced.

Cumulative results since launch in April 2019:

53,000+
registered users

300+
applications developed

150+
referenced service providers

Learn more: https://www.se.com/ww/en/assets/564/document/19112/01-release-schneider-electric-exchange.pdf

Success Story

Carrefour Egypt: 7% energy savings and continuous equipment monitoring for increased sustainability

In Egypt, Carrefour retailing group deployed EcoStruxure Facility Advisor, a set of services that track energy consumption and availability of operating equipment, in 19 hypermarkets and supermarkets operated by the Majid Al Futtaim Group, a leader in the Middle East, in Africa and Asia in the shopping centers, distribution and leisure activities sector. This solution uses energy consumption and optimization data to measure and optimize the energy consumption of stores and thus reduce their carbon footprint.

Results:

7%
annual reduction in electricity bills

19
stores were equipped in 16 weeks

Learn more: https://www.se.com/ww/en/work/campaign/life-is-on/case-study/carrefour.jsp

Success Story

BASF goes digital with EcoStruxure™

When BASF built a new power substation at one of its facilities in Texas, the Group implemented EcoStruxure Asset Advisor for increased visibility of its operations. The chemicals company now has a digital dashboard and expert assistance to monitor the state of its strategic resources. By leveraging data-based services, this unique, industry-friendly IoT solution maximizes facility availability and productivity.

Results:

100+
measured and calculated variables

63
resources monitored remotely for analysis

Learn more: https://www.se.com/ww/en/work/campaign/life-is-on/case-study/basf.jsp

Learn more: 2019 Universal Registration Document
1.3 Our activities
1.5 Our customer focus
2.2 Green and responsible growth driving economic performance

Our actions for a fair transition

While much progress has been made in recent years, 840 million people are still without access to electricity worldwide. Recent data show the majority of European Union countries have 'moderately high' to 'extreme' levels of energy poverty among low-income households.

The Group wants all people on the planet to have access to modern energy – reliable, safe, efficient and sustainable – to access a better life through health, green agriculture, economic and community development, women's empowerment, education, and support in emergency situations, while fighting climate change. The Access to Energy & Energy Poverty program serves three main objectives: to ensure access to electricity, to provide solutions for safe and efficient energy, and to promote social innovation to help households in need. These offerings make it possible to maintain a sustainable economic and social activity and to involve local communities in projects.

Schneider's product and solution offering meets both individual and collective access needs, from the portable lamp to the decentralized micro power plant. In 2019, Schneider Electric launched a pay-as-you-go solar home system that is fully compatible with all mobile payment platforms and does not require a mobile network connection: Homaya PAYG.

Schneider particularly strives to empower women, for whom access to electricity can significantly improve empowerment.

Success Story

Meet the collective needs of communities in India with EcoStruxure™ for Energy Access

In India, the project with the HCL Foundation is one of the largest groups of rural micro-grids in Asia-Pacific, which supplies electricity to more than 6,000 households, in homes and for street lighting, micro-enterprises, schools covering more than 10,000 students, and several clinics. The micro-grids are connected to the Schneider Electric EcoStruxure for Energy Access platform, a remote, cloud-based, real-time monitoring and control solution, used to manage the load and the income generated by micro-enterprises.

Results:

50
micro-grids

50,000
people connected in more than 63 villages

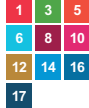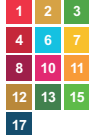Learn more: https://www.se.com/ww/fr/about-us/press/news/corporate-2018/ecostruxure-energy-access.jsp

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
Learn more: 2019 Integrated Report
Commitments and objectives
Value creation

Learn more: 2019 Universal Registration Document
2.5 Schneider Electric, an eco-citizen company

A short-, medium- and long-term strategy roadmap

To ensure responsible growth and a sustainable future, Schneider Electric has defined a short-, medium- and long-term strategy roadmap based on ambitious financial and non-financial goals. The Schneider Sustainability Impact illustrates the Group's commitment to putting sustainable development at the heart of its growth and strategy.

2018-2020 Schneider Sustainability Impact

The 2018-2020 Schneider Sustainability Impact is the transformation plan and management tool that regularly measures Schneider's sustainability progress. Schneider is committed to contributing to the 17 Sustainable Development Goals defined by the UN, through its businesses and its five key challenges for sustainability: climate, circular economy, health and equity, ethics and development.

Megatrends and SDGs	Our 21 2018-2020 programs	2019 results
Climate 7 9 11 12 13 17	80% renewable electricity 10% CO_2 efficiency in transportation 120 million tons of CO_2 saved on our customers' end thanks to EcoStruxure offers 25% increase for our *Energy & Sustainability Services*	**50%** **4.1%** **89** **23.8%**
Circular economy 6 8 9 12 13 14 15 17	75% of sales under our new Green Premium™ program 200 sites labeled Towards Zero Waste to Landfill 100% of packaging cartons and pallets for transportation from recycled or certified sources 120,000 metric tons of avoided primary resource consumption through ECOFIT™, recycling, and take-back programs	**55.2%** **193** **96%** **97,439**
Health & equity 3 5 8 10 16 17	70% reported by our Employee Engagement Index 0.88 medical incident per million hours worked 90% of employees have access to a comprehensive well-being at work program 100% of employees work in countries that have fully deployed our family leave policy 100% of workers received at least 15 hours of learning, and 30% of workers' learning hours are done digitally 90% of white collars have individual development plans 95% of employees are working in a country that has a commitment and process in place to achieve gender pay equity	**64%** **0.79** **47%** **99%** **62%** **79%** **99%**
Ethics 1 3 5 6 8 10 12 14 16 17	5.5 pts/100 increase in average score of the ISO 26000 evaluation for our strategic suppliers 350 suppliers under human rights and environment vigilance received a specific on-site assessment 100% of sales, procurement and finance employees trained every year on anti-corruption	**+3.70** **279** **94%**
Development 1 2 3 4 6 7 8 10 11 12 13 15 17	x4 revenue of the Access to Energy program 400,000 underprivileged people trained in energy management 15,000 volunteering days thanks to our global VolunteerIn platform	**x1.56** **246,268** **11,421**

All indicators are audited annually by an independent third party body.

Focus on our financial objectives

In 2019, Schneider Electric accelerated the operational execution of its strategy, continuing to deploy its priorities focused on more products, more services, more software and better systems, enabling complete digital solutions in the fields of energy and automation. Both synergistic activities and all regions are growing. By demonstrating its ability to implement its strategic priorities and achieve its financial objectives, the Group believes that it is well positioned to achieve its medium-term ambition for the 2019-2021 period.

Initiatives	Indicators and objectives across the economic cycle	2019 results	2018 results
Organic revenue growth	3% to 6% across the cycle	4.2%	6.6%
Adjusted EBITA	Margin between 13% and 17% of revenues	15.6%	15.1%
Cash conversion	~100% of net income converted into free cash flow	130%	90%
ROCE	Between 11% and 15%	12.5%	11.8%
Dividend	Payout ~50% of net income	c.50%	c.51%
Capital structure	Maintaining a strong investment grade rating	A-/A3	A-/BBB+

2025

- Achieve the carbon neutrality of our operations by offsetting remaining emissions by 2025 at the latest
- Achieve by 2025 – five years ahead – the carbon neutrality target set at COP21 within our extensive ecosystem, enabling Group customers to achieve CO_2 savings above our own carbon footprint
- Facilitate access to lighting and communication with low-carbon solutions for 50 million underprivileged people
- Train more than one million underprivileged people worldwide in energy management
- Support 10,000 entrepreneurs in underprivileged countries
- Remove SF6 gas from our products
- Invest €10 billion in innovation and R&D for sustainability in 10 years

2030

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

2050

- Achieve net-zero emissions in our supply chain
- Engage actively with sustainable business initiatives such as the UN Global Compact

Learn more: 2019 Integrated Report
Value creation

More information: website se.com Investors section
2019 Annual Results Presentation (English only)

Learn more: 2019 Universal Registration Document
2.1.3 The Schneider Sustainability Impact, a regular and objective measure of the Group's actions

Ensuring effective control over risks to better capitalize on opportunities

Our strategy is strengthened by dynamic management of risks, which enables us to keep them under control while capturing growth and development opportunities in connection with market trends. Based on an effective device and an open approach to our weak ecosystem signals, this management is integrated at all levels of the company.

Key stakes for our ecosystem

In order to consolidate the relationship with its stakeholders and to regularly learn about their expectations, Schneider Electric regularly renews its materiality analysis, one of the sources of the Group's risk analysis.

This matrix prepared in 2017 helped to define six crucial challenges: human rights and duty of vigilance, data security and privacy, business integrity, workplace safety and access to health care, and carbon neutrality. The 2019 Universal Registration Document, Schneider Electric's commitments for the climate and finally the 2018-2020 Schneider Sustainability Impact cover all these priority challenges through Group policies, improvement plans, indicators, and short-term or long-term goals.

In early 2020, with a view to building its next Schneider Sustainability Impact, the Group began updating its materiality analysis. The results will be published in the next 2020 Integrated Report and Universal Registration Document.

Key risks and their management

As an energy sector operator, Schneider Electric is exposed to different types of risks, linked to energy challenges, reducing carbon emissions and adapting to climate change, likely to impact its activities or results. Because customers' confidence and performance are dependent on our ability to manage these risks, we have put in place an effective, coordinated framework to manage them.

Each year, the Group prepares a Group-level risk map that is presented to the Executive Committee to identify the overall risks of the company, classified according to their impact, likelihood of occurrence and degree of control by the Group. The analysis covers the entire value chain of the Group and its stakeholders. The table opposite presents the seven main non-financial risk categories identified as part of the Group's Non-Financial Performance Statement, in line with a methodology for assessment made up of a range of internal and external tools.

Materiality Matrix
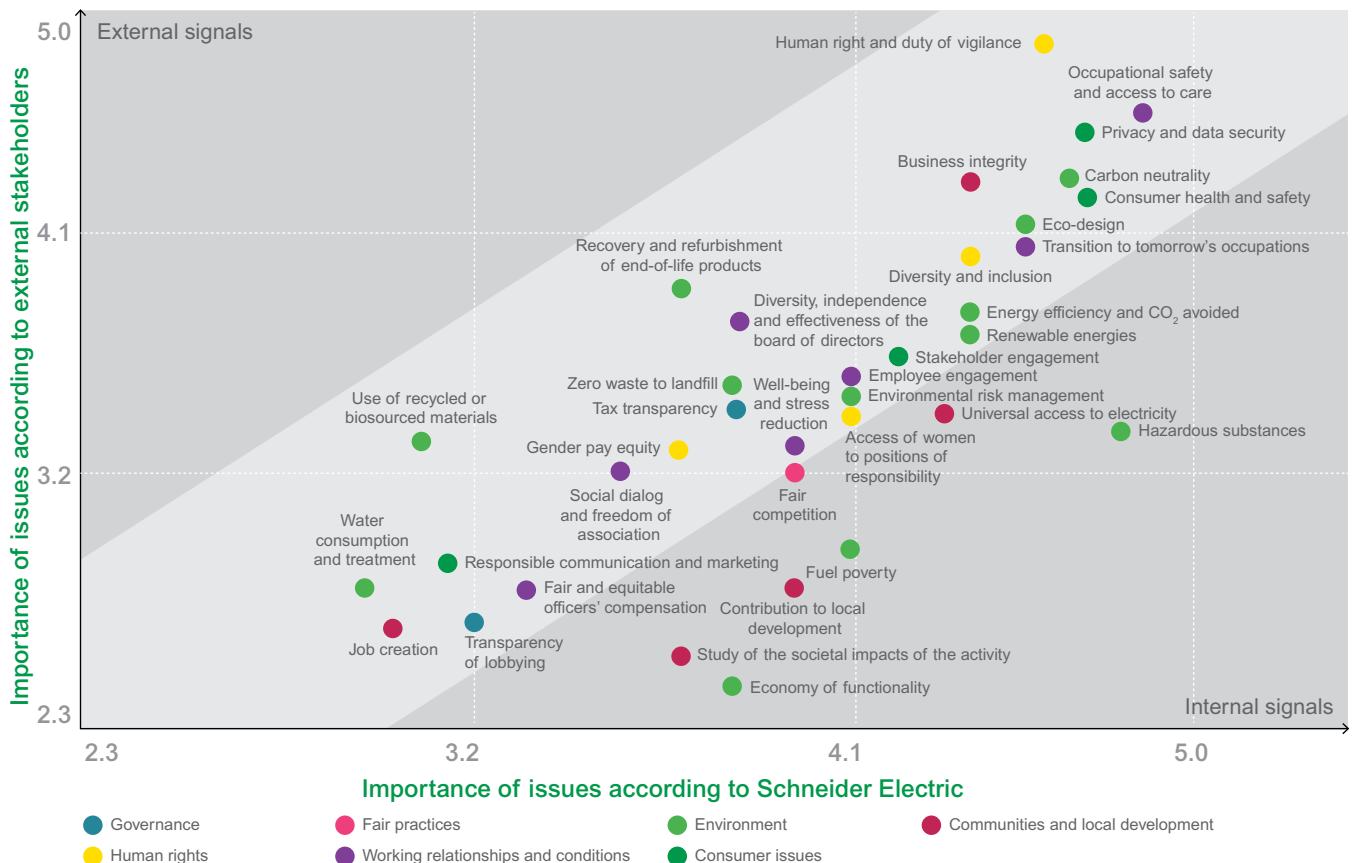
Learn more: 2019 Integrated Report
Business model

Learn more: 2019 Universal Registration Document
2.1.2 Evaluation of the main non-financial risks and opportunities created

Description of the risk for Schneider Electric	Key policies and actions implemented
Environment and circular economy The use of resources upstream from its value chain, treatment of products and strengthening of their related regulations, as well as the potential environmental impact of the Group's sites represent risks in terms of legal costs, reputation or health and safety.	Products, services and solutions that help its customers to reduce their energy consumption and CO_2 emissions, with a circular focus: • Circular ECOFIT™ offerings and collection systems • Circular supply chain • Circular economy strategy • Portfolio of Green Premium™ offerings • Targets from the Schneider Sustainability Impact's climate and circular economy pillar
Climate As a global operator, the Group is exposed to physical and transition risks linked to climate change (strengthening of regulations, risks of damage to property and people, increasingly scarce resources, etc.), which may impact its supply chain, its own activities and its customers' expectations.	Solutions and activities aiming to mitigate, adapt and improve resilience to climate change: • Energy policy • Climate strategy targeting carbon neutrality • Schneider Energy Action and Smart Factory programs • RE100, EP100, EV100 and SBT commitments • Portfolio of Green Premium™ offerings • Energy & Sustainability Services offering • Targets from the Schneider Sustainability Impact's climate and circular economy pillar
Human resources (recruitment and skills, gender equality) The Group's success depends on its ability to attract and retain the best talents, while ensuring compliance with new recruitment-related regulations. Schneider recognizes the need to offer equal opportunities for all, with particular emphasis on gender diversity.	Many programs at the world level to provide a satisfactory framework for work and a strict policy of gender equality: • Targets from the Schneider Sustainability Impact's health and equity pillar • Recruitment of women and representation of women in leadership positions • Diversity and Inclusion Board to promote gender equality at executive level • Gender Pay Equity Framework • Career development and learning • Go Green program
Workplace health and safety The Group is exposed to the risk of disengagement among its employees, which could impact the Group's financial results, as well as the risks of injury or illness for employees.	Particularly strong focus on the lives of its employees, customers and subcontractors: • Global family leave policy • Global anti-harassment policy • Global well-being at work program • Safety strategy • Targets from the Schneider Sustainability Impact's health and equity pillar
Anti-corruption Corruption risks could have a financial, legal and reputation impact for the Group. This is why preventing corruption is a major issue for Schneider Electric across its entire value chain.	Zero-tolerance policy toward corruption and other unethical business practices: • Principles of Responsibility • Effective global anti-corruption policy, including alert (whistleblowing) systems • Code of conduct • Gift & Hospitality Policy • Targets from the Schneider Sustainability Impact's ethics pillar
Human rights in the supply chain The Group may face risks of infringements of human rights and fundamental freedoms, serious injury, environmental damage or health and safety risks within its supply chain.	Responsible engagement best practices for suppliers: • Duty of vigilance in relation to suppliers and subcontractors, capitalizing on membership of the Responsible Business Alliance (RBA) • Development of partnerships and participation in several working groups • Conflict Minerals Compliance Program • Targets from the Schneider Sustainability Impact's ethics and development pillars
Socially responsible investing Schneider Electric is faced with the challenge of successfully attracting investors with sustainability and accountability criteria.	Public commitment and monitoring of its sustainability actions and goals and its performance: • Schneider Sustainability Impact program and inclusion in the main ESG indices • Engagement with key stakeholders to identify critical topics in sustainability • Reporting framework aligned with international standards (United Nations Global Compact, ISO 26000, GRI, SASB, TCFD)

Learn more: 2019 Universal Registration Document
2.1.2 Evaluation of the main non-financial risks and opportunities created

Toward sustainable and responsible growth, shared with our stakeholders

Schneider Electric engages in open and continuous dialog with each of its stakeholders, at every level throughout the company. The Group is constantly nurtured by interactions with its ecosystem, ensuring that it shares the value it creates among its different stakeholders in a balanced manner, combining profitability and accountability.
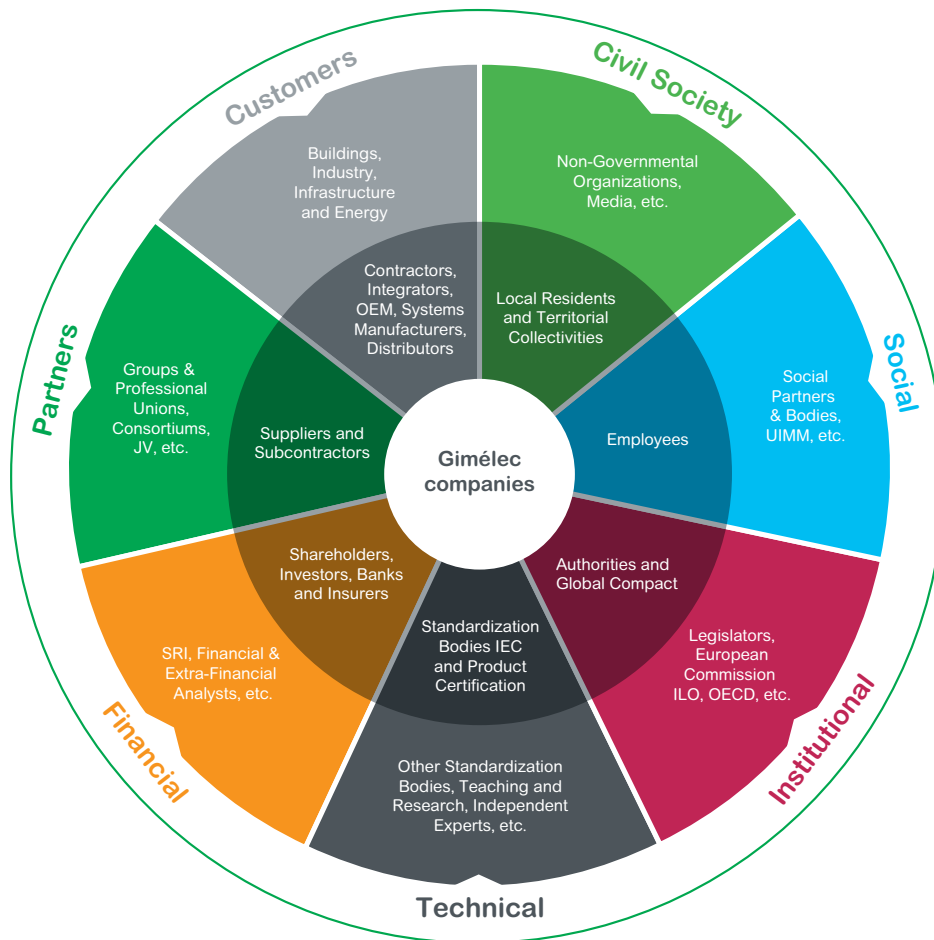
Unique ecosystem of partners

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

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

For the ninth year in a row, Schneider Go Green International Student Competition, hosted by Schneider, has helped to create and support bold and innovative ideas.

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

Alongside this, the Group is involved in various local or international associations and organizations supporting sustainability, working with key players from across society. Schneider confirms its commitment to and participation in discussions on challenges related to climate change. To ensure continued progress with the best social and environmental practices, the Group has notably joined in 2018 the United Nations Global Compact's LEAD group; this global initiative groups together 34 companies with the strongest commitments to implementing the 10 principles of the United Nation's Global Compact.

2019 total revenue: €27,158 million

| Employees: wages **€7,333 million** | Governments: corporate taxes **€690 million** | Non-governmental organizations: donations **€20 million** | Shareholders: dividends **€1,296 million** | Bank: net banking fees **€129 million** | Suppliers: purchases & other **€14,704 million** |

Investment capabilities

| Net external financing* including change in capital **(€829) million** | Operating Cash flow after dividend payment **€2,986 million** |

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

R&D: **€1,368 million**
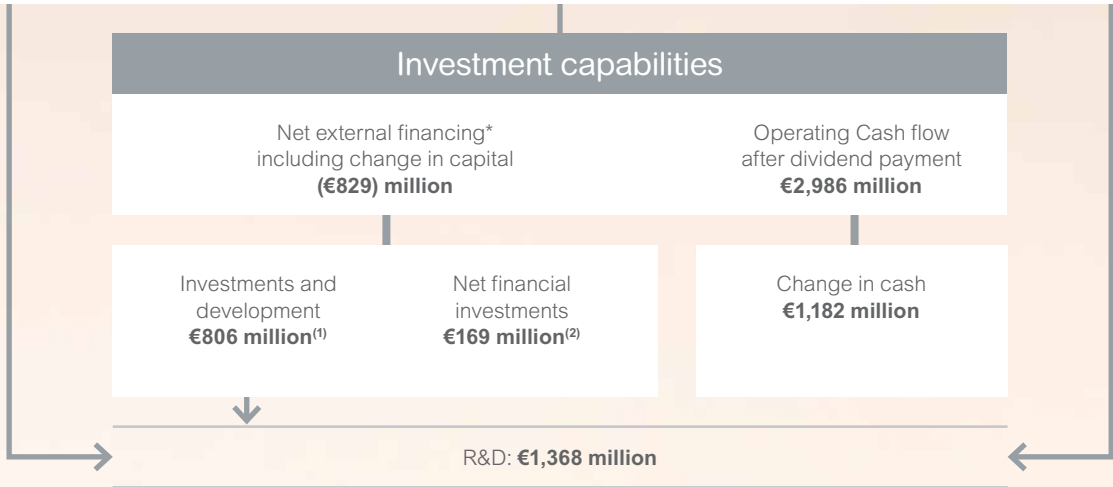
* Borrowings, capital increases and treasury stock disposals.
(1) Of which €303 million in R&D.
(2) Of which €90 million for long-term pension assets.

Planet

2019 key figures

Schneider is committed to the expansion of renewable energies by acting in line with the principles of sustainability in respect of current and future generations. Schneider's response is to reduce its own impact and offer products and services that help its customers reduce their consumption of energy and natural resources and their CO_2 emissions. The solutions Schneider brings to the market are directly linked to activities to mitigate, adapt to and improve resilience to climate change.

Value created for the planet

- Clear environmental strategy looking ahead to 2025-2030 identifying different initiatives combined with corresponding targets in six areas: CO_2 and climate, supply chain, waste, products and services offered, circular economy and governance
- 100% of our products in R&D are ecodesigned in line with the Group's EcoDesign Way™ approach: a methodology that measures improvement in: impact on climate change, particularly CO_2 footprint; consumption of raw materials; reduction in toxic chemical substances; energy efficiency; product 'serviceability' (maintenance, repair, recycling, reuse, etc.); circularity enabling end-of-life recycling; and product packaging
- Improvement of the waste recycling program at all of our sites with 193 sites labelled toward zero waste and 96% of our transport packaging from recycled or certified sources

Highlights

- Excellent performance of Schneider Sustainability Impact in 2019 on all 21 targets, in particular the climate and circular economy pillars
- Strengthened commitments to limit global warming to 1.5°C at Climate Week in New York
- Schneider Electric Foundation's partnership with the Solar Impulse Foundation to accelerate the detection and selection of 1,000 cost-effective solutions for sustainable development
- The Solar Impulse label awarded to the two Villaya Community Emergency and Romaya PAYG solutions developed under the Access to Energy program
- Schneider's commitment to replace its entire automotive fleet with electric vehicles by 2030
- Operation of 13 carbon-neutral sites in six different countries (as per WBCSD Green Building Council definition)
- Enhanced compliance of our Green Premium™ program with RoHS and REACH regulations

50%
electricity consumed globally by the Group is now produced from renewable energy sources

4%
improved CO_2 efficiency in the transportation of goods

97,439
metric tons of avoided primary resource consumption through ECOFIT™, recycling and take-back programs

9th
year in a row for the ranking of the Group on the CDP Climate Change A list

Employees

Schneider Electric is a great company because of its employees. It values the diversity of its employees, supports their professional development, and ensures that they have working conditions that preserve their health and safety thereby mobilizing and motivating them.

96%
employees have received comprehensive cybersecurity training

31st
ranking of the most exemplary companies in the world in terms of gender equality, in the Equileap 2019 Gender Equality report

3rd
year in a row for the Group's ranking on the Bloomberg Gender Equality index

82%
reduction in the frequency of work-related medical incidents and by 80% the severity of incidents since 2011

Value created for employees

- Comprehensive family leave policy successfully deployed: since 2017, full coverage of parental leave (primary and secondary), care (for sick/elderly), and bereavement leave
- Gender pay equity plan in all countries
- Development of skills through the implementation of a learning ecosystem consisting of multiple digital learning platforms
- The Group's safety strategy and culture with the S.A.F.E. program First
- Inclusive culture to create synergy and complementarity between employees
- Global wellness program and the Well-Being Labs Initiative
- Employee sustainability awareness through the Sustainability Fellows internal social networking platform

Highlights

- 99% of employees now work in countries that have fully deployed the Group's Family Leave policy
- Currently, 99% of the Group's employees work in a country with commitment and process in place to achieve gender pay equity
- Schneider Women Leaders' Program, program to support women's professional development, from which more than 800 women have benefited
- 47% of employees have access to a comprehensive well-being at work program
- A new published version of Schneider's Principles of Responsibility to follow the highest standards of governance and ethics, and to best address new business issues and challenges
- 16% decrease in occupational medical incident rates from 2018 (0.79 versus 0.94 in 2018)
- Mobilizing people around the world around #GivingTuesday2019 to support multiple causes

End customers

We bring together our expertise and solutions to drive new possibilities for efficiency and savings and to offer our customers safe, reliable, connected and decarbonized energy worldwide. We collaborate and innovate to enable our customers to benefit from personalized, quick and transparent experiences.

Value created for end customers

- Industry-leading partner network offering a wide range of market-leading products supported by a superior digital customer experience
- On-site services with new digital features, to provide customers with the right information at the right place and right time
- Support for customers with their low-carbon transition through Energy and Sustainability Services
- Help in improving our customers' environmental performance by providing life cycle information for products and solutions required under Green Premium™
- Global education platform offering online e-learning programs to Schneider Electric customers; deployment of the Partner Relationship Management (PRM) customer relations platform in 10 countries
- Special organization for the 75 international customers that are categorized as 'strategic accounts' based on the 'preferred supplier contracts' and exclusive customer support

Highlights

- Update of the New Green Premium™ program built around a core regulatory compliance framework and two additional environmental performance attributes or an external label
- New version of EcoDesign Way™ to fully align it with our Green Premium™ program, encourage innovation and increase the positive environmental impact of these programs
- Schneider Electric's Innovation Summit World Tour, bringing together more than 3,500 experts, customers, partners and suppliers
- Introducing a new generation of EcoStruxure Building™, the first open and innovative building platform
- Creation of the AlphaStruxure joint venture in partnership with the Carlyle Group for the development of smarter infrastructure projects – part of the JFK Terminal 1 renovation project in the United States – responding to the growing demand for sustainable investments in services and critical assets
- Growth in our industrial software business by more than 10% supported by AVEVA's strong performance

480,000

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

89M

metric tons of CO_2 saved on our customers' end, thanks to our EcoStruxure™ offers

23.8%

revenue growth for the Energy & Sustainability Services entity compared to 2017

55.2%

Schneider's revenue is realized as part of its new Green Premium™ program

Intermediary customers

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

3,800+
companies in 50 countries, including more than 300 in France, have been awarded the EcoXpert label since 2011

75
electricity distributors equipped by Schneider Electric, serving 70 million customers around the world

650,000
partners within the Schneider Electric ecosystem

Value created for intermediary customers

- Policy of close collaboration with distributors in terms of supply chain improvement, technical training, support services and joint marketing initiatives, guaranteeing the distribution network's performance

- Ensure customer satisfaction through Customer Voice digital surveys that require feedback to measure performance and gather information to anticipate future needs

- Provision of a suite of digital tools known as Building Life Management to help electricians and DIY stores keep up with the fast pace of changes in residential solutions and technologies

- Sharing of expertise through the EcoXpert program, which aims to establish preferred partnerships with contractors that specialize in energy efficiency and renewable energy solutions and services

Highlights

- Launch of the Schneider Electric Exchange platform a new digital ecosystem to achieve global economies of scale for IoT solutions

- Presentation of the mean voltage table of the future without SF_6 at CIRED 2019, a new technology to reduce the ecological footprint of its users

- Market leader for advanced electrical distribution management by Gartner's Magic Quadrant: the ADMS (Advanced Distribution Management Systems), electrical distribution network unified management platforms, provide the operators of these networks with numerous capabilities (surveillance, analysis of network performances, incident management, etc.). They are central to the strategy of electrical distributors to optimize their network operations by improving their functioning, speeding up their deployment and reducing operating costs

- Five stars awarded by the CRN to the EcoXpert program for the 3rd consecutive year

Suppliers

2019 key figures

Developing long-term relationships with our suppliers is just as critical as our commitment to supporting them to implement more sustainable practices. We believe that neither party can accomplish anything without the other. Schneider Electric seeks to continually improve the capacity, safety and response time of its supply chain, while boosting its economic and ecological efficiency.

Value created for suppliers

- Co-development with a supplier of a leading digital tracking solution from CO_2 for the transportation of goods in partnership with a logistics company
- Commitments with Group suppliers on CO_2 reduction issues to achieve zero net emissions in its supply chain by 2050
- Green Line professional alert (whistleblowing) system open to all stakeholders, including suppliers, as part of the vigilance plan for suppliers
- Strengthening of supplier risk management with the Responsible Business Alliance (RBA), a coalition to promote high standards in areas such as human rights, environmental protection or business ethics
- Rollout of the Purchasing Excellence System to involve suppliers in the supply chain in order to enhance customer satisfaction
- Continuous improvement approach for suppliers in terms of sustainability according to ISO 26000

Highlights

- Global, integrated supply chain, including more than 200 plants and over 90 distribution centres in 45 countries, which manage 500,000 products and process 140,000 order lines per day
- Participation and Organization of the 2019 Global Supplier Day with nearly 120 suppliers
- Distinction in ranking the CDP's supplier commitment to support suppliers in the fight against climate change
- Member of the Global Compact LEAD Action Platform for Decent Work in Global Supply Chains
- +3.70 points increase in average score of ISO 26000 assessment for our strategic suppliers

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

94%
of sales, procurement and finance employees trained every year on anti-corruption

3rd
place in the Gartner 2019 ranking of the top 15 European supply chains and the world's 11th out of 17

~30%
of criteria relate to sustainability when selecting suppliers

650
on-site audits to select new suppliers

Civil society

Schneider Electric has always been active in the economic and social development of the communities in which it operates, in two areas in particular, access to energy and energy insecurity, through training and entrepreneurship, its social and inclusive business and investment funds, completed by the actions of its Foundation*.

27M+
people have benefited from the solutions provided by our Access to Energy program

245,000+
underprivileged people trained in energy management since 2009 in more than 45 countries

3,900
jobs created through Schneider Initiatives Entrepreneurs (SIE) and support for business creation or recovery

800+
entrepreneurs supported in many countries (Egypt, Vietnam, Cameroon, etc.)

11,000+
volunteering days thanks to our VolunteerIn global platform

Value created for civil society

- Products and solutions proposed for rural electrification to create local jobs in the areas of distribution, energy services, agriculture, etc., and to promote women's empowerment in particular
- Investments for impact on energy access to further support local economies
- A training and entrepreneurship support program aimed at developing skills in the electricity trades and supporting entrepreneurs in this area, in particular women, as a necessary condition for sustainable and inclusive local development
- With its VolunteerIn platform, the Schneider Electric VolunteerIn NGO promotes the volunteer work of the Group's employees and retirees in the field of education and vocational training
- The training provided by *École Schneider Electric* allows its students to pursue higher education or to find a job in the innovative fields of the energy sector

Highlights

- Equipment of a women's cooperative in the village of Donvagne in Côte d'Ivoire of a 25 kW mini-solar grid enabling them to power various electrical appliances
- Launch in partnership with Norfund, EDFI ElectriFI and Amundi of a third Schneider Electric Energy Access Asia impact fund that will fund projects targeting 350 million people with limited energy access in South and South East Asia
- Support for entrepreneurship in the energy trades in Burkina Faso by assisting nearly 80 informal entrepreneurs in the energy sector by 2021
- Continuation of the Powering Jobs campaign, aiming to accelerate the deployment of decentralized renewable electrification solutions and meet the urgent need for training in countries where access to energy is limited
- Commitment to combat inequality by joining the G7 Business for Inclusive Growth initiative, which brings together 34 OECD-coordinated multinationals to support inclusive growth
- Celebration of the five-year partnership between the Schneider Electric Foundation and Ticket for Change, whose mission is to encourage social and environmental entrepreneurship in the energy sector

*Under the aegis of *Fondation de France.*

Financial partners

Schneider Electric aims to create attractive shareholder value over the coming years, grounded in an efficient and robust model. Profitable growth is a core priority for the Group. We are committed to maintaining a close relationship with our shareholders.

Value created for financial partners

- Regular and transparent non-financial communication *via* the Schneider Sustainability Impact program

- The objective is to continue the growth of the operating margin through two levers, organic revenue growth and organic improvement of the adjusted EBITA margin

- Improvement in profitability through cost efficiency and productivity, optimization of the business portfolio and focus on strong added value solutions

- Attractive return for our shareholders, thanks to a progressive dividend policy, without a decrease for the 10th year in a row

- Finalize the consolidation of trades in two synergistic activities, energy management, and industrial automation

- Accelerated operational execution of the strategy resulting in exceptional performance hailed by the financial community

- Strengthened relationships with shareholders and investors to better share our strategy and business

- Worldwide Employee Share Ownership Plan (WESOP)

Highlights

- The Schneider Sustainability Impact exceeds the target of 7/10 and achieved a score of 7.77/10 in 2019

- Organic growth of adjusted EBITA by +9.4% and organic improvement of +70 bps of EBITA margin adjusted over the 2017-2020 period

- Organic revenue growth of +4.7% on average over the 2017-2020 period

- We continue to generate an attractive return for our shareholders by offering a dividend of €2.55 per share, up 8.5%, a 10th consecutive year of progressive dividend

- Portfolio optimization and continuation of the asset divestiture policy launched in February 2019, covering €1.5 billion to €2 billion in revenue: sale of Pelco, Converse Energy Projects GmbH, from the control panel business in the United States

- Multiple investor interactions: site visits including visits to one of our factories of the future in Indonesia (Batam), investor day, Hannover Messe (Germany), Innovation Summit (Spain)

+4.2%
organic revenue growth

€2.9bn
in net income

15.6%
in adjusted EBITA margin, an organic improvement of +70 bp

€3.4bn
in free cash flow – record cash generation – and a solid cash conversion of 130%

Institutions and technical bodies

~5%

of revenue invested in R&D

20,000+

active patents or in application

1st

in its sector in the Corporate Knights ranking of the world's 100 most sustainable companies

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

Value created for institutions and technical bodies

- Integration of the ISA Global Cybersecurity Alliance as a founding member
- Active participation in the public debate in particular on the issues of climate change
- Group's commitment to helping to accomplish the 17 Sustainable Development Goals (SDGs), a universal call to action by the United Nations to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030
- Global Compact Advanced Level, of which Schneider Electric has been a signatory since 2002; since 2018, Jean-Pascal Tricoire, President and CEO, a board member of the United Nations Global Compact
- Active participation of 700 experts in international and national standardization bodies to advance the economic, social and environmental framework for sustainable development, contribution to scientific research and involvement in academic chairs and professional associations
- Schneider is an active member of *Entreprises pour les Droits de l'Homme* and Transparency International

Highlights

- Chairing of the Smart Energy Grid coordination group within CEN-CENELEC-ETSI (European Committee for Electrotechnical Standardization – European Telecommunications Standards Institute) to ensure the availability of a suitable set of standards for the development of smart grids in Europe
- Renewed commitment to achieve carbon neutrality by 2025 at COP25, five years prior to the original planned date
- Inclusion in the Climate Group Energy Productivity 100 and (EP100) Renewable Energy 100 (RE100) and EV100 initiatives managed by the Climate Group
- Major contributor to smart manufacturing initiatives such as the AIF (*Alliance Industrie du Futur*) in France
- Member of the Council Board and of the IEC Conformity Assessment Board.
- Member of the Council of the European Initiative AIOTI (Alliance for IoT Innovation)
- Leading role in the definition of standards and in the standardization roadmap within the coordination group of 'European smart grids'

Mobilized governance for sustainable and responsible growth

Schneider Electric is committed to carrying out its activities in an ethical, sustainable and responsible manner. The Group relies on a competent, motivated Board of Directors to implement Schneider's growth strategy. It is committed to applying a balanced executive compensation policy, promoting value creation for all its stakeholders.

Guided by its governance bodies, the Group has also been rolling out sustainability throughout its entire organization for several years, targeting its complete, transversal integration. Interacting daily with the Group's various decision-making levels, the Sustainability Department maps out and implements the dedicated strategy, while coordinating relationships between the internal and external stakeholders. These interactions are presented in the graph opposite.

Board of Directors: HR & CSR Committee

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

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

- Challenge, align with strategy and decide

Executive Vice-President, Strategy and Sustainability

Sustainability Department

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

Corporate functions

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

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

All Employees
- Sustainability Fellows webradios
- Schneider VolunteerIn NGO
- Schneider Electric Foundation delegates
- Regional Sustainability Directors

Businesses

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

Learn more: 2019 Universal Registration Document
2.1.5 Integrated and transverse governance of sustainable development
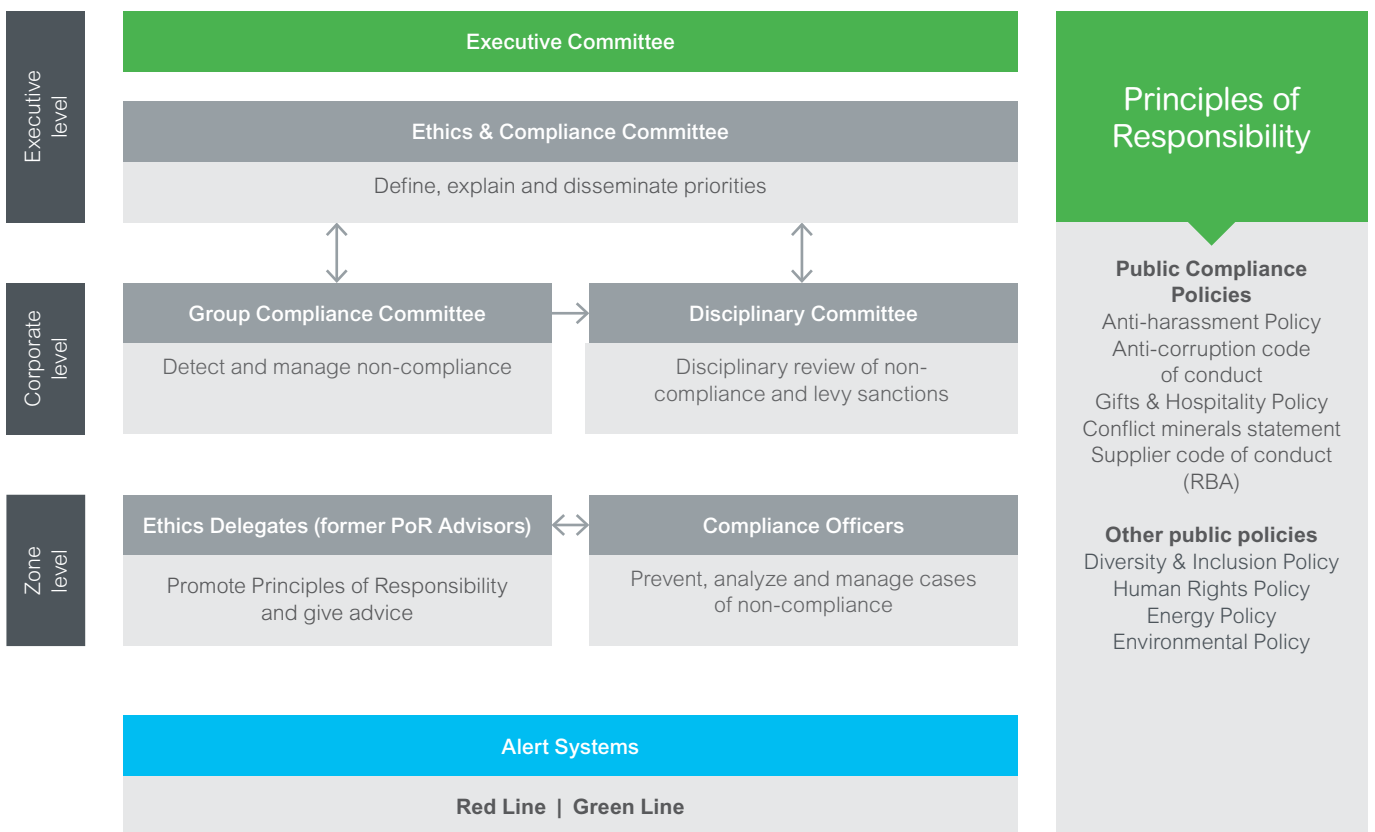
Our Principles of Responsibility

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

Our Principles of Responsibility are Schneider's ethics charter. Together, these principles aid us in pursuing the Group's objectives in a way that is meaningful, inclusive and positive. They apply to all employees of the Company and its subsidiaries, as well as to subcontractors, independent contractors working with the Group and persons working on its sites. They also serve as a source of inspiration for Schneider in its relations with customers, partners, suppliers, and external stakeholders in general.

To reflect the constant changes of the societal and business issues facing the Group, the Principles of Responsibility have undergone a major transformation in 2019. These principles are based on five pillars: human rights and human development; ethical business conduct; digital reliability and safety; acting for the environment; responsible corporate citizenship.

Ethics & Compliance

Driven by the Principles of Responsibility, the Ethics & Compliance program forms the basis of common frames of reference and processes. The Principles of Responsibility are completed by global and local compliance policies in order to provide specific answers to the different pillars of the charter, specific legal obligations and local practices. Publicly available policies are presented in the graph below.

Executive level	**Executive Committee**
	Ethics & Compliance Committee
	Define, explain and disseminate priorities
Corporate level	**Group Compliance Committee** — Detect and manage non-compliance / **Disciplinary Committee** — Disciplinary review of non-compliance and levy sanctions
Zone level	**Ethics Delegates (former PoR Advisors)** — Promote Principles of Responsibility and give advice / **Compliance Officers** — Prevent, analyze and manage cases of non-compliance
	Alert Systems — **Red Line	Green Line**

Principles of Responsibility

Public Compliance Policies
Anti-harassment Policy
Anti-corruption code of conduct
Gifts & Hospitality Policy
Conflict minerals statement
Supplier code of conduct (RBA)

Other public policies
Diversity & Inclusion Policy
Human Rights Policy
Energy Policy
Environmental Policy

Learn more: 2019 Universal Registration Document
2.2.2 Schneider Electric's Principles of Responsibility
2.2.4 Ethics & Compliance Program

Governance

Vigilance plan

In accordance with its strategy and vision, Schneider Electric implemented a vigilance plan in 2017. It covers all of its activities, as well as those of its suppliers and subcontractors. It identifies the main risks that the Group poses to its environment and environmental, human rights, business conduct and cybersecurity issues. The vigilance plan also includes a review of the actions taken by Schneider to mitigate or eliminate these various risks, as well as a special alert system and governance. In order to meet its commitments and performance, Schneider Electric has implemented an on-site audit program for 350 suppliers qualified as 'high-risk'.

Key risks identified

Schneider Electric sites	Suppliers	Subcontractors
Emissions of CO_2, GHGs, fine particles Cybersecurity	Health, safety of employees on-site, working conditions	Safety of employees on-site, working conditions

Remediation: results

• 37% less CO_2 emitted between 2017 and 2019 (scope 1 and 2)	• 279 on-site audits completed since 2018 (target 350 by late 2020)	• 40 subcontractors audited since 2018 (included in the 350 target)
• 13 carbon-neutral operating sites	• 60% of non-conformities identified since 2018 closed	• Selection of suitable contractors to integrate due diligence issues
• 96% of employees trained in cybersecurity	• 300 purchasing staff trained in due diligence	
• Cybersecurity strategy from the design phase	• 70 suppliers involved in face-to-face workshops	

Two alert (whistleblowing) systems in place:
- Red Line for employees
- Green Line for its external stakeholders since 2018

Learn more: 2019 Universal Registration Document
2.2.8 Vigilance plan

Schneider Electric's commitment to promoting human rights

Schneider Electric's human rights approach is articulated as follows:
- First, Schneider is committed to fully respecting and applying laws and regulations in all countries in which it operates;
- Second, Schneider is committed to fostering and promoting fundamental human rights, decent working conditions and equal opportunity throughout all its operational sites and subsidiaries worldwide;
- Third, Schneider wishes to support human rights beyond its borders, leveraging its large network of partners and stakeholders to promote the implementation of actions that will ensure the compliance with human rights.

Monitoring anti-corruption actions to reinforce the Group's commitments regarding business ethics and integrity

Schneider Electric applies a zero-tolerance policy toward corruption and other unethical business practices and considers that 'doing things right' is a key value creation driver for all its stakeholders. The Schneider Sustainability Impact includes an anti-corruption indicator.

A training device for all

To support the deployment of the new Principles of Responsibility throughout 2019, Schneider has developed a mandatory training module for its 135,000 employees. Dynamic and interactive, this training combines meetings with members of the Executive Committee, practical cases, questionnaires and, in the end, calls for commitment to respect them. All employees are also required to complete the cybersecurity training module.

2019 key figures

94% employees exposed to corruption risks have completed the specific training	**96%** of employees had completed the Principles of Responsibility training by the end of 2019	**105** disciplinary action taken following receipt of 560 Red Line alerts

Learn more: 2019 Universal Registration Document
2.2 Green and responsible growth driving economic performance

Governance

The Board of Directors, a key actor and a guide for the good governance of Schneider Electric

The Board of Directors is a collegial body mandated by all shareholders. It defines the Company's strategic goals, appoints and revokes the Corporate Officers, sets their compensation, selects the form of organization and governance (combination of the duties of Chairman and Chief Executive Officer reversible and revised on an annual basis), and monitors the management as well as the quality of information provided to shareholders and to the markets.

The Board held seven meetings in 2019, lasting seven hours on average, with an average attendance rate of 93%. They were primarily devoted to discussing the Company's corporate governance, strategy and its implementation, reviewing operations and the annual and interim financial statements, which it approved, and preparing the Annual Shareholders' Meeting.

Board of Directors

Jean-Pascal Tricoire
Chairman and CEO

Léo Apotheker
Vice-Chairman, Independent Lead Director
- Ensures proper governance
- Helps prepare the agendas for meetings of the Board of Directors
- Meets with shareholders
- Chairs the executive sessions
- Manages the Board's self-assessment

Activity of the Board in 2019

Corporate governance	Strategy and investment	Activity and results	Annual Shareholders' Meeting
Composition of the Board and its committees – strengthening of the geographical diversity of its members, succession plan for corporate officers, compensation of Corporate Officers, long-term incentive plan, executive sessions	Follow-up on the execution of the strategic priorities, especially during the Strategy session in Hong Kong	Business situation, financial statements, risk mapping, monitoring of acquisitions, specific reviews by the Audit and Risk Committee	Agenda, draft resolutions, report for shareholders at the meeting, shareholder questions and answers

Five study committees

Board of Directors' self-assessment in 2019

In 2019, an internal self-assessment of Schneider Electric's Board of Directors and its committees was carried out looking at their composition, their organization and the way they operate. For the first time, the assessment process also included an individual 360° assessment of each board member.

Board's strengths
- Effective Board of Directors and based on a balanced governance
- Diversified composition, competent and engaged committees
- Open, transparent management
- Continuous improvement of its operation

Points for improvement that have been remediated
- Strengthening the onboarding program for new directors
- Executive succession plans in-depth follow-up process
- Optimizing the agenda to ensure a perfect balance between financial, operational, governance, CSR and risk issues
- Increasing the number of female board members

Learn more: 2019 Universal Registration Document
4 Corporate governance report

Activities in 2019

Audit and Risk Committee
- Review of the process of account development, financial and non-financial information
- Risk management control in line with a schedule prepared on the basis of the risk mapping
- Monitoring the effectiveness of internal audit control and risk management systems
- Review of the statutory auditors' due diligence and their independence
- Review of the dividend distribution policy

Governance and Compensation Committee
- Composition of the Board and its committees
- Classification of the Board members with regard to the independence criteria
- Method of exercising senior management
- Review of the succession plan for Corporate Officers
- Compensation of Corporate Officers
- Presentation of the Say on Pay 2018 to the Annual Shareholders' Meeting, as well as the principles and criteria for Corporate Officers' compensation for 2019
- Review of the amounts and distribution rules for attendance fees
- Onboarding and training program for new directors
- Management of the Board of Directors' self-assessment
- Definition of criteria for the short-term (STIP) and long-term (LTIP) incentive plans for executive officers

Human Resources & CSR Committee
- Long-term incentive plan and annual performance share plan
- Review of the compensation, performance and succession plans for members of the Executive Committee
- Review of the talent attraction and retention policy
- Policy for gender diversity and pay equity
- Assessment of the CSR policy, including the Schneider Sustainability Impact
- Definition of the criteria of the executive short-term (STIP) and long-term (LTIP) incentive plans
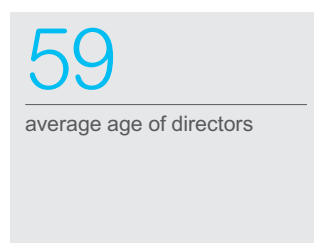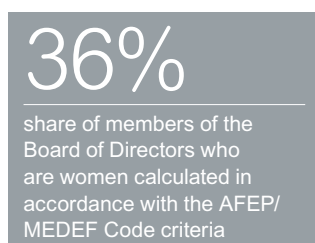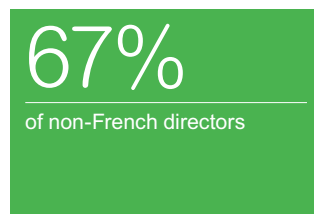
Investment Committee
- Monitoring of investment projects and opportunities
- Report on the competitive environment
- Reconfiguration of Schneider Electric's business sector
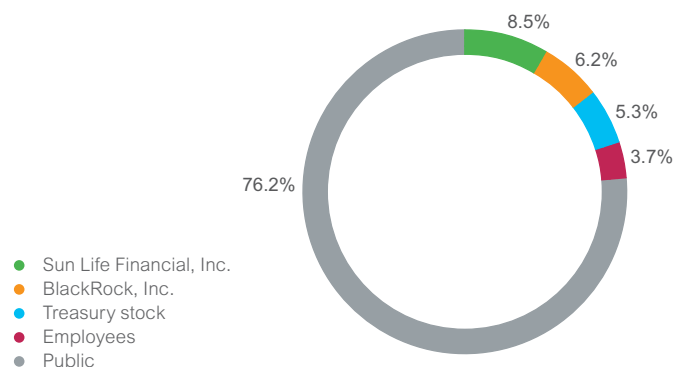- Portfolio review

Digital Committee
- Review of the digitization program
- In-depth review of digital offerings and performance indicators
- Review of cybersecurity risks, jointly with the Audit and Risk Committee
- Boost digital sales
- Schneider Electric Exchange deployment report

2019 key figures

80% share of independent directors	**67%** of non-French directors
36% share of members of the Board of Directors who are women calculated in accordance with the AFEP/MEDEF Code criteria	**59** average age of directors

A fluid shareholding structure reflecting substantial employee investment

- 8.5%
- 6.2%
- 5.3%
- 3.7%
- 76.2%

- Sun Life Financial, Inc.
- BlackRock, Inc.
- Treasury stock
- Employees
- Public

Governance

Compensation of senior management and employees: criteria aligned with the strategy and sustainability

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

General principles of the Group's employee compensation policy

Equity and non-discrimination	Fairness	Compensation for performance	Competitiveness

Pay equity

Schneider Electric has developed and rolled out a pay equity framework that measures the percentage of employees working in countries where there is an operational gender pay equity plan and where corrective measures are in place. Schneider Electric uses a common global methodology to identify gender pay gaps within comparable groups of employees and uses a country-driven approach to address gaps with appropriate corrective actions.

Sustainable development criteria

Since 2011, sustainable development components have been added to the incentive goals of the Executive Committee. They are directly linked to the Schneider Sustainability Impact targets. In order to emphasize the importance of sustainable development in Schneider's corporate targets, two measures have been implemented within the Group:

- In 2019, the weight of the SSI criterion was increased from 6% to 20% of the collective share of annual variable compensation and the number of beneficiaries increased from 7,500 to more than 60,000
- A new index, the Schneider Sustainability External & Relative Index (SSERI), was created as part of the 2,300-person performance action program

Compensation of Corporate Officers

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

Pay for performance

Principles

1. Prevalence of variable components: approx. 80% for the Chief Executive Officer and 75% for the Deputy Chief Executive Officer (per target)

2. Performance assessed based on measurable economic criteria

3. Financial and sustainability objectives distributed with a balanced approach between short-term components (annual variable compensation) and medium-term components (multi-year variable compensation)

Alignment with shareholders' interests

Principles

4. Significant percentage of shares as part of the overall compensation package

5. Performance conditions aligned with Schneider Electric's strategic priorities and shareholders' expectations

Competitiveness

Principles

6. To set the Corporate Officers' compensation package 'at target' in the median range of the Company's updated peer group

7. To reference the CAC40's 3rd quartile and the Stoxx Europe 50 median
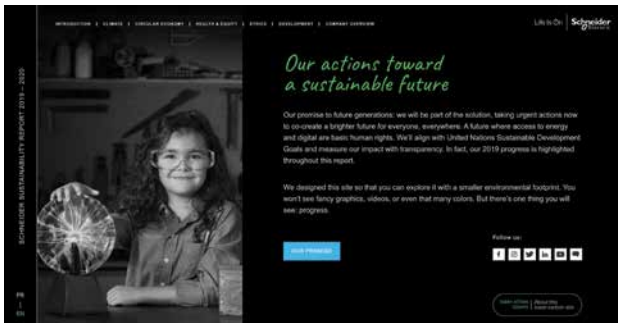
12 years

The compensation of Jean-Pascal Tricoire, Chairman and CEO, has consistently tracked the trend of shareholder returns in terms of share price and enterprise value

Learn more: 2019 Universal Registration Document
4.7 Report on compensation

Other publications

2019-2020 Sustainability Report

Who:
Customers, employees, journalists, general public, etc.

What:
Our actions around strategy and sustainability include a vibrant presentation of our organization, our goals and results, illustrated customer cases, internal and external testimonials, and our vision for the years ahead.

Why:
Our goal is to establish a transparent, comprehensive and precise dialog on our business, including the voice of our internal and external stakeholders.

Read the report:
https://sdreport.se.com/

2019 Financial and sustainable development report

Who:
Experts, investors, shareholders, national authorities.

What:
Information regulated by the French Financial Markets Authority, including the annual financial report, the management report of the Board of Directors, and financial statements and information relating to sustainability and corporate governance.
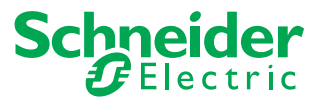
Why:
Provide a detailed picture of the Group's strategy, business, governance, financial results, and strong commitment to sustainability.

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