



Enabling a
sustainable future

2021 Trust Report

Driving responsible business with Trust



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“Our Trust Charter underpins every aspect of our business, as well as expressing our willingness to behave and respond respectfully and in good faith to all our stakeholders. As our Code of Conduct, it is our compass in a world which is more and more complex. Its purpose is to guide us collectively and individually.”

Hervé Coureil, Chief Governance Officer and Secretary General

Context and goals

2021 has been a year of transformation for Schneider Electric. The Group has set ambitious targets to accelerate the fight against climate change and social inequality, whilst mitigating the impact of the COVID-19 crisis on its operations, supply chain, customers, and employees. To do so, Schneider collaborates for a more sustainable world, and collaboration requires a firm foundation of trust.

Present in over 100 countries with diverse standards, values, and practices, Schneider Electric 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 engaged to doing business ethically, sustainably, and responsibly.

Schneider lives up to the highest standards of corporate governance, through initiatives that monitor and educate teams on ethics, cybersecurity, safety, and quality. The 2021 Trust Charter is the evolution of the Group's Principles of Responsibility and sets out the expectations of how we work at Schneider and equips teams to confront any unethical behavior they might encounter.

Trust serves as an ethical compass for all Schneider Electric's interactions with stakeholders and all relationships with customers, shareholders, employees, and the communities they serve, in a meaningful, inclusive and positive way.

Under our 2025 Sustainability Strategy, we commit to live up to our principles of trust by upholding ourselves and all around us to high social, governance and ethical standards. In this report, we share our progress on the transformations engaged in 2021 under the Trust pillar of our Schneider Sustainability Impact and Schneider Sustainability Essentials programs.

2021 Highlights



Schneider was awarded the Ethisphere 'most ethical company in the world' in 2021 and 2022, for eleven consecutive years.



The 2021 Trust Charter sets out the expectations of how we work at Schneider and equips teams to confront any unethical behavior.



Schneider awarded the 2021 'Grand Prix de la Transparence' in the ESG information category.

Best Vigilance Plan

In January 2021, the Group was awarded the Best Vigilance Plan by the Sustainable Investment Forum and A2 Consulting.



Triple recognition in UK and Ireland demonstrating excellence in safety, health and environmental impact.

Gartner

Gartner #1 Supply Chain in Europe
Our second consecutive year at the top.

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
Trust     	6. Strategic suppliers who provide decent work to their employees ⁽³⁾	--	In progress	100%
	7. Level of confidence of our employees to report unethical conduct	81%	+0pts	+10pts

Schneider Sustainability Essentials

Long-term commitments aligned to UN SDGs	2021-2025 programs	Baseline ⁽¹⁾	2021 progress ⁽²⁾	2025 Target
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

(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 (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 report.

(3) 2021 performance is *in progress* for SSI #6 Decent work and SSE #12 'Social Excellence' because the programs are still in development.

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.



“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



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.  Create equal opportunities by ensuring all employees are uniquely valued in an inclusive environment to develop and contribute their best. 	Be efficient with resources by behaving responsibly and making the most of digital technology to preserve our planet.  Harness the power of all generations by fostering learning, upskilling, and development for each generation, paving the way for the next. 	Live up to our principles of trust by upholding ourselves and all around us to high social, governance, and ethical standards.  Empower local communities by promoting local initiatives and enabling individuals and partners to make sustainability a reality for all. 
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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 CO₂ 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

1 Trust Charter, Schneider Electric's Code of Conduct

In 2021, Schneider Electric evolved its Principles of Responsibility to the Trust Charter, acting as our Code of Conduct and demonstrating our commitment to **ethics, safety, sustainability, quality, and cybersecurity**. Schneider Electric believes that trust is a foundational value. It is earned, it serves as a compass, showing the true north in an ever more complex world and Schneider Electric considers it to be core to its environmental, social, and governance (ESG) commitments.

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

1.1 Earning trust with people

Trust powers all Schneider Electric's interactions with stakeholders and all relationships with customers, shareholders, employees, and the communities they serve, in a meaningful, inclusive, and positive way. With this in mind, the document is organized across four chapters:

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

1.2 Communication and training for all employees

Schneider Electric trains all its employees yearly on essential topics. 2021 was a transition year, and as such employees were assigned training on the Principles of Responsibility and informed, through this course, of the upcoming transition to the Trust Charter on September 30. The course was made available as e-learning for connected employees, and an in-class version for non-connected employees. The training completion rate for all Schneider Electric eligible employees at the end of the campaign was 99% (connected employees: 99% completion; non-connected employees: 98% completion). A new mandatory training for all employees dedicated to the Trust Charter will be part of the 2022 campaign.

In addition to the Trust Charter being available in 30 languages on se.com, a Trust Portal was made available to Schneider's employees to link them towards related content such as policies, useful contacts, sites, guidelines, templates, and reports for each section of the Trust Charter. In 2021, we saw an increase of global policy views of +61% compared with 2020.

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

🔍 Discover our Trust Charter with se.com →



2 Ethics & Compliance program

Each year, Schneider Electric's Enterprise Risk Management team draws up a risks matrix at Group level which is presented to the Executive Committee and used to identify all risks faced by the Company; as part of this wider exercise the Company conducts a risk assessment on ethics and compliance matters.

The exposure of the Group to risks of non-compliance and unethical practices has been increasing for several years, due to broader externalities for the Group through its geographic expansion, participation in complex projects, and a large range of acquisitions, all leading to the need to strengthen the effectiveness of its risk-based Ethics & Compliance program.

Over the past years, the increase of law enforcement by public authorities, new regulations, and higher reputational risk with media exposure have led to the design of a preventive approach of several risks including corruption, fraud, violation of fundamental human rights (health and safety, discrimination, harassment, and sexual harassment), anti-competitive practices, sanctions, and export control.

Adopting a full compliance approach on these topics brings trust to employees, customers, partners, suppliers, and local communities.

2.1 Governance of the Ethics & Compliance program

Schneider Electric has built a strong governance to lead the Ethics & Compliance program to the best standards, with responsibilities at Board, executive, corporate, and zone levels.

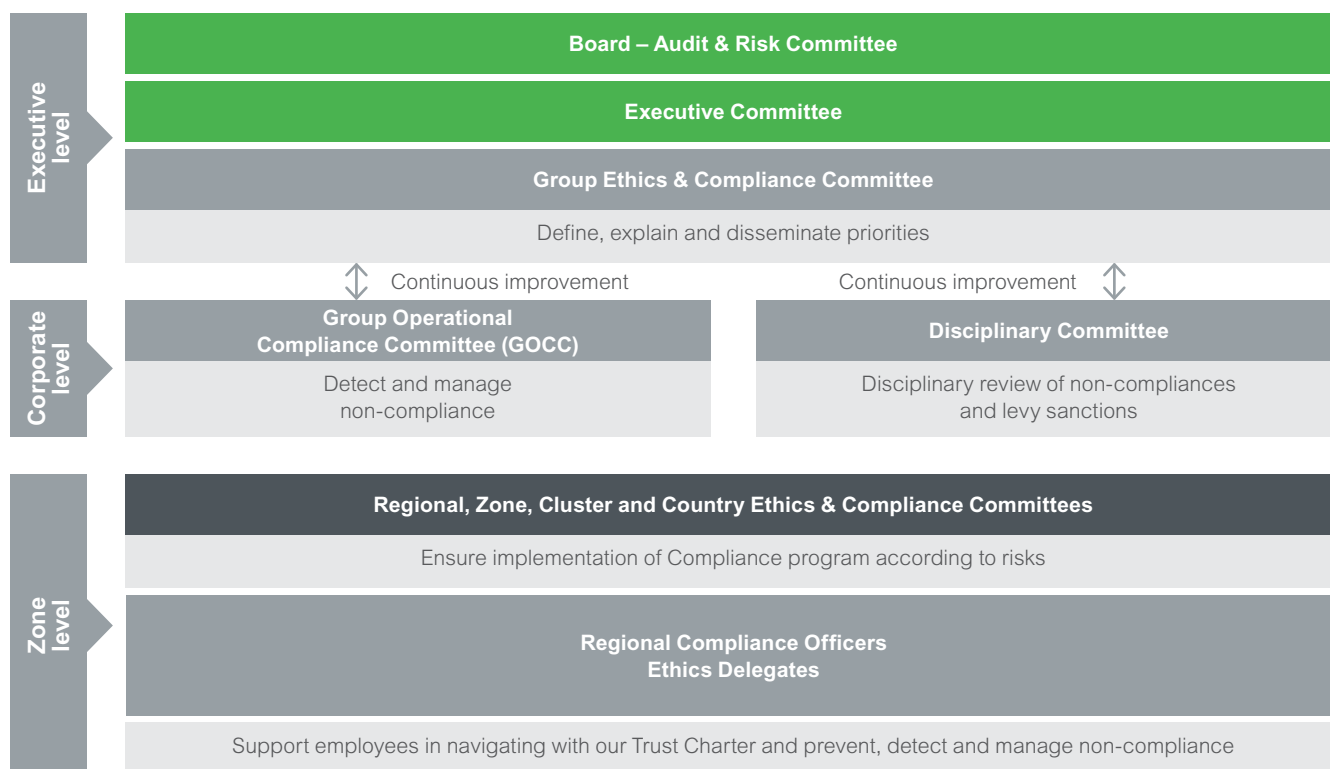
2.1.1 Executive level

Board Audit & Risk Committee

Schneider Electric's Board of Directors oversees the Ethics & Compliance program through a dedicated annual session of the Audit & Risks Committee during which the program, risks and improvements, and action plans, are reviewed by the Directors. Once a year, the Directors also review the Ethics & Compliance program's effectiveness and the allocation of resources to the program (human and financial). In addition, the Directors agree on the audit plan which covers several audits related to the Ethics & Compliance program, and the program's members are notified of their findings and related recommendations once finalized.

Group Ethics & Compliance Committee

Schneider Electric has also put in place a dedicated governance to lead the Ethics & Compliance program to the best standards. The program is overseen by the Group Executive Committee, through the Group Ethics & Compliance Committee. This Committee is composed of nine permanent members in charge of defining the program's strategy and priorities: Chairman & CEO; Chief Governance Officer (Committee Chairperson); Chief Human Resources Officer; Chief Strategy & Sustainability Officer; Chief Compliance Officer; Chief Legal Officer; Chief Corporate Citizenship Officer; Group Internal Audit & Control Officer; and Senior Vice-President, Sustainability Development. They ensure that the program is consistent with the Group's strategic goals. This Committee meets twice a year.



2.1.2 Corporate level

The Group Ethics & Compliance Committee is assisted by the Group Operational Compliance Committee (GOCC) and the Group Disciplinary Committee, which both ensure effectiveness of the speak-up culture (a culture in which employees feel free and psychologically safe to share their ideas, opinions, and concerns, without fear of retaliation) and whistleblowing system, and fair and transparent disciplinary policy.

Group Operational Compliance Committee

The GOCC detects and manages cases of non-compliance with the Ethics & Compliance program in accordance with the Group Case Management & Investigation Policy released in February 2020 and updated in October 2021, and reviews monthly the effectiveness of the whistleblowing system. The GOCC is composed of the following members: Chief Compliance Officer (secretary of the Committee), Chief Legal Officer, Group Internal Audit & Control Officer, Group Compliance Director, Group HR Compliance Officer, and Head of Fraud Examination Team.

Group Disciplinary Committee

The Group Disciplinary Committee is in charge of levying sanctions and remediation actions on serious non-compliance cases upon request of the GOCC. The Group Disciplinary Committee is composed of the following members: Chief Governance Officer, Chief Human Resources Officer, Chief Compliance Officer (secretary of the Committee), Chief Legal Officer, and one rotating member.

Ethics & Compliance department

Schneider Electric has also created a standalone Ethics & Compliance department, chaired by a dedicated Chief Compliance Officer acting on behalf of the Group Ethics & Compliance Committee, and reporting to the Chief Governance Officer, to drive the strategy on the Ethics & Compliance program. The Ethics & Compliance department includes the following teams: Group Compliance, Group HR Compliance, Health & Safety, Fraud Examination, IT Assets Governance, Policy Management, Business Continuity Planning and Digital Transformation for Ethics & Compliance. It works closely with the Legal, Human Resources, Finance, and Strategy & Sustainability departments, as well as Internal Control and Audit. This cross-functional and integrated approach is central to the program's effectiveness.

2.1.3 Operational level by geographic zone

Regional Ethics & Compliance committees ensure implementation of the Ethics & Compliance program in alignment with risks identified. Operationally, they rely on Regional Compliance Officers who drive the implementation in the zone, with the support of Ethics Delegates and relevant subject matter experts at local levels.

2.2 Pillars of the Ethics & Compliance program

All Schneider Electric employees are expected to comply with Schneider's Ethics & Compliance program. Its daily application helps them to act with integrity and transparency, and to comply with all international and local regulations.

The Ethics & Compliance program is based on management commitment (called "tone from the top"), which makes its pillars effective. Top management sets the Ethics & Compliance standards and promotes a culture of integrity throughout the Group and its operations. In addition, middle management walks the talk by complying with rules, spreading the right message in their teams, and supports reporting of misconducts.

2.2.1 Risk assessment at Zone level

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



The process at regional level was as follow:

- **step 1** – each region defined its local risk universe taking into account local specific risks,
- **step 2** – each region assessed its gross risks and effectiveness of its local mitigation measures, generating a mapping of regional net risks, and
- **step 3** – each region defined action plans (validated by the respective regional Ethics & Compliance committees) to reduce the risk exposure. In addition, a global gross and net risks mapping was consolidated at Group level, as well as a set of action plans to be taken at global level. All action plans will be monitored during the course of 2022.

2.2.2 Code of Conduct and policies

To ensure that the tools are provided to follow the Trust Charter, it is complemented by global and local policies, providing specific answers to the different principles, legal obligations, and local practices. On ethics and compliance matters, Schneider Electric has deployed several policies:

- Anti-Corruption Policy (aligned with French Sapin II law requirements),
- Gifts & Hospitality Policy,
- Competition Law Policy,
- Business Agent Policy,
- Anti-Harassment Policy,
- Human Rights Policy, and
- Export Control Policy.
- In 2021, Schneider published and rolled out a new Conflict of Interest Policy and a new Donations Policy.

2.2.3 Training and awareness

At Schneider Electric, we value training, at both local and global levels as it is the best way to prevent risks and raise awareness on ethical topics.

Each year a global campaign of mandatory trainings is run for all employees, called *Schneider Essentials*, from March to end of September. These global trainings are available in 18 different languages in our Learning Management System and each takes 30 mins to complete. In 2021, Schneider Essentials trainings were:

- Trust Charter,
- Cybersecurity for Schneider Electric,
- Building a culture of respect, and
- Sustainability at the Core of our Purpose.

For about 40,000 employees exposed to corruption risks, an additional anti-corruption training is required each year.

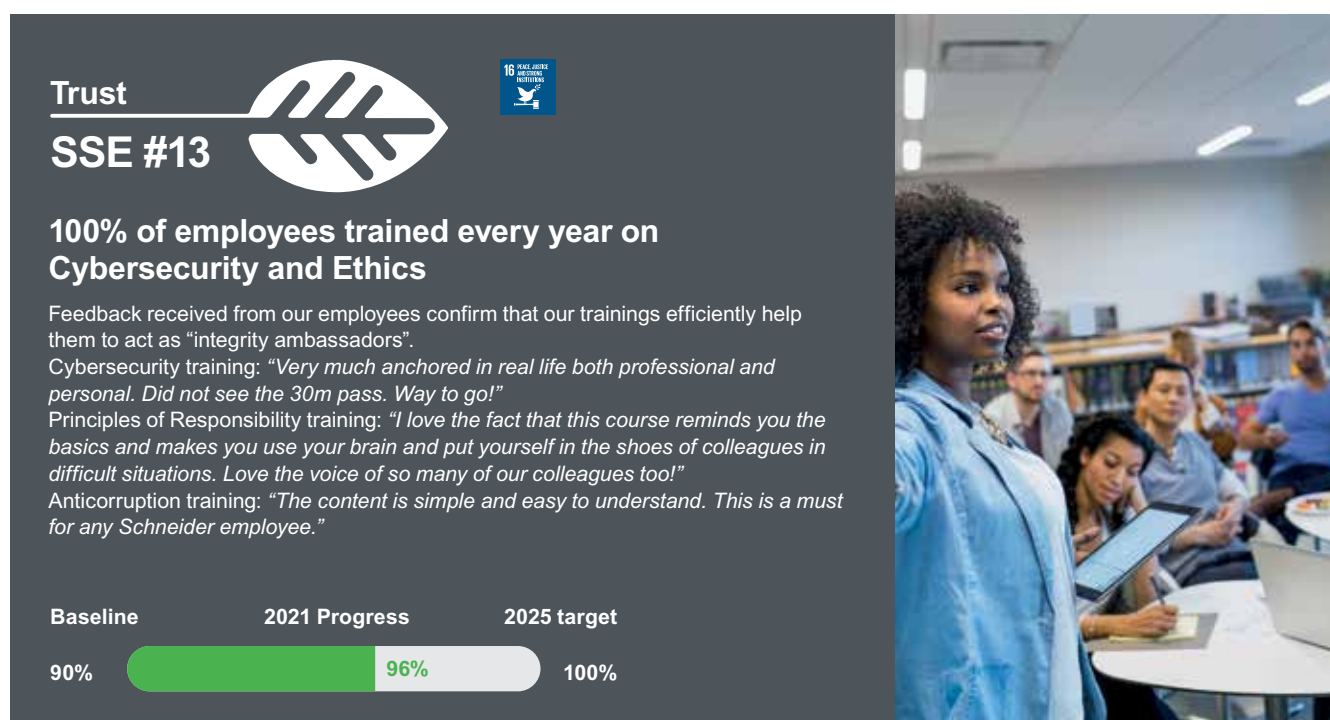
Through Schneider Sustainability Essentials #13, the Group monitors and discloses each quarter completion rate on ethics (Trust Charter and anti-corruption for eligible employees) and cybersecurity trainings, aiming for 100% each year and externally audit annual performance. At the end of 2021, SSE #13 reached 96% completion rate.

A dedicated module on Ethics & Compliance was prepared for the induction path for Country Presidents. The module raises Country Presidents awareness about their role and responsibility in supporting the Ethics & Compliance program.

Besides training of our employees, since 2020 and as part of the integration process of companies acquired, a specific training for leaders of the acquired company is organized through the Ethics & Compliance program. The training entails a specific focus on what is expected from the leadership teams, including endorsing the program and actively following up employees completion of mandatory trainings on Trust Charter and anti-corruption.

In November 2020, Schneider Electric organized its first global "Ethics & Compliance Day" campaign in order to promote the Company's values on business ethics and to bring a focus on the need of a working environment that promotes a speak-up culture. A second "Ethics & Compliance Day" took place in June 2021, focusing on raising awareness about biases of ethical thinking.

Furthermore, in-person learnings were organized in sensitive geographic areas regarding ethics and compliance challenges (Brazil, India) or in locations where a specific risk is higher (such as the export control risk).



2.2.4 Third-parties compliance

Third-party relationship management programs are complex as each third party presents multiple risks and different oversight functions need to be consulted to perform individual risk assessments. For example, business agents can be used for many legitimate purposes, such as to perform tasks that Schneider Electric cannot perform as efficiently; however, experience has shown that using them can be very risky in terms of exposure to bribery or corruption. Schneider Electric Business Agent Policy sets out the rules under which we will determine whether there is a legitimate business purpose before engaging. We also need to ensure that we conduct an effective and efficient due diligence review to ultimately make the most informed decision and mitigate any risks to the best possible extent. We have adopted a risk-based approach to our due diligence enabling our teams to dedicate the most significant part of their time and energy to situations that represent the most risk exposure. Hence, we have various due diligence policies and processes depending on the type of third party subject to the due diligence.

Business agents cover all third parties retained entirely or in part to assist Schneider Electric, directly or indirectly, in its business operations, including to obtain a sales order, contract award, permits, licenses, or other business advantage for Schneider Electric. They are subject to a due diligence and approval process, which was centralized with the Business Agent Policy in 2019 with digitization beginning in 2020. Several documents and information are gathered and sent to the Group Compliance team who will perform the due diligence and manage the approval process by analyzing risks of corruption, sanctions, and unethical practices. At the first level of assessment, the business agent could be approved based on the level of risk, or additional checks could be carried out if necessary. The Group Compliance team can request to also review and validate payments to a business agent based on this assessment.

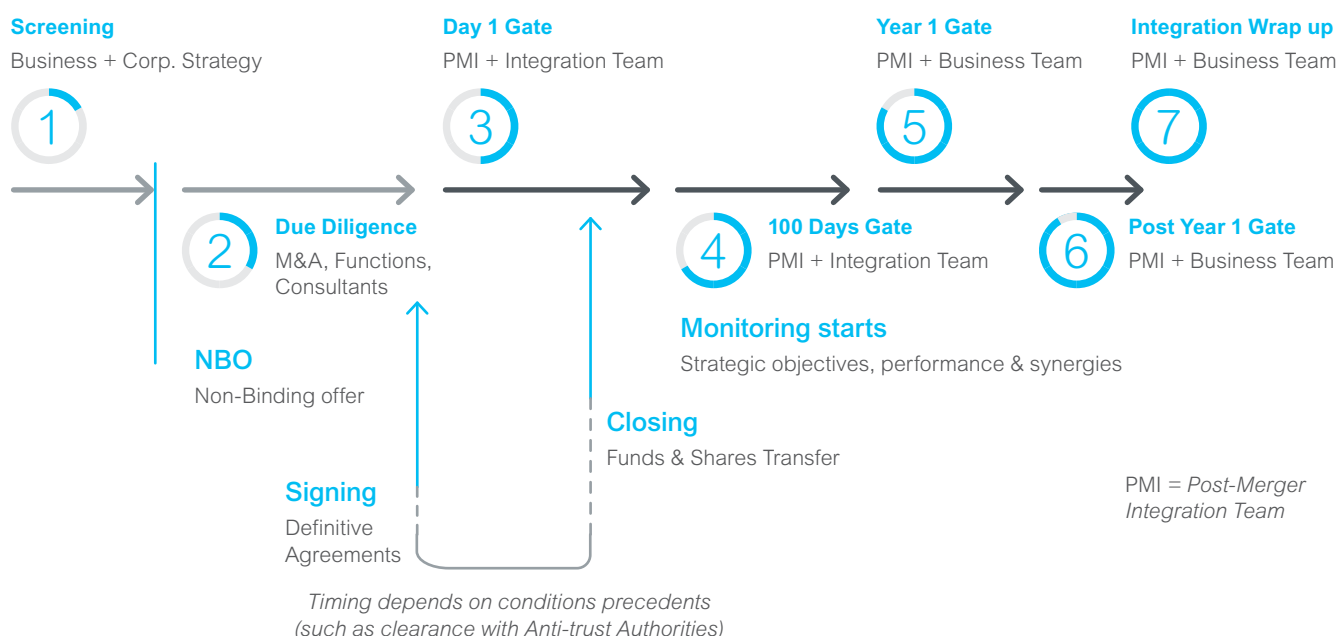
Our robust network of suppliers is the foundation of our supply chain, and we extend the same level of ethical control to them as we do to ourselves. Since 2021, the Group Compliance team has been working to further strengthen the controls carried out as well as understanding our risks when doing business with Schneider Electric customers in close collaboration with both digital and export control teams.

M&A operations represent specific risks regarding ethics and compliance, specifically corruption and export control risks. With the support of the Group Ethics & Compliance Committee, a specific process and guidelines were put in place in 2020 to ensure full compliance of M&A operations with anti-corruption and export control regulations: this process was built by the Group Compliance Director, the Global Export Control Director, and the M&A team, ensuring a methodology that fit with M&A processes and ways of working. In 2021, this process was extended to the management of Human Rights risk.

2.2.5 Specific accounting controls

Schneider Electric has developed accounting control procedures to ensure that books, records, and accounts are not used to hide fraud. Since June 2021, work has been initiated to strengthen specific anti-corruption controls for a defined set of sensitive-judged accounts and transactions.

Seven steps to securing long-term value creation in acquisitions



2.2.6 Whistleblowing

As a pillar of Schneider Electric's Ethics & Compliance program, the development of a strong speak-up culture is embodied by reporting mechanisms such as reporting to a person who can be trusted, such as a manager, HR business partner, Legal Counsel, or Compliance Officer without fear of retaliation. In addition, employees and external stakeholders (suppliers, subcontractors, customers, business agents, etc.) can directly access the whistleblowing system through the Trust Line portal, which provides support to people if they are a victim/witness to a potential violation of the Trust Charter. The Trust Line is available online globally, at all times, and protects the anonymity of the whistleblower (unless there is legislation to the contrary). Since December 2019, employees can better report their concerns, by selecting a type of concern and checking its definition. In compliance with local legislation, this system is provided by an external, impartial third-party company and proposes alert categories, a questionnaire, and an information exchange protocol between the person issuing the alert and the person responsible for the internal investigation.

Each concern reported on the whistleblowing system is analyzed by the Group Operational Compliance Committee (GOCC) and relevant Regional Compliance Officer, and where considered necessary, investigated. Each year, a detailed report on the effectiveness of the system is presented to the Audit & Risks Committee, which reviews effectiveness of the alert system.

Unless there are legal provisions to the contrary, the system can be used to send any concern in every country in which the Group operates, especially regarding health and safety, discrimination, harassment (including sexual harassment), unfair treatment, labor practices, favoritism, violation of our Anti-Corruption Policy, fraud, conflict of interest, and antitrust.

In 2021, 655 Ethics & Compliance concerns were received through our internal reporting mechanisms (585 internal and 70 external). After first analysis, 582 (89%) concerns were considered as valid alerts. After being investigated, and at the time of writing, 168 (26%) of those valid alerts were confirmed and led to 94 actions including for instance employment termination in 23 confirmed alerts and written warnings in 11 confirmed alerts. HR-related concerns represented most of confirmed alerts. As it may take several months to analyse and investigate some complex cases, evaluation of concerns received until 31st December 2021 is still ongoing.

For HR related concerns, even if investigation does not allow to qualify the situation, actions may be taken, such as assigning obligation of coaching and/or training or improving internal processes.

In 2021, to measure the effectiveness of the Trust Line, Schneider Electric has added to its annual employee engagement survey, OneVoice, a new question: "I can report an instance of unethical conduct without fear". 81% of employees surveyed answered "yes", and the Group will work to increase this measurement by 10 points by 2025 as part of Schneider Sustainability Impact.

Trust SSI #7

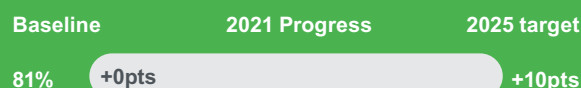


Measure the level of confidence of our employees to report behaviors against our Principles of Trust

A speak-up mindset exists when employees and stakeholders feel safe to speak out about issues, concerns, and ideas in good faith, respectfully, and without fear of retaliation. It helps protect Schneider Electric and its employees from the effects of misconduct, including legal liability, serious financial losses, and lasting reputational harm. It also fosters a corporate culture of trust and responsiveness.

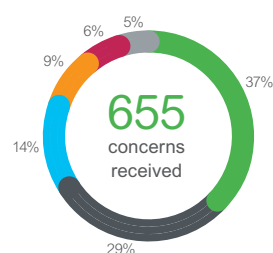
Experience feedback from an employee in France in 2021

"First it took me some time to understand that the situation I am facing is not in line with our policies. Then it took me some time to have enough courage to do it, we always have doubts. Finally, I decided to speak up. My manager listened to me and took the situation seriously. Today I feel safe and confident. This is very difficult to speak up and we feel uncomfortable to do it. But I know now that it was the only right decision that I could take."



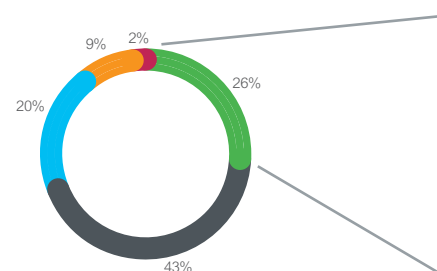
*2021 is the baseline performance

Number of concerns received through our whistleblowing system per region



- North America
- Rest of the World
- Europe
- China
- France
- India

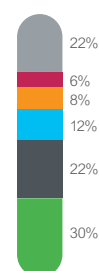
Status of concerns received* through our whistleblowing system



- Valid alerts confirmed after investigation
- Valid alerts not confirmed after investigation
- Valid alerts under investigation
- Not valid alert
- Ongoing assessment

*as of 31st January 2022

Distribution of confirmed alerts by type of issue



- Discrimination, Harassment, Unfair treatment
- Fraud
- Conflict of interest
- Bribery & Corruption
- Health & Safety
- Other

2.2.7 Disciplinary measures

In the event of non-compliance with the Ethics & Compliance program by an employee (especially based on the findings of an investigation), disciplinary measures may apply depending on local disciplinary policies and law. The relevant managers, or the Group Disciplinary Committee for the most sensitive alerts, take the appropriate measures in order to sanction the party or parties involved and to remediate consequences of the misconduct (such as launch a specific audit, review a process, perform training, etc.).

A specific disciplinary regime is specified in the Anti-Corruption Policy, detailing the measures that Schneider Electric can take in the event of a misconduct. This disciplinary regime was implemented within the Group according to local disciplinary policies and law, when the policy was deployed in 2019 and 2020.

2.2.8 Monitoring and audit

The Ethics & Compliance program is an integral part of the Group's Key Internal Controls. In 2021, this Key Internal Control framework has been significantly reshaped and enhanced, which will allow for improved monitoring of key pillars of the Ethics & Compliance program. Whenever an evaluation indicates points of weakness, action plans must be set up and monitored by internal auditors. Also, Schneider Electric is working on additional second-level controls to monitor and assess the effectiveness of some of the recent evolutions of the Ethics & Compliance program.

Furthermore, the Group's Internal Audit program includes specific tasks related to the Ethics & Compliance program, and to activities or subsidiaries for which an evaluation of the maturity and effectiveness of the program will be reviewed. Several internal audits were conducted in 2021 resulting in recommendations related to the improvement of the Ethics & Compliance program.

2.2.9 Ethics and compliance leadership in times of crisis

The focus on ethics and compliance has increased due to the COVID-19 pandemic, with actions put into place such as global guidance for all Country Presidents on "Ethics & Compliance considerations in the management of COVID-19", global risk-management live talks focusing on general compliance, HR compliance, and export control, and finally, meetings with subject matter experts to identify and manage the main risks related to COVID-19.

2.2.10 External engagement

Schneider Electric participates in the initiatives of many non-governmental organizations (NGOs) and professional associations, such as Transparency International France, a leading NGO that aims to stop corruption and promote transparency, responsibility, and integrity across all sectors.

Schneider is also member of *Le Cercle d'Éthique des Affaires* (The Ethical Business Circle), a professional association that facilitates co-operation between business leaders across France to share best practices.

To maintain innovation in its approach to ethics and compliance, Schneider became the eighth sponsor of the Master of Law and Business Ethics at CY Cergy Paris University in 2020 and benefits from the work of the Master's Chair, led by experts in France and in the United States, as well as from listening to the students and reviewing their work.

3 Zero tolerance for corruption

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

The business model of the Group relies on a large ecosystem of partners. This ecosystem may represent a risk for the Group, being accountable for activities performed on its behalf, and in regards to potential conflicts of interest or unethical solicitations.

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

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

Schneider Electric has a zero tolerance policy with regard to corruption. This commitment materialized through a strong and continuously developing Anti-Corruption Compliance program, which is part of the Ethics & Compliance program.

3.1 Risk assessment

To meet the legal obligations specified by the December 9, 2016 French law known as the Sapin II law, the Company launched a risk mapping exercise focusing on corruption risks, which was conducted in 2018 at global level and in 2019 at regional levels. In 2020, action plans were implemented in accordance with risks identified.

In 2021, this risk assessment was updated as part of the new Ethics & Compliance risk mapping, which focuses in particular on Corruption and Conflicts of Interest.

3.2 Risk management

3.2.1 Anti-Corruption framework

As stated in our Trust Charter and [Anti-Corruption Policy](#), Schneider Electric is committed to comply with all applicable laws and regulations, such as the OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the US Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, and the French Sapin II law.

Schneider Electric applies a zero-tolerance policy towards corruption and other unethical business practices and considers that "doing things right" is a key value-creation driver for all its stakeholders. We count on our employees and third parties to promote business integrity. For doing so, we must provide them with the tools to encourage them to act right.

In order to meet the requirements of the French Sapin II law, the Group released an Anti-Corruption Policy. The Policy was reviewed in November 2019 to take into account results of the corruption risk mapping and to provide employees with examples illustrating situations they may face. The Anti-Corruption Policy shall serve as a handbook that anyone may consult when having doubts about appropriate business practices. It is not intended to address every issue one may encounter, but it provides appropriate examples of corruption risks and offers guidance to resolve many ethical dilemmas.

The [Gifts & Hospitality Policy](#) provides guidance to employees on the ethical handling of gifts and hospitality received and given by Schneider Electric employees.

A new version of the Business Agent Policy was released in August 2019 to meet legal requirements and public authorities' guidance, especially regarding risk-based approach of the due diligence, as well as internal recommendations following several audits performed on applicability of the policy in 2018.

The risks associated with onboarding new acquisition targets are numerous and consequently, Merger and Acquisition (M&A) guidelines have been published to identify, manage, and mitigate those risks at the earliest stage possible. These guidelines aim to cover the very first steps of identifying potential targets (M&A strategy), what to look out for in data-rooms, and finally how we plan to integrate the acquired entity into our compliance organization. These same rules also apply when Schneider Electric decides to make a divestiture with a step-by-step approach to managing the transition.

In 2021, a Conflict of Interest Policy was published, in particular creating a procedure to disclose and manage any identified conflict of interest. A Donations Policy has also been published and implemented, which aims, among other things, to manage risks of unlawful use of money and then corruption.

3.2.2 Empowering employees against corruption

In 2020 and 2021, a set of anti-corruption e-learning modules was built, providing guidance on real life risk scenarios; it was designed taking into account the trainees' needs and expectations, and is mandatory for targeted employees exposed to corruption risks through their job codes, i.e. those identified as such by the corruption risk mapping. This led to a curriculum of modules of e-learning, deployed in 2020: a general module on the "zero tolerance" message against corruption and an explanation of the legal framework and risks, and two specific modules about third parties and gifts and invitations. In 2021, four additional modules were created about facilitation payments, conflict of interest, conditions that make people commit the wrongdoing, and how to raise concerns in Schneider Electric. The modules were supported by top leaders' videos demonstrating the "tone at the top" on this crucial matter and are available in 14 languages. In 2021, the set of anti-corruption e-learning modules has been assigned to more than 40,000 employees and 97% completed it.

3.3 Focus on responsible lobbying, political activity, and donations

In its Trust Charter, Schneider Electric takes a clear stance with regards to responsible lobbying, political activity, and donations. As a Company, Schneider has a role to play in the public debate addressing leading issues with the global community. It is necessary that the Group states its positions clearly, participates in technical discussions, and supports responsible public policy development.

However, Schneider believes that this representation of interests shall be conducted in a transparent and fair manner, allowing its third parties and stakeholders to understand its activities, positions, and statements. In particular, Schneider Electric does not engage in political activity or political representation and does not make any payment to political parties in relation to its public representation. In 2021, Schneider Electric has not been involved in sponsoring local, regional, or national political campaigning.

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

Donations and lobbying activities are risks specifically addressed in the Anti-Corruption Policy.

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

For 2017 to 2020, the Group discloses membership fees towards trade associations, business coalitions, and think-tanks to a large extent in the sense that many organizations' fees are not primarily focusing on political campaigns or legislative activities but rather on standardization activities and industry best practices. However, in an effort of transparency, those have been included as they could be referenced in policy development in the margin of their activities. The following geographies are covered: Europe, the US, China, and Russia, which are where the Group is mostly active when it comes to policy and legislation.

Total contributions to such groups globally amounted €3.2 million in 2017, €2.6 million in 2018, €5.2 million in 2019, €5.9 million in 2020. 2021 data is not available at the time of writing as reporting on these matters typically ends mid-year or end of year.

Largest contributions and expenditures concern two main engagement topics:

- The first is "sustainable energy for all": Schneider Electric believes that energy management and energy efficiency are critical to move towards a new energy landscape and therefore supports a policy framework that unleashes the business and climate opportunities related to the new energy landscape. Contributions and expenditures on this topic amounted €0.51 million in 2020 (€0.52 million in 2019) globally;
- The second is "powering the digital economy": The Group supports the emergence of digital economy to bring new opportunities for businesses and people and therefore supports a policy framework that facilitates the digital transformation globally. Contributions and expenditures on this topic amounted €0.47 million in 2020 (€0.27 million in 2019) globally.

4 Compliance with tax regulations

Schneider Electric Group engages to comply with the international and local tax regulations applicable in each of the countries in which it operates, and to provide to the tax authorities with all the information necessary to enable them to carry out their mission. The tax policy of the Group can be consulted on our website at [se.com](https://www.se.com)

5 High standards for the quality and safety of our products

Quality is defined as "conformance to requirements or fitness for use". Constant customer satisfaction and quality change would allow more proactive engagement to maximize our organization's ability to successfully achieve our overall business strategy, purpose, and mission. Schneider Electric therefore understands that delivering superior quality is the foundation of an ultimate customer experience.

5.1 Risks and opportunities

Schneider Electric has more than 260,000 references produced in 191 factories, spread across 46 countries around the world. Operating in essential industries, product quality and safety is a critical topic for the Group as product malfunctions or failures could result in Schneider incurring liabilities for tangible, intangible damages, or personal injuries. The failure of a product, system, or solution may involve costs related to the product recall, result in new development expenditure, and consume technical and economic resources.

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

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

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

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

The above risks have therefore convinced the Group to reinforce the focus on Quality, Reliability and Robustness of its offers and turn the above listed risks into opportunities for sustainability and efficiency such as:

- More reliability and agility in our designs for sustainable offers
- More robustness in our manufacturing and logistics processes
- More digital in our partnerships and more circularity in our supply chain to reduce our carbon footprint

5.2 Quality group policy

Schneider Electric, thanks to its "Issue to Prevention" process, systematically analyses the root causes of any failures in a continuous improvement approach. This process is split up into three clear steps:

- 1 The resolution** – to solve the issue fast and well
- 2 The analysis** – to identify severe and recurrent issues
- 3 The prevention** – to fix the systemic root causes for good

From these analysis phases, Schneider Electric acknowledges that half of the failures come from the design stage and the other half from the manufacturing. Schneider has designed specific programs to address both ends of these failures.

It is the policy of Schneider to only sell products, solutions, and services which are safe when properly used for their intended purpose or for other reasonably foreseeable purposes contributing to the sustainability ambitions of the Group.

It is the obligation of Schneider to notify customers of safety issues caused by its offer that may result in bodily injury or property damage, and include instructions for immediate remedial actions, even after the end of the useful life of the offer.

Schneider Electric benefits from a full set of quality directives that require the application of systematic processes to properly address potential offer safety issues discovered inside or outside Schneider. These processes are to be used for all offers sold or manufactured by Schneider Electric. The application of these directives is evaluated periodically, and when deemed.

Schneider Electric's guiding principles are as follows:

- 1 Customer First:** Quality is the safety of our customers. Schneider Electric prioritizes their interests and anticipates their needs through customer journeys and customer personas deployment everywhere in the Group. Schneider Electric follows customer-centric rituals as quality is every customer's right.
- 2 Offer Quality:** Schneider Electric innovates with agility, discipline, and good business sense throughout the offer's lifecycle, from creation to supply, all the way through manufacturing, delivering, and operations and until services. Schneider Electric delivers safe, reliable, and cybersecure offers, for products, systems, and software, to secure customers' business continuity.
- 3 Intelligence:** Schneider Electric runs strong analytics to convert our customer experience data into actionable information, enabling us to anticipate customer failures, prevent customer complaints, and improve on all touch points. Schneider Electric propagates this customer intelligence in all teams.
- 4 People:** Schneider Electric empowers our teams to put customer first, and to look for superior customer driven skills. Schneider Electric removes internal barriers to always address customer issues first. Quality is every employee's responsibility.
- 5 Ultimate experience:** Schneider Electric deeply analyzes customer experience on all touch points, leverages it to prioritize the investments, and tailors the sales tactics accordingly. Customer experience is recognized in the Group as a strong competitive advantage, to earn trust from customers and develop business in a sustainable manner.

There are directives and procedures, designed within dedicated committees to protect our Customers:

- **Quality Directive “Managing Customer Safety Risks”.** This directive requires the application of Schneider Electric's systematic processes to properly address potential offer safety risks of Bodily Injury or Property Damage, discovered inside or outside Schneider Electric. These processes are to be used for all offers sold or manufactured by Schneider Electric.
- **Quality Procedure “Offer Safety Review”.** The overall objective of offer safety is to reduce the risk arising from the use of Schneider's products, solutions, or services throughout their life cycle. Offer safety reviews are conducted by Offer Safety Review Committees and are used to focus attention on safety and help ensure that our offers are safe when properly installed (based on safety manual), maintained and used for their intended purpose and other reasonably foreseeable use or misuse.

5.3 Governance

At Schneider Electric, the customer satisfaction and quality network spreads all over the Group's layers and functions to cover our Global Supply Chain, our operations, and our lines of businesses.

Within such a complex organization, Schneider is engaged to include quality into the Group culture and spread the customer first mindset everywhere.

In this context, a new governance committee has been created gathering heads of businesses, the Head of Customer Satisfaction & Quality, the Chief Strategy & Sustainability Officer, EVP, Global Supply Chain, and Schneider Digital to address the quality transformation journey.

By engaging everyone on quality and customer satisfaction topics, Schneider allows every employee to speak up for them, or have customers and partners speak up.

It is the responsibility of the Group to ensure awareness-raising to customers on potential health safety impacts when it comes to product, services usage.



5.4 Due diligence and results

The Group policy is supported by a robust Quality Management System, which is improved continuously to fulfill expectations of all relevant parties. It is in full alignment with our Trust Charter, Schneider Electric's Code of Conduct, as well as in compliance with ISO 9001 standard. In 2021, 231 Schneider supply chain sites were certified to ISO 9001.

5.4.1 Reliability as a signature of Schneider Electric

To ensure improvement in the area of design, the Group launched in mid-2020, a dedicated program, ReeD (Reliability End To End byDesign), to secure fundamentals and ensure full integration of new customer expectations (from Quality to Reliability). It is the obsession of the Group to ensure that "Reliability" is a signature value of Schneider Electric branding:

- To deliver an outstanding customer satisfaction on products/ systems robustness
- To create and deploy an easy access to the relevant knowledge

This reliability program has been designed with R&D at its heart, with huge interactions with all functions and businesses of Schneider Electric:

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

5.4.2 Towards a sustainable quality excellence for an ultimate customer experience

Thanks to the implementation of a robustness program, Schneider Electric fosters a quality culture by boosting the basics to secure cultural transformation towards Sustainable Quality Excellence for premium customer experience through solid foundations such as people, organization, robustness, and suppliers.

For full visibility all along the supply chain, the scope of action has been extended outside and inside Schneider Electric. It is the will of the group to move from a reactive to a predictive mode, leveraging digital and analytics, and building an integration layer that connects critical offers.

Six digital streams have been designed to achieve defined goals:

- **Suppliers Process Monitoring** to build with suppliers the capabilities of real time process control.
- **Manufacturing Process Monitoring** to build with factories the capabilities of real time process control.
- **Logistics Process Monitoring** to build the capability of real time process control in Schneider Electric's logistics operations.

- **End-to-End Traceability** to serialize, track, and trace Schneider Electric's products.
- **Analytics & Optimization** to leverage descriptive, predictive, and prescriptive analytics on data generated to get actionable insights to improve industrial quality.
- **Digitization of Processes** to digitize processes for simplification, transparency, and robustness while capturing data for analytics.

5.4.3 Revalorising customer returns

When sustainability supports Customer Satisfaction, it translates into new processes and policies to allow returns of adapted products for reuse, remanufacture and refurbishment. The strong collaboration between Sustainability, Global Supply Chain, Lines of Business and Customer Satisfaction and Quality teams imagine these new processes, enabling Schneider Electric to revalorize customers returns through reuse of components or remanufacture of new products in Local Adaptation Centers. The benefits can be seen at customer satisfaction level: by producing and delivering back order impacted by components in shortages, by serving new customers orders and on Sustainability level with anticipation of upcoming regulation compliance (Anti-Waste law), reducing carbon footprint of our supply chain and reducing cost of non quality due to product scrap.

Schneider Electric has an Offer Safety Alert (OSA) process to alert the relevant Line of Business and other interested parties as soon as it is suspected that customers' health or property safety may be put at risk by Schneider products, solutions, or projects. The Offer Safety Alert Committee (OSAC) is a permanent corporate committee that oversees and regulates the management of OSA. Its mission is to ensure all OSA are managed with the due diligence and urgency to minimize safety risks to customers. Its independent, multi-discipline nature allows the OSAC to make decisions in our customers' best interest. As part of the Trust pillar of Schneider Sustainability Essentials 2021-2025, Schneider is committed to reduce by 50% the weight of scrap from safety units recalled by 2025 (SSE #15).



6 Digital trust and security

6.1 Cybersecurity context and stakes

Hyperconnectivity brings the promise of improved efficiency, productivity, and safety, but, at the same time creates new sources of risks.

At Schneider Electric, we take this threat very seriously. Our commitment to Life is On begins with giving businesses and citizens trust in the New Electric World. Doing so requires that we not only help our customers to defend against these threats through our products and services, but also maintain a strong cybersecurity posture to avoid becoming a risk to them.

That is why cybersecurity and data protection are integral to Schneider Electric's business strategy and digital transformation journey and is at the core of our Trust Charter. At all levels of the Group, clear expectations for both individual and collective behaviors are defined in a cybersecurity "Trust pillar." In addition to corporate commitment, our executives play a crucial role in making cybersecurity a core tenet of our business and corporate culture through the sponsorship of the Executive Committee and oversight from the Board of Directors.

Our vision as a digital leader in energy management and industrial automation is to raise the bar with our ecosystem. We seek to embark partners, customers, and suppliers in our security posture.

This approach can be summarized in four steps:

- 1 Taking a risk-informed approach.
- 2 Managing cyber risks in depth to protect our customers, our operations, and our critical infrastructures.
- 3 Establishing a Group-wide cybersecurity culture.
- 4 Partnering with our ecosystem across the value chain to build trust and raise the defense level of the industry at large.

6.2 Reinforcing the Group's cybersecurity posture and that of its ecosystem of partners and customers

Schneider Electric deploys several actions to reinforce its cyber posture and that of its ecosystem of partners and customers:

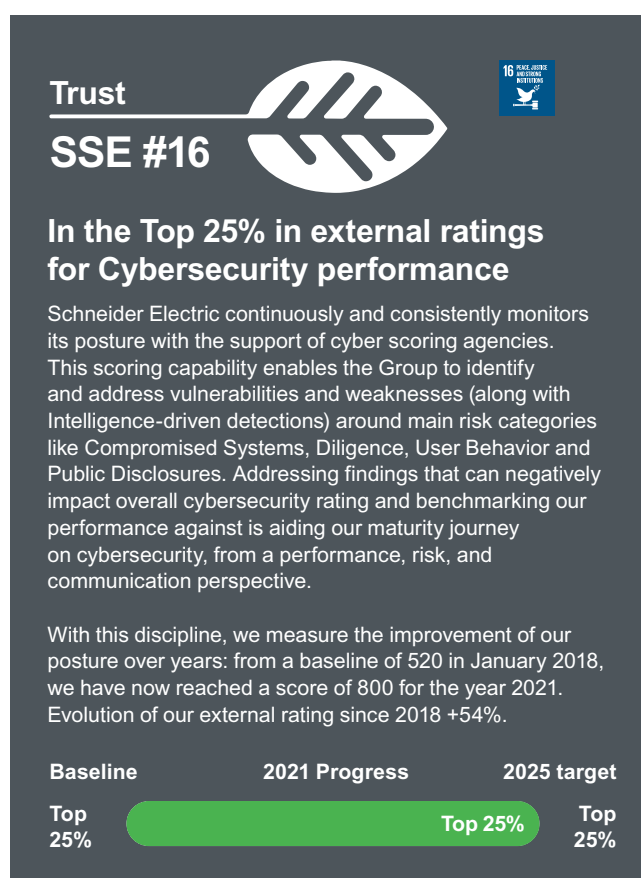
- Holding a cyber-related business risk register to articulate potential vulnerabilities/attacks and define remediation activities.
- Identifying and prioritizing high-value digital assets to the Company's operation.
- Implementing cyber capabilities and digital locks around people, processes, and technologies.
- Deploying general and dedicated awareness and training programs on cybersecurity and data protection, with a strong focus on high-risk population (customer-facing people, HR).
- Monitoring, detecting, responding, and learning from cyber events.

- Performing reality checks via metrics, internal and external reviews, cyber crisis drills, and vulnerability assessments to our extended enterprise (including our acquired companies).
- Engaging cyber discussions with our customers, suppliers, and partners to improve the resilience across the value chain.
- Partnering with leading companies, experts, and authorities in the field of cybersecurity.

6.3 Proposing cybersecurity by design

- Cybersecurity Framework and other recognized standards, such as ISA/IEC 62443 and ISO 27000.
- Schneider Electric IoT-enabled EcoStruxure™ platform provides our customers with end-to-end cybersecurity solutions and services to protect a vast digital ecosystem.

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



6.4 Training and awareness

Online training on cybersecurity is mandatory for all employees. This training helps employees to understand what cyber threats they may face and how they should behave to be protected from the risks. At the end of 2021, 99% of Schneider Electric employees have completed this training. Specific employee categories received mandatory training for risks linked to their activity.

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

6.5 Data privacy and protection

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

Schneider Electric establishes an organization, work streams, policies, procedures, and controls required by the obligations stemming from GDPR and data privacy and protection regulations, including:

- Internal data privacy policy and Binding Corporate Rules (BCR).
- Training and awareness campaigns.
- Processing registers.
- Online privacy policy and privacy notices.
- Digital assets privacy assessment process.
- Data breach management and notification process.
- Maturity assessment and audit controls.

Schneider Electric has put in place a governance ecosystem including a Group Data Protection Officer, a DPO network, an implementation team, Data Privacy & Protection Champions and Steercos.

In 2021, Schneider Electric has strengthened its processes for data breach management, including specific training. It has deployed several awareness programs including on International Data Protection Day and on events management. Schneider Electric has also been rolling out its Global Data Privacy & Protection compliance approach beyond GDPR in China, the USA, and India and in globalizing its standards. A new data protection addendum has been deployed, including the new Standard Contractual Clauses of the European Commission.

7 Human rights

7.1 Risks and opportunities

Human rights, which have been a main priority of the Group for a long time, have been growing in terms of risk exposure, due to the increase of legal enforcement, geopolitical influence, and new challenges raised by social, economic, and digital disruptions such as forced labor, living wages, or migrant workers. Schneider Electric has consistently focused on human rights and has the ambition to remain an exemplary company on this subject.

Schneider Electric's review of risks and opportunities related to human rights covers fundamental human rights, decent working conditions and equal opportunities.

Fundamental human rights

- **Respect and dignity:** healthy and respectful relations at work between individuals and teams, and towards communities.
- **No Child labor:** defined by the International Labour Organization (ILO) as work that deprives children of their childhood, their potential, and their dignity, and that is harmful to their physical and mental development.
- **No Forced labor:** defined by the ILO as all works or services for which a person has not offered themselves voluntarily or willingly.
- **Freedom of association:** the right for workers to join professional organizations that can defend their interests.

Decent working conditions

- **Health and safety:** potential incidents of various degrees of severity related to workplace conditions.
- **Security at work:** physical or verbal violence that may originate from internal or external threats.
- **Working time and leave:** ensuring employees work on a schedule that respects legal time frames, rest periods, and leave provisions, and are given the opportunity to balance personal and professional time.
- **Wages and benefits:** paying employees a compensation that is fair in view of their profile, skills, and qualifications.
- **Harassment:** continuous solicitation with the intention of exhausting a person or forcing that person into unwanted behavior.
- **Data privacy:** securing the data that individuals are placing into the Company's hands so that their privacy and freedom remain safe and protected.

Equal opportunities

- **Discrimination:** creating a situation of inequality based on an employee's personal characteristic, at work or when hiring.
- **Diversity and inclusion:** risk of introducing several biases that would result in an unbalanced representation of the society inside the Company, and the exclusion of some groups or communities from the Company.
- **Development of competencies:** giving employees the opportunity to learn, maintain, and develop their skills and abilities.

In accordance with the 2017 French duty of vigilance law and its ambition to behave as an exemplary company, Schneider Electric implemented a specific vigilance plan. In 2021, Schneider reviewed and updated its "duty of vigilance risk matrix" which highlights human rights risks at its sites, as well as for suppliers, contractors, and local communities. Several actions are implemented to mitigate the highest identified risks in this matrix.

7.2 Group policy

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

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

Human rights in the Trust Charter

Through its Trust Charter, published in 2021, Schneider Electric is taking a strong position on what values it stands for. Human rights are fully embedded in this Trust Charter with guidance on the following challenges:

- Create Equal Opportunities
- Harness the Power of All Generations
- Champion Well-Being and New Ways of Working
- Be S.A.F.E. First
- Reach the Highest Standards for Cybersecurity, Data Privacy, and Protection
- Select and Manage Suppliers Responsibly
- Empower Local Communities
- Do not use "Conflict Minerals"
- Protect the Vulnerable from Abusive Working Conditions
- Respect the rights of Association, Representation, and Social Dialogue

Global Human Rights Policy

Schneider Electric has formulated a specific [Global Human Rights Policy](#) that defines its position on human rights. It is applicable to all Schneider permanent or temporary employees working on Group premises. It also aims to inspire external stakeholders. For all human rights risks identified above, and based on the "Protect, Respect, Remedy" principles, the policy provides a framework and gives guidance to employees and teams on how to behave in their daily operations or when facing a specific situation.

In 2021, Schneider Electric has started to work on the second version of its Global Human Rights Policy, providing an update notably with the Company's commitments regarding migrant workers and artificial intelligence. The full deployment is forecasted for the second quarter of 2022 including e-learning and trainings modules.

Alignment with international standards and frameworks

Schneider Electric adheres to the following principles or guidelines:

- The ILO Declaration on Fundamental Principles and Rights at Work.
- The international human rights principles encompassed in the Universal Declaration of Human Rights, which sets out a common standard for all types of organization.
- The OECD Guidelines for Multinational Enterprises, which formulate recommendations for companies, including for the respect of human rights.
- Since 2003, Schneider Electric is part of the United Nations Global Compact. In 2011, the United Nations issued the Guiding Principles on Business and Human Rights which precisely define the roles and responsibilities of States and businesses on these matters. Schneider Electric is committed to these Guiding Principles and to the United Nations Convention on the Rights of the Child.

Specific policies

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

Human resources

- Diversity & Inclusion Policy: applies to the entire Company and covers all facets of diversity, as Schneider Electric wants to mirror the communities in which the Group operates. This policy is based on respect and dignity, which are the foundations for fairness and equity.
- Family Leave Policy: provides a framework so that every employee, whatever the country of employment, can take some specific leave to enjoy some of life's special moments with their families.
- Anti-Harassment Policy: states Schneider Electric's commitments to have zero-tolerance for any kind of harassment or offensive behavior.
- Flexibility at Work Policy: defines global Flexibility at Work pathways, mandatory and recommended, to ensure consistency and equitable treatment in the application of flexible work arrangements across business units and countries for all eligible Schneider Electric employees.
- Employee Benefits Policy: defines the global principles, standards, and governance for the provision of employee benefits at Schneider Electric.

Health and safety

- Health & Safety Policy: states the rules and guidelines applicable to all Schneider Electric employees, and also to specific populations performing specialized tasks. It is supported by learning tools, and it is the subject of an annual "Global Health & Safety Day".
- Travel Policy: defines the rules applicable to travelers, including the safety guidelines, procedures, and processes to ensure the safety of Schneider business travelers at all times.
- Security Policy: defines the global scope of security applicable to all entities, locations, and activities. This policy also emphasizes the crucial role of managers to ensure security.

7.3 Deployment of internal actions

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

Internal actions regarding respect and dignity, freedom of association, health and safety, working time and leave, wages and benefits, harassment, discrimination, diversity and inclusion, and development of competencies.

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

Specifically, for health and safety, the Group maintains a follow-up of safety metrics. Incidents are reviewed with management, corrective actions are implemented when necessary, and communications are sent to relevant teams throughout the Company. When needed, a global safety alert can be launched to draw all relevant employees' attention. Schneider Electric organizes a yearly "Global Health & Safety Day", to inform all employees and keep the level of awareness high on this key topic.

7.4 Deployment of actions towards suppliers

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

Schneider Electric's Supplier Code of Conduct states the framework in which the Group wishes to operate with vendors. Schneider Electric expects suppliers to respect the fundamental principles on health, safety, people's protection, and development as defined in this document. Strategic suppliers are also assessed through Ecovadis 3rd party, leveraging ISO26000 norm, where Labor and Human rights is one of the four pillars of the methodology.

Other actions are implemented through the Group's vigilance plan.

7.5 Deployment of actions towards contractors

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

The Group is working on the evolution of the project decision-making process to incorporate a risk assessment covering ESG topics including human rights. The aim is to better calibrate the mitigation measures and anticipate their implementation earlier in the project process.

Schneider Electric is also conducting specific on-site audits for contractors included into the Vigilance Supplier Audit program. At the end of 2021, 13 subcontractors have been audited.

7.6 Deployment of actions towards local communities

Local communities are integrated in the vigilance risk matrix on two types of locations: Schneider sites (factory or an office building) and customer project sites (where the Group is operating as a contractor or subcontractor for a customer). The risks for these locations were assessed for the first time in 2020 in the vigilance risk matrix and in 2021 Schneider Electric deepened the analysis with a specific segmentation to select potential risks that may have an impact on local communities.

7.7 Partnerships and working groups

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

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

As a result of the working group on advancing human rights, in 2020, B4IG members adopted a collective statement supporting a European framework on mandatory human rights due diligence and providing suggestions to be considered in legislation. In 2021, the working group has implemented a toolbox gathering best practices from companies' members and put specific attention on migrant workers and fair recruitment.

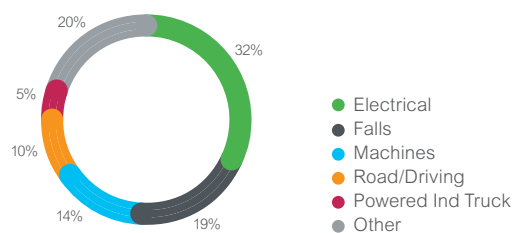
8 Employee health and safety

8.1 Risks and opportunities

At Schneider Electric, risk assessments and strategic action plans are performed, based on the primary risks associated with the workplaces. These plans include opportunities to reduce serious and fatal incidents, maintain legal compliance, provide safe working conditions, and encourage employee engagement in the safety processes throughout the organization.

The plans are built on the Top 5 Hazards found in every aspect of the Company, which include driving, electrical, falls, powered industrial trucks (PIT), and fixed powered machines (FPM).

Injuries based on the Top 5 Hazards since 2018



8.2 Group policy

8.2.1 Safety is a value

Safety is a value on which Schneider Electric will not compromise, and this applies to Schneider Electric employees, customers, partners, and those working on their behalf. Safety is a pillar of the Trust Charter and it reinforces the Group's commitment to provide a healthy and secure workplace for all. In addition, Schneider Electric's ambition is to achieve the highest standards of safety excellence. Schneider Electric is committed to invest in its people and its workplace as stated in its Group Safety and Occupational Health Policy, stating "the ambition is to be the standard for safety excellence worldwide."

The Safety and Occupational Health Policy establishes the commitment that Schneider Electric has made to maintaining safe and healthy working conditions, to fulfil legal obligations, to engage employees in safety processes, and to continually improve the health and safety program. It is the cornerstone of its certified Safety Management System. The policy includes the Group's Health and Safety Vision and Mission as such:

Vision:

...to be the standard of excellence and the benchmark for health and safety within the industry.

Mission:

...to protect occupational health and safety of employees, customers, contractors, and visitors, in the Group's locations, at offsite locations, and while travelling...
 ...to preserve Company license to operate through robust EHS compliance and risk management...
 ...to provide employees safe, pleasant, and efficient workplaces for enhanced well-being and effectiveness...

...to enhance our brand image and contribute to world sustainability through employees' behavior and innovation.

In 2021, as part of its improvement efforts, Schneider Electric successfully achieved re-certification for ISO 45001 Safety Management System as part a fully integrated management system certified through Bureau Veritas. This certification is in place for over 200 locations, including 176 manufacturing and logistics sites and the central office.

8.2.2 EHS strategy

The Schneider Electric global safety strategy includes "S.A.F.E. First" at the core. Developed as a personal reminder to pause and reflect on safety before beginning any task, the program empowers employees to perform S.A.F.E. First checks and if "Unsafe? We stop work".



To drive Sustainable Safety Results, four strategic priorities have been defined and embedded in the "S.A.F.E. First" global safety strategy:

- Leading as a role model
- Technical qualifications and safe behaviors
- Operational discipline and execution
- Safe workplace for everyone

The Schneider Electric Top 5 Hazards are constantly being enhanced in terms of safety standards, training, and communication.

The global safety strategy also takes into consideration the five guiding principles that help to determine actions to be taken as part of a work task. They are:

- Ensuring employees are qualified for the work task before performing work.
- Empowering employees to stop work if unsafe.
- Reporting opportunities for improvement.
- Resolving and sharing solutions to problems.
- Encouraging employees to care about their own safety and the safety of their co-workers and customers.

Continuing from the efforts in 2020, Schneider Electric has taken further preventive measures to mitigate the risk of employee exposure to the Novel Coronavirus (COVID-19), such as restrictions on business travel, and limiting local visitors. Schneider Electric has developed various Health and Safety guidance documents, such as dealing with suspected COVID-19 case, safe operating guidelines, vaccination guidance, and procedures to support our communities facing the challenge of setting a “new normal” workplace.

8.3 Due diligence and results

8.3.1 Annual EHS Assessments

To ensure successful implementation of the strategy, annual Environmental, Health, and Safety (EHS) Assessments are performed in industrial sites worldwide. The EHS Assessment is a global process in which a site is evaluated to identify opportunities and to recognize excellence. At regional and global levels, EHS teams consolidate site results to identify and prioritize actions to support site performance, training needs, and cross-site mentoring opportunities. The EHS Assessment uses the same structure as the Schneider Performance System (SPS) (Company performance standardization tool) for simplified user-adoption and to enable further alignment to the SPS.

8.3.2 Global Safety Culture Survey

As part of our safety strategy, Schneider Electric has launched its first Global Safety Culture Survey in 2021 to measure employee safety engagement, identify further safety opportunities, and develop future safety initiatives. The response rate of 77% of employees surveyed, showed solid engagement. The survey results shows that 87% of employees are positive about the Safety Culture at their site.

8.3.3 Safety awareness and communication

Communication is important to ensure coordinated and standardized program implementation. This is evident through quarterly safety campaigns, safety alerts, workplace standards, and employee engagement to identify safety opportunities.

These communication programs are deeply embedded into the safety culture at Schneider Electric. The Group also monitors proactive leading indicators, including safety employee engagement, which tracks the rate of employee participation in safety opportunities, and the effective application of the EHS Assessment tool. Safety opportunities reporting is well established with over 300,000 safety opportunities reported each year. The focus in 2022 will be to translate these opportunities into risk reduction actions.

Training on hazards and their associated risks is an important part of Schneider Electric employee expectations. There are 258 safety-related topics, housed in the My Learning Link database. Schneider Electric employees have completed an average of 4.76 hours of safety training in 2021.

Each quarter, the Group focuses on a key safety subject to bring attention to both workplace and human factors, that have caused serious injuries at Schneider Electric. The campaign includes a dedicated web-portal to access tools, videos, training materials,

posters, and leader-led topics to further promote the importance of safety worldwide. The four quarterly safety campaigns culminated with the annual “Global Health & Safety Day” celebration held on October 18, 2021. During “Global Health & Safety Day” we emphasized the importance of “S.A.F.E. First, we all have a role to play”, through webinars, and persona posters that each Schneider Electric employee can relate to. A special emphasis was placed on the importance of performing “S.A.F.E. First Checks” to ensure that each employee is mentally focused and physically well before starting any new task.

8.3.4 Results summary

Schneider Electric has been very successful in meeting goals for the reduction of workplace injuries and illnesses, including those injuries resulting in lost time days. Over the past 10 years, the Group has reduced the frequency of incidents (Medical Incident Rate, MIR) by 81% and the severity of incidents (Lost Time Incident Rate, LTIR) by 77%. 2021 has shown an MIR increase of 12% versus 2020, with a corresponding LTIR performance increase by 6%. 2020 excellent performance aside, impacted positively by the pandemic, the 2021 overall safety performance remains very much aligned with the last 10 years improvement trend.

The MIR is the number of work incidents requiring medical treatment per million hours worked (i.e. average hours of 500 employees working for one calendar year). Work related injuries and occupational illnesses requiring medical treatment are included. The Occupational Illness Rate is tracked independently for benchmarking purposes and also to drive continuous improvement. The Occupational Illness Rate is 2.6% of our total medical incidents (MIR) in 2021.

8.3.5 Recognition and awards

Schneider Electric was the recipient of several awards for occupational health and safety programs in 2021. This includes 163 Occupational Excellence Achievement Awards from the National Safety Council (NSC) for safety performance that was 50% or better than their industry peer group. In addition, 5 Schneider Electric operations were recognized with the Industry Leader Awards in 2021 for outstanding safety achievements for the top 5% of companies that qualified for the NSC Occupational Excellence Achievement Award.

In Russia, Mari El republic, Schneider Electric Potencial manufacturing site was awarded 1st place in the governmental nomination “prevention of working places injuries and occupational diseases”. Schneider Electric Egypt Distribution Center has been awarded a “prestigious International Safety Award” from the British Safety Council.

Schneider Electric UK&I received 3 RoSPA Awards (The Royal Society Health & Safety Performance Awards) during 2021: Gold award for demonstrating well developed occupational health and safety management systems, for managing occupational road risk and a winner award for demonstrating excellence in environmental as well as health and safety management.

Multiple recognitions from different geographies were awarded to Schneider Electric for the pandemic COVID-19 management, highlighting Schneider Electric leadership and commitment towards employees Safety.

Employee engagement = Safety opportunities reported including near-miss and safety ideas

Employee engagement

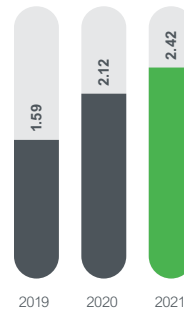
2.42 ↑

52%

Improvement versus 2019

(2019 = 1.59)

Employee engagement trend



MIR = Medical Incident Rate.
Work-related medical incidents.

MIR

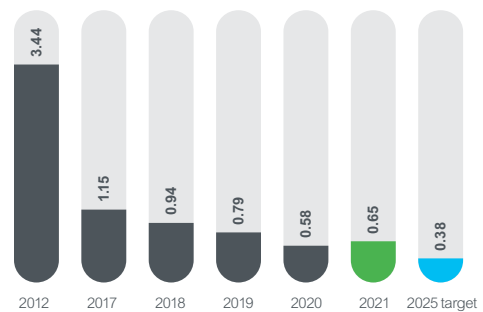
0.65 ↑

18%

Improvement versus 2019

(2019 = 0.79)

MIR historical trend



LTIR = Lost Time Incident Rate.
Captures the number of work-related incidents requiring time off work (>24hrs)

LTIR

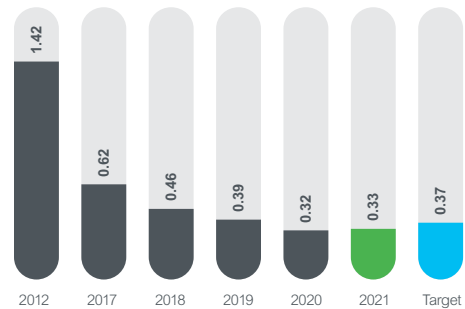
0.33 ↑

11%

Better than target

(Target = 0.37)

LTIR historical trend



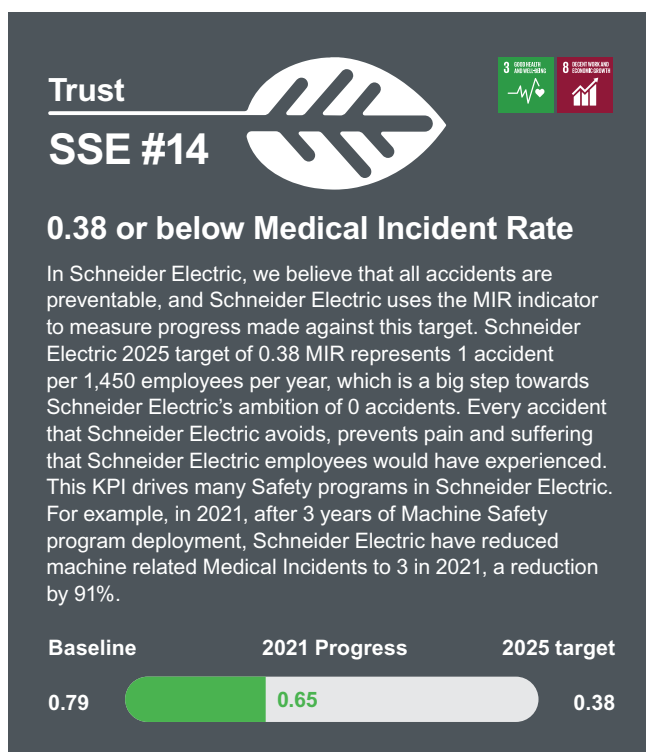
8.3.6 Future evolution of safety at Schneider Electric

Safety is a never-ending journey towards excellence. Schneider Electric goals and initiatives are to be the standard in safety excellence worldwide. This pursuit begins with the Group employees, starting with leaders. Safety is leadership led, and the Group's ambition is to progress the entire community towards full empowerment as defined in the "S.A.F.E. First" Human Factors training, Safety Culture Assessment, and leadership action plans, which were developed in 2020 and implemented in 2021.

In 2022, Safety Competency will be enhanced by strengthening our Health and Safety subject matter expert program "EDISON" in each and every region. They will contribute to our 2022 Global Health & Safety program deployment.

While our quarterly health and safety spotlights will re-enforce the "S.A.F.E. First" pillars, our safety persona will be developed further to ensure employees understand and adopt "S.A.F.E First, we all have a role to play".

In 2020, Schneider set a 5 years safety target to reduce the Medical Incident rate to 0.38 based on 2019 MIR baseline performance. 2019 was selected as baseline year to mitigate COVID-19 impacts. The MIR performance has reduced from the baseline of 0.79 in 2019 to the result of 0.65 in 2021, which represents 34% of the 5-year target. 2021 shows an increase of MIR versus 2020, which was an exceptional performance, impacted positively by the pandemic. The employee safety engagement further improved in 2021 with 2.42 safety opportunities reported by employee, an increase by 23% versus 2020 and by 52% versus 2019.



9 Vigilance plan

9.1 Context

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

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

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

In this Registration document, Schneider Electric reviews the risk matrix analysis and some of the actions to mitigate these risks are described. When necessary, the reader will be directed to other sections of the report to get relevant and detailed information. For more comprehensive and complete information, the full vigilance plan of the Group is available as a standalone document and can be downloaded from Schneider Electric's website at [se.com](#)

9.2 Evaluation of the main risks towards Schneider Electric's environment

9.2.1 Methodology

Schneider Electric developed a specific risk matrix for the implementation of its vigilance plan which is reviewed annually. The methodology is consistent with other risk evaluations maintained at Group level but focuses specifically on the risks posed by Schneider on its environment and ecosystem.

In order to enhance the existing risk matrix and cover a more comprehensive scope, in 2020, a review of the methodology for the risk matrix was done with an external consultant, Ksapa. This review led to a harmonization of the definitions, a sharper granularity of risk categories, a reorganization of the supplier categories, and a focus on local communities. In 2021, Schneider went further to deepen its analysis on local communities specifically. Other than this point, no further modifications were brought to the risk matrix or the methodology for its annual update.

The scope of work covered is Schneider Electric and its subsidiaries, joint ventures, suppliers, and subcontractors.

9.2.2 Risk categories

Four risk categories have been identified: human rights, environment, business conduct, and offer safety and cybersecurity. In order to be able to make a granular assessment of the risk level based on the nature of that risk and the magnitude of its impact on Schneider Electric's ecosystem, each category has been divided into specific risk areas.

Human rights:

- Decent workplace;
- Health and safety.

Environment:

- Pollution and specific substances management;
- Waste and circularity;
- Energy, CO₂, and GHG.

Business conduct:

- Ethical business conduct;
- Alert system, protection, and non-retaliation.

Offer safety and cybersecurity:

- Offer safety;
- Cybersecurity and data privacy.

9.2.3 Risk location

The Group has studied four areas where risks may occur:

- Schneider Electric sites: they have been segmented based on categories that present a specific level of risk. Employees with frequent travels (sales, field services, travelers, audit, top management) have been assessed separately;
- Suppliers: the level of risk differs based on the type of process and technologies used, and the Group has therefore segmented the analysis by component category of purchase. The risk level is an average assessment. The geographical location is factored in when selecting suppliers for the audit plan;
- Contractors: when implementing a customer project, like building a large electrical system at a customer's site, Schneider Electric is working with contractors, leveraging their expertise (civil work, electrical contracting, etc.). This "off-site" project work generates a specific level of risk for contractors. A separate "off-site and projects execution" category for contractors has therefore been defined for the assessment.
- Local Communities: Schneider Electric has identified two distinct segments: communities located around Schneider Electric sites and communities located around customer projects sites. Communities have been assessed against three risk categories; human rights, environment, and business ethics.

9.2.4 Risk evaluation and scale

The evaluation combines the probability of occurrence of the risk, with the seriousness of consequences from the risk. This is an evaluation of risk before impact of mitigation actions. After taking into consideration the impact of these mitigation actions, the level of risk may be significantly reduced. Risks are assessed on the following scale:

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

In this 2021 risk assessment, no "Very high" risk levels were identified.

9.2.5 Key findings

In 2021, the Group conducted an update of the risk mapping with key internal experts. No changes were brought to the methodology compared to last year, and the structure of our risk matrix, although it can be further improved and refined, allows to capture the main natures of risk from a Duty of Vigilance point of view.

Overview of the main risks and their evolution:

- Schneider Electric sites: The COVID-19 pandemic, its social, business, and economic consequences has put significant pressure on teams and individuals. Although the first waves of the pandemic have been weathered, several countries like India or South Africa for example were severely hit. As a result, while some countries were going out of lockdowns and recovering "normal" ways of working, some others were going into confinement and restrictions. Operations were thus disrupted, and the global supply chain had to deal with such complexity country by country. Teams have been resilient, and supported with the implementation of flexible and adaptive ways of working, but the overall long term impact of the situation, although complex to measure, is of fatigue. In this context, measuring the evolution of mental health and psycho-social risks over time is necessary.
- Suppliers: Here also, the impact of COVID-19 is probably significant, but the measurement of its consequences over our supply chain will take longer. Our observations are that there has been an increase of pressure in fields such as health and safety (including mental health) due to tensions in the supply chain, and some deterioration of the human rights situation in some geographic areas.
- Contractors: As in 2020, the 2021 assessment confirmed external off-site contractors as one area that needs special attention. This is due to the specific nature of project work (civil work, installation, etc.) that implies high labor activity on construction sites. Projects have been under specific pressure, as supply chain disruptions created some periods of slow-down, or even complete halt of on-site works, followed by intense periods of catch-up. This situation increased risks linked to health & safety and human rights, probably augmented by social consequences among the population of contracted workers, and workers working abroad from their own country.
- Communities: the assessment work is still ongoing and therefore conclusions are still preliminary. Overall, it seems that communities located around Schneider Electric sites, at least for the largest sites, are not affected, or only marginally affected by Schneider Electric's presence. This is mostly due to the fact that Schneider Electric's sites are located in large, already structured industrial areas, or in cities. In regards to customer projects, the assessment shows that there may be some impact on communities. Schneider Electric is usually just one of the suppliers to the customer project, and the impacts are therefore highly variable and linked to the industrial profile of the end-customer. A more detailed evaluation is in progress.

Schneider Electric 2021 vigilance risk matrix

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

		Schneider Electric sites						Suppliers						Contractors		Communities		
		Offices	Travelers, sales forces	Factories low voltage and electronics	Factories medium voltage	Project centers	Field services	Travels and hospitality	Transportation and shipping	Raw materials	Metal transformation and treatment	Plastics	Batteries	Other components	On Schneider Electric sites	Off site and projects execution	Around Schneider Electric sites	Around customers project sites
Human rights	Decent workplace	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
	Health and Safety	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Environment	Pollution and specific substances management			●	●	●	●		●	●	●	●	●	●	●	●	●	
	Waste and circularity		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
	Energy CO ₂ and GHG	●	●	●	●	●	●	●	●	●	●	●	●	●		●		●
Business Ethics	Ethical business conduct	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
	Alert system, protection and non-retaliation	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Offer safety and cybersecurity	Offer safety			●	●	●	●		●		●	●	●	●		●		
	Cybersecurity and data privacy	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		

9.3 Governance

The plan is governed by the Duty of Vigilance Committee, set up in 2017. The steering committee meets twice a year in normal circumstances. Overall, since its inception, 13 Committee meetings have been held (five in 2017, two in 2018, 2019, 2020 and 2021). The Committee's objective is to provide a discussion on strategic orientation and prioritize initiatives and the resources allocated to their implementation. This Committee also reviews the actions in progress and their results and defines decisions on next steps for action.

Composition of the Duty of Vigilance Committee

Chairman:

Executive Vice-President, Global Supply Chain
(Executive Committee member)

Management:

Senior Vice-President (SVP), Sustainability
SVP, Corporate Citizenship
SVP, Global Safety and Environment

SVP, Global Procurement
SVP Sustainable Supply Chain & Safety
SVP, Global Customer Projects
SVP, Ethics and Responsibility
SVP, Human Resources
SVP, Ethics and Compliance

Experts:

Environment Performance Measurement
Sustainable Procurement
Human Rights

9.4 Mitigation actions

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

Key Topics	Risk Categories	Policies implemented and Mitigation Actions	Pages
Schneider Electric sites			
Human rights	Decent workplace	See section “7 Human Rights” (i) and section “8 Employee health and safety” (ii) for more details on the deployment of health, safety, and human rights actions on Schneider Electric sites. It covers, notably: - Schneider Electric’s employees’ safety; - Human rights and people development policies; - Well-being programs.	(i) page 16; (ii) page 19
	Health and Safety		
Environment	Pollution and specific substances management	See section “2.3 Acting for a climate positive world”, for more details on the deployment of environmental actions on Schneider’s sites. It covers, notably: - Certification of its sites to ISO standards; - Schneider Electric specific programs to reduce CO₂ emissions; - Reduction of SF₆ emissions; - Schneider Energy Action program for energy efficiency; - Reduction of waste and increased circularity.	URD page 126
	Waste and circularity		
	Energy CO ₂ and GHG		
Business Ethics	Ethical Business Conduct	See section “2 Ethics and Compliance” (i) and section “3 Zero-tolerance for corruption” (ii) for more details on the deployment of business ethics actions on Schneider Electric sites. It covers, notably: - Internal and external alert systems; - Third-party relationship management; - Specific anti-corruption actions.	(i) page 5; (ii) page 11
	Alert system, protection and non-retaliation		
Offer safety	Offer safety	See section “5 High standards for the quality and safety of our products” for more details on the deployment of offer safety actions. It covers, notably: - Sustainability Quality Excellence; - Reliability.	page 12
Cybersecurity and Data privacy	Cybersecurity	See section “6 Digital trust and security” for more details on the deployment of data privacy and cybersecurity actions. It covers, notably: - Cybersecurity by design approach; - Personal data protection; - Training and awareness on cybersecurity.	page 15
	Data privacy		
Suppliers			
Suppliers	Supplier vigilance	See section “11 Sustainable relations with suppliers” for more details on the deployment of actions towards Schneider Electric’s suppliers. It covers notably: - Continuous Improvement process based on ISO 26000 standards; - Decent Work program for strategic suppliers; - Vigilance plan for suppliers; - Zero Carbon Project.	page 27
Subcontractors			
Sub-contractors	Subcontractors vigilance	See section “10 Relations with project execution contractors” for more details on the deployment of actions towards Schneider Electric’s subcontractors (or solution suppliers). It covers notably: - Integration of ESG into the project decision making; - Vigilance plan for project contractors.	page 26
Local Communities			
Local communities	Around Schneider Electric sites	See section “12 Vigilance with local communities” for more details on the deployment of health, safety, and human rights actions around Schneider Electric and customer projects sites. It covers, notably: - Risk mitigation around Schneider Electric sites; - Risk mitigation around customer project sites.	page 34
	Around customer projects sites		

10 Relations with project execution contractors

10.1 Project execution environment

Schneider Electric's products and solutions are usually combined into larger systems such as electricity distribution and energy management in a building, or production process automation in a factory. The build-up of such systems can be complex and typically involves several different parties before they are commissioned by end customers. For Schneider Electric, there are two options: to sell components through channel partners who take the responsibility to build and deliver the system; or to build and deliver the system directly for the end customer, as a project. This second option requires coordinating several project contractors (panel manufacturers, system integrators, building contractors, etc.), usually on the premises of the end customer. The common characteristics of these projects are that they happen primarily off-site (mostly on customer premises, existing or future), and they involve several different parties, global or local, bringing their specific added value. Each project is specific, in its size, duration, and location. Therefore, the relations with contractors are specific to a contract, and not necessarily recurrent. In 2021, Schneider Electric worked with more than 9,900 active solution suppliers in the Group's portfolio (with a spend of over €1B).

10.2 Risks and opportunities

In the frame of the "Duty of Vigilance" plan, specific risks have been identified.

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

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

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

A solid management of Schneider Electric's subcontractors allows to reduce the risks of incidents or accidents on site, and therefore protects workers, the communities living around the project site, and the final customer's employees and assets.

10.3 Group policy

As part of its Duty of Vigilance program, Schneider Electric has deployed a policy of identification of risky subcontractors and implemented an on-site audit program. The results are described in the "Due diligence and results" section below.

In 2021, to further anticipate and reinforce its risk mitigation measures, the Group introduced an evolution of its project decision-making process. The aim is to include a risk assessment of human rights and environmental impacts at all key milestones of the process, and to select the mitigation measures that will allow to reduce these risks. During the execution of the project, a regular review of the efficiency and effectiveness of these measures will be conducted. This process evolution will be effectively applied to project reviews from early 2022.

10.4 Due diligence and results

Schneider Electric operates with a pool of project contractors (or "solution suppliers") from more than 9,900 companies. Not all of them may be active during a year. In the course of its supplier risk mapping exercise, Schneider Electric has identified approximately 200+ solution suppliers categorized as "high risk". Since 2018, 62 suppliers have already been audited, slightly below the ambition due to 2021 slow down as a consequence of COVID-19. The 13 audits on solution suppliers performed in 2021 have allowed Schneider to raise 157 non-conformities. Out of these non-conformances, 11 are assessed as "top priority".

The most recurring non-conformities with high risk solution contractors are: need of adequate and effective fire emergency evacuation and response drills, improvement of on-site security measures to protect workers (safety hazards, permit and testing reports for occupational injury and illness), identify correctly effective emergency.

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

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

11 Sustainable relations with suppliers

11.1 Risks and opportunities

Schneider Electric has been involved in an ambitious approach to include sustainable development challenges in supplier selection and working processes. This approach is all the more important as Schneider Electric's procurement volume represents more than EUR 12 billion – and more than 52,000 suppliers.

With a complex global supply chain, there are some potential risks that Schneider Electric is committed to mitigating in the areas of health and safety, human rights, ethics, the environment, and sustainable development. Proactively managing upstream supplier risks, through Schneider Electric's Supplier Vigilance, but also driving ambitious Sustainable Development programs and processes, also improves the Group's reputation and shareholder value, and greatly lowers legislative and business risks.

By working closely with its suppliers to develop their maturity in integrating sustainability, Schneider Electric further de-risks and improves its competitive advantage by continually improving the global supply chain. Key opportunities of collaboration with our partners includes: climate action, circular supply chain models, and socially inclusive workplaces.

11.2 Risk identification and management

Schneider Electric has a risk management system to identify and manage critical suppliers, and uses a tool, Supplier Risk Management (SRIM), to capture risks and ensure the follow-up of identified cases with an extended source.

The Group has also been performing sustainability risk assessments with its own procurement specialists, supported by its Schneider Supplier Quality Management (SSQM) processes and ISO 26000 assessments for strategic suppliers.

In addition, Schneider Electric is reinforcing its sustainability risk assessment by geography and type of activity as part of its vigilance plan.

Schneider Electric has launched the Trust Line, a professional alert system for stakeholders to escalate any violation of its Code of Conduct/ethics/responsible behavior along the Supply Chain.

11.3 Group policy

Since 2004, the Group has been encouraging its suppliers to commit to sustainable development initiatives. Since 2012, Schneider Electric has been continually improving as well mandating its strategic suppliers to make progress according to the ISO 26000 guidelines.

This approach is supported by the General Procurement Terms and Conditions which all suppliers must abide by: each supplier undertakes to apply the principles and guidelines of the ISO 26000, the rules defined in the ISO 14001 standard. Sustainability is considered as a key selection criteria.

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

Schneider Electric publishes a charter for its suppliers, called the Supplier Guide Book, initially launched in 2016. The first section of this articulates expectations for suppliers on sustainable development in the following five areas: environment, fair and ethical business practices, sustainable procurement, labor practices, and human rights. In 2021, the Group adopted a new, revised Supplier Code of Conduct (SCoC), which aligned with the new sustainability commitments of the Group and laid out the most fundamental requirements that need to be met by the suppliers. The key focal areas include environment (climate action, circularity), human rights and decent working conditions, occupational health and safety, fair business practices, grievance redressal, inspection and corrective actions, sustainable procurement, and access to remedy.

11.4 Integration of sustainability criteria in the selection of new suppliers

Schneider Electric uses a qualification process called Supplier Approval Module (SAM) to qualify new and legacy suppliers. It is based on an auto-evaluation questionnaire combined with on-site audits by Schneider Electric certified auditors.

In 2021, to reinforce the assessment on Labor, Ethics, Environment, and Health & Safety, a new auto-evaluation questionnaire has been introduced as part of the qualification process for new suppliers. This self-assessment is the first qualification process step, and only potential new suppliers with approved self-assessments can be chosen to complete the qualification process with the SAM functional audits.

The SAM functional audits include different sections on sustainability as a criterion of evaluation, and these sections represent about 15% of the supplier evaluation criteria. The most relevant areas identified are:

- People and social responsibility: training, human rights, ISO 26000, and health and safety.
- Environment: ISO 14001 and energy savings, REACH and RoHS, and conflict minerals.

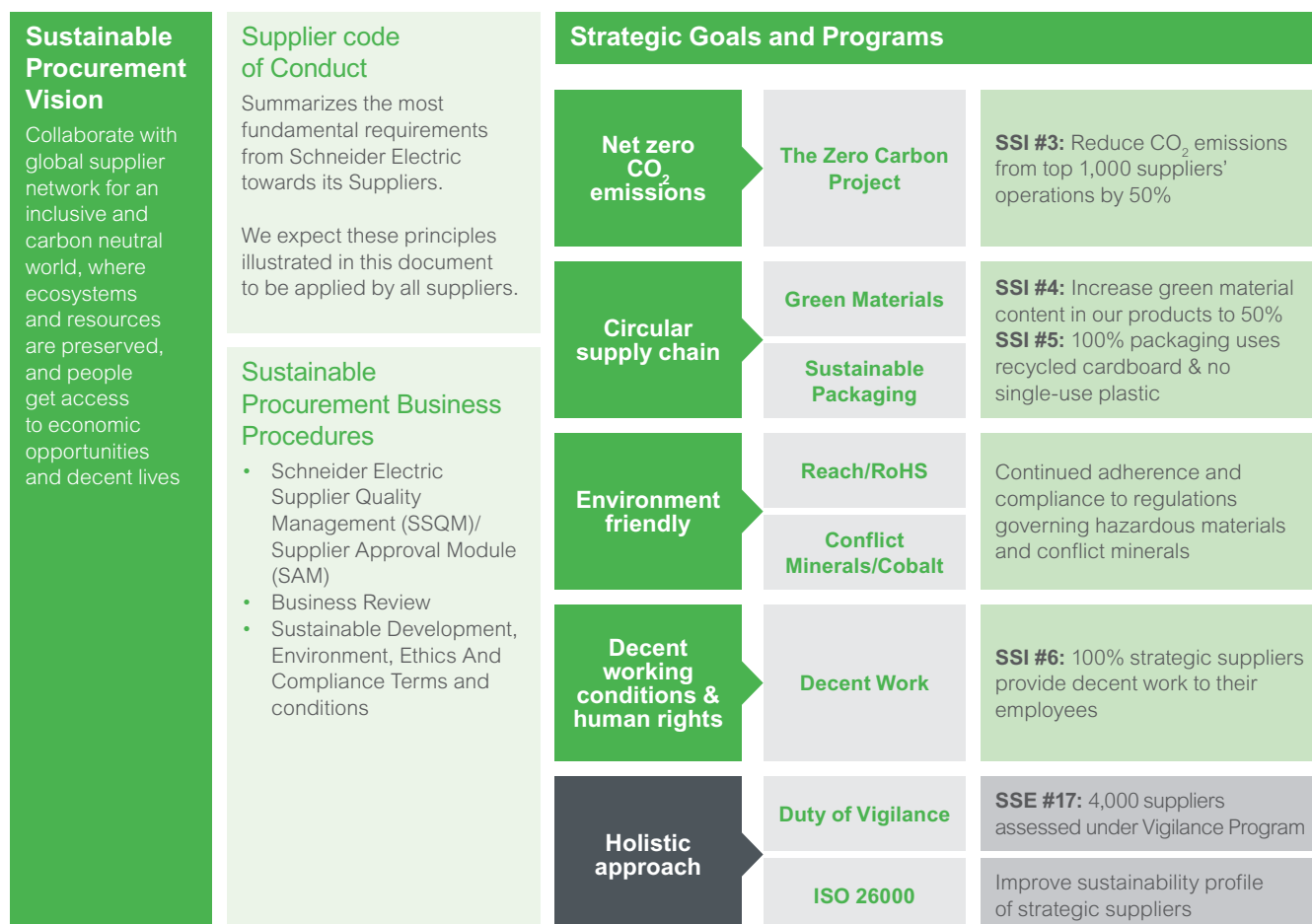
In 2021 Schneider Electric included SAM in the global Schneider Supplier Portal – Supplier Relationship Management (SSP-SRM tool). Due to this capability, SAM results are available for the Global Supply Chain community, and all newly assessed suppliers have their action plan registered in a central database, available to all in real time, making supplier interactions more fluid. These are tracked by Schneider Electric supplier leaders on a monthly or pluri-annual basis depending on the severity of the risks and classification of the supplier.

Schneider Electric completed 740 qualification processes in 2021, including new and legacy suppliers.

Schneider Electric's sustainable procurement strategy

When it comes to procurement, Sustainability is at the very heart of our mission. To streamline global action, we have implemented a Sustainable Procurement Strategy, which was the result of a multi-stakeholder consultation process. This strategy is focused on a vision of collaboration with our global supplier network to build an inclusive and carbon neutral world, where ecosystems and resources are preserved, and people get access to economic opportunities and decent lives.

The strategy rests on the foundation of robust procurement processes, that embed sustainability criteria at various stages and de-risk the operations by adhering to the relevant legal and prevailing norms.



11.5 Promotion of a continuous improvement process based on the ISO 26000 standard for strategic suppliers

Sustainable development is one of the seven pillars used to measure supplier performance, allowing the highest-performing suppliers to become "strategic" suppliers. Performance resulting from the EcoVadis evaluation is an important element of the sustainable development pillar.

The ISO26000 evaluation by EcoVadis remains one of the key aspects of Schneider Electric's supply chain and procurement-led sustainable development strategy. The elements of the assessment are an integral part of the business reviews scheduled between buyers and suppliers, on a quarterly to yearly basis, depending on the suppliers. This monitoring supposes an improvement from the supplier.

The Group has set out to engage all its strategic suppliers in a process of continuous improvement on this pillar. At the end of 2021, strategic suppliers represented c. 60% of Schneider Electric's purchases volume. Strategic suppliers who have passed the third-party evaluation process cover 70%+ of total strategic purchasing volume.

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

2021 target was set at +1 point minimum, and the end of year result was +1.3 points with an average of 58.7 points.

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

11.6 Vigilance plan for suppliers

Supplier risk categories and audit plan

Schneider Electric is conducting a specific evaluation of suppliers. This evaluation covers all natures of risks identified and considers specific parameters such as the type of industrial process used by the suppliers, their technology, and the geographic location of those suppliers. This allows the Group to factor in risks that may arise from a country's specific situation (social, political, etc.). These parameters are compiled in a third-party independent database (Responsible Business Alliance methodology, RBA, ex-EICC, of which Schneider Electric has been a member since January 2018). Schneider's entire network of tier 1 suppliers (52,000) is processed through this methodology and is refreshed every year with the new supplier baseline.

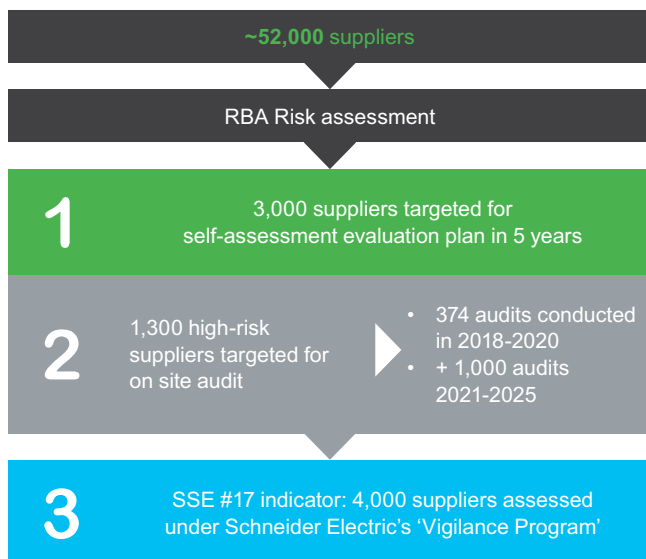
The audit plan started in 2018. 2020 was the third year of implementation and Schneider Electric completed this schedule with 374 audits.

From 2021 to 2025, Schneider Electric has defined new objectives as part of the sustainability strategy: expanding from the previous plan, the Group set an objective to conduct 1,000 on-site audits on high-risk suppliers and deploy 3,000 self-assessment audits for other suppliers. This audit plan is integrated into the Schneider Sustainability Essentials (SSE).

Overall plan

For our 2021 plan, the Group identified ~1,300 "high risk" suppliers; this number varies depending on the year.

The 2021 – 2025 overall ambition is to cover 1,000 suppliers through on-site audits, directly or through third parties, and 3,000 through a remote assessment.



On-site audits

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

- Human Rights: decent workplace: 36 questions, health and safety: 40 questions.
- Environment: 21 questions.
- Offer Safety: non-applicable in RBA framework.
- Business Conduct: 11 questions.
- Cybersecurity: non-applicable in RBA framework.

In 2021, despite COVID-19 travel restrictions in first part of the year, the Group conducted 205 initial on-site audits with suppliers (audits conducted for the first time with a supplier). These audits allow Schneider Electric to identify non-conformances and request the supplier to implement corrective actions.

Re-audits with suppliers already audited were also conducted to review the corrective actions implemented to remediate non-conformances identified during the initial audit.

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

A major part of non-conformance in 2021 is related to health and safety, labor standards and management systems (36%, 29%, and 20% respectively). Graph 3 gives the breakdown of non-conformances by topic and graph 4 gives them by geography.

Top priority are the most serious non-conformances. For each case, escalation is done at Chief Procurement Officer level. An analysis of the 249 "top priorities" raised in 2021 shows the following issues are the most recurring:

- **Labor standards** (61% of top priority non-conformance issues): lack of respect of working time and resting days (time measurement systems are often insufficient); poor overtime reporting and payment; lack of formalization of working contracts
- **Health and safety** (33% of top priority non-conformance issues): weak emergency procedures; insufficient emergency training issues and preparation drills; insufficient fire alarm and protection systems; lack of medical response equipment; and lack of training.
- **Environment and management systems** (6% of top priorities): lack of administrative compliance, management tools, and systems; and insufficient waste management and pollution prevention systems.

Remote self-assessment

From 2021 to 2025, Schneider Electric has defined new objectives as part of the sustainability strategy: conduct 1,000 on-site audits on high-risk suppliers and deploy 3,000 self-assessment audits for other suppliers.

This year, in 2021, a specific self-assessment questionnaire has been elaborated, building on the experiences of on-site audits performed during the past three years. Among the questions asked, the core ones aim at checking whether the suppliers are compliant on mandatory subjects of labor, human rights, environment, and health and safety. After an initial pilot test, a large-scale launch was made in second half of 2021. At the end of the year, 624 suppliers had submitted answers. Procurement teams are currently in the process of reviewing answers to identify which suppliers may be eligible, in a second phase, to an on-site audit.

Remediation and mitigation actions

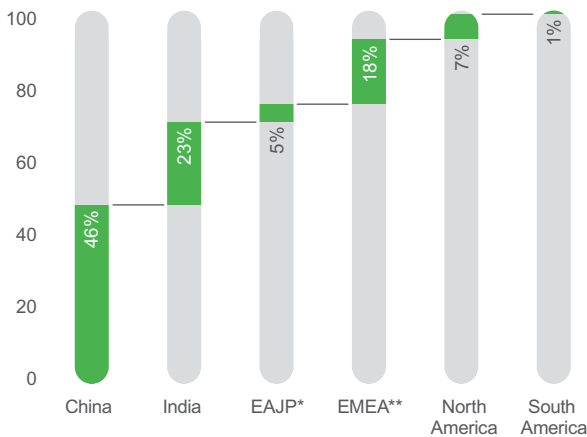
As of end of 2021, Schneider Electric has closed 97% of 2020 and 3% of 2021 non-conformances (all types). Schneider Electric's approach is to help suppliers remediate the issues by sharing good practices and providing them with guidance and training. When non-conformances are not remediated (mainly top priorities), escalation to the Chief Procurement Officer may lead to an end of the business relationship. In 2021, one relationship with a supplier has been terminated.

In order to reinforce the co-ordination between Schneider Electric teams and suppliers on vigilance topics, a specific training program has been implemented.

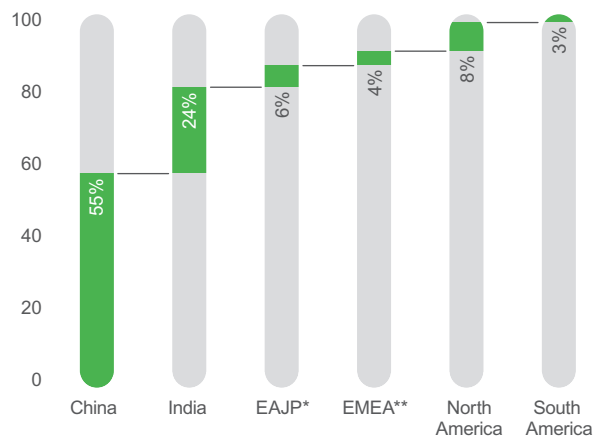
The primary target audience is the Schneider Electric Procurement team, and the training modules aim to increase their knowledge on the nature of risks, so they can integrate these topics early in the discussions with suppliers. At the end of 2021, ~580 employees have taken this training. These trainings combine in-class experience with e-learning sessions.

To raise suppliers' awareness, improve their ability to identify risks earlier, and implement mitigation solutions, Schneider Electric organized face-to-face workshops dedicated to vigilance subjects. At the end of 2021, ~500 supplier team members have attended these events. These sessions include in-class face-to-face workshops and digital webinars.

% Risky suppliers identified in 2021 by geography – Graph 1



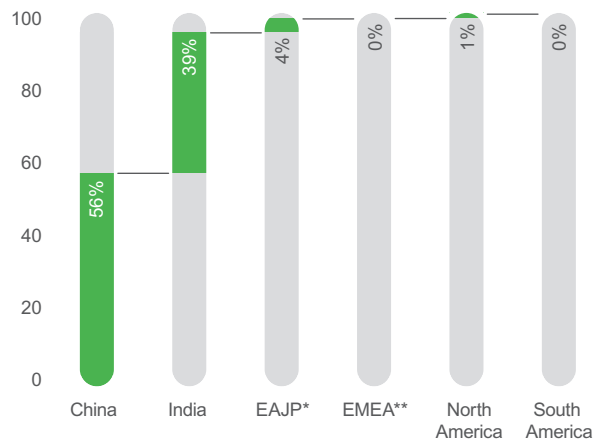
% Audits carried out in 2021 by geography – Graph 2



% Non-conformances in 2021 by topic – Graph 3



% Non-conformances in 2021 by geography – Graph 4



* EAJP: East Asia Japan Pacific
 ** EMEA: Europe Middle East Africa

Impact

From the beginning of the program in 2017 to the end of 2021, 579 suppliers have been audited on site, and 7,000+ non-conformances were raised, and subsequently remediated. 37% were related to health and safety issues, and 25% were related to labor issues. Among the most serious ones are issues of fire safety, protection of workers from accidents and injuries, respect of a decent working time including proper resting periods and payment of overtime.

Overall, the resolution of these non-conformities has allowed to improve the working conditions for the employees of these suppliers. Although this is a rough estimate, we estimate that 185,000 employees have seen their working conditions positively impacted by the Supplier Vigilance program.



11.7 Conflict Minerals rule

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

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

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

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

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

At the end of 2021, 85% of the smelters and refiners identified in our supply chain were designated as compliant with a recognized third-party validation scheme or actively engaging in same (equivalent to more than 87% of the relevant spend being compliant). The remainder are either from outside the conflict zone outlined in Section 1502 of the Dodd Frank Act, or solely using recycled and scrap materials. When the country of origin is known to be in the conflict zone, 100% of the smelters and refiners were verified conformant. Therefore, the Group has no reason to believe that any conflict minerals the Group sourced, have directly or indirectly financed or benefitted armed conflict in the covered countries.

11.8 Cobalt program

Mid-2020, Schneider Electric added cobalt to its Conflict Minerals Compliance program. Cobalt sales have been identified as potentially funding or supporting inhumane treatment, including human trafficking, slavery, forced labor, child labor, torture, and war crimes in known CAHRA. These areas are identified by the presence of armed conflict, widespread violence, or other risks of harm to people. These areas are often characterized by widespread human rights abuses and violations of national or international law. The program, currently ramping up, is focusing on the responsible sourcing of cobalt used as a key element for lithium ion batteries in Schneider Electric's supply chain.

11.9 Decent work

Background

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

Working condition crisis

Studies and research across the world have shown that mere involvement in global commerce is not sufficient to uplift underprivileged populations. According to the United Nations, over 700 million workers lived in extreme or moderate poverty in 2018 and as per estimates by civil society organizations, more than 40 million people are trapped in modern day slavery worldwide, with more than 70% being women and children. The recent onslaught of COVID-19 has had a negative impact on employment conditions. A survey by the United Nations Global Compact revealed that global labor income declined by an average of 10% in the first three quarters of 2020 compared with 2019. Widespread job losses and loss of earning members increase insecurity, making workers vulnerable to poor and exploitative working conditions. The scale of this challenge is too great to be handled by governments alone. Corporations need to take responsibility and do their part in ensuring that worker rights are respected universally.

Suppliers Decent Work initiative: A holistic approach

The extent and severity of the crisis requires a systematic, broad based, ecosystem approach and not simple rectification of observed malpractices. The focus needs to be opening dialog and normalizing universal worker rights irrespective of the geography or the context of employment. A key element in this is to institutionalize policies and additional processes that adopt a preventive approach for the worker rights violation and protect the dignity of

the individual. Gradually, such actions need to become the new norm for evaluating performance of supply chain.

Towards this objective, as a first step, Schneider Electric will implement a Decent Work program with its strategic suppliers. The program will be based on the key tenets of the International Labour Organization's (ILO's) definition of decent work.

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

Implementation plan

The program will be launched in the first quarter of 2022 with technical training sessions for participating suppliers. The sessions will focus on the rationale and elaborate on the requirements of the program. In addition, special focus will be given to build capacity and highlight the systems and processes that need to be implemented and actions that need to be taken by companies to ensure decent work conditions in their organization. The evaluation of supplier performance will be done on the basis of an online questionnaire that will be rolled out via the SSPSRM – the supplier relationship portal.

A specifically trained team will be deployed at the Global Procurement Services to lead the launch of the initiative. The suppliers will be required to respond to the questions and upload evidence to support the responses. All responses and accompanying evidence must be evaluated to meet the minimum criteria of decent work, in order to qualify. In cases where the supplier actions do not meet the minimum requirements, feedback will be given, and corrective actions need to be implemented by the suppliers in a timebound manner. Upon rectification, the information needs to be resubmitted along with the evidence for the re-evaluation. The survey responses will be evaluated and corroborated with the evidence and validated by sample on-site audits. These audits will be conducted by the trained Duty of Vigilance auditors.

11.10 Supplier diversity program in the United States

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

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

- Small Business Enterprise (SBE);
- Veteran (VET);
- Minority-Owned Enterprise (MBE);
- Women-Owned Enterprise (WBE);
- Historically Underutilized Business Zones (HUBZone).

As of end of December 2021, 19.3% of Schneider Electric US' suppliers were diverse, aiming to demonstrate year to year improvement in utilization of diversely owned businesses.

11.11 The Zero Carbon Project

Schneider adopted a very ambitious target for 2050: to operate a net-zero carbon emission supply chain, meaning that all Schneider factories and transportation, and that of its suppliers in the entire upstream value chain would be operating without using any fossil fuel and run only on clean energy. To achieve this ambitious target of 2050, as the first step, Schneider has launched The Zero Carbon Project, which aims at reducing 50% of operational carbon emissions from its top 1,000 suppliers by 2025.

11.12 Green materials and sustainable packaging

Sustainable Packaging (SSI #5)

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

In 2021, this ambition was extended to use recycled cardboard in all primary and secondary packaging and remove all single use

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

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

Green Materials (SSI #4)

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

The scope of this initiative currently includes:

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

Other kinds of materials like steel purchased as fabricated components, other non-ferrous metals (such as copper, silver or brass), and thermoset, both direct and indirect procurement, will be considered for next phases. At the end of 2021, 11% of materials in scope were qualified as "Green".

For thermoplastics, the 2021 performance was achieved mainly by embedding recycled plastics in products and by obtaining supplier proof for both recycled and green flame retardant.

For steel, a good progress was made notably thanks to the certification of large steel suppliers to Responsible Steel in 2021, as well as sourcing from suppliers using Electric Arc Furnace.

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

11.13 Rollout of eco-responsible initiatives

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

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

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

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

12 Vigilance with local communities

In 2020, Schneider Electric extended the scope of its risk analysis to communities. The notion of communities, here, corresponds to people living in a geographic proximity of Schneider's local operations. As a result of this proximity, their conditions of living could be affected by the Group's activity. Schneider's local operations can be of two types:

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

2020 was the first time Schneider Electric was formally addressing this risk analysis for communities, developing a framework with the help of an external consultant. In 2021, the Group deepened its analysis by selecting the sites that may present some risks for communities and conducting an analysis specifically for each of these sites.

12.1 Communities living around Schneider's local sites

12.1.1 Risk assessment for the 30 largest Schneider sites

This detailed risk evaluation covers the 30 largest sites by size and employees, both commercial and industrial.

Potential impacts analysis

The first step of this evaluation was to analyze the potential impact that a Schneider site may have on its surroundings. For that purpose, a comparison was made between the size of the site, and the size of the urban area surrounding it. To take a practical example, in Shanghai, a large Schneider Electric office site may be important at Schneider level (>2,000 employees) but will have very little impact on its immediate urban surrounding (Shanghai is a multi-million inhabitants city). On the opposite end, a smaller site may have a bigger impact on its rural surrounding in Africa or South Asia.

Risk nature and level

The second step was to qualify the natures of risk and their level, using public data available at country level on topics such as ethical standards (National Corruption Index), individual development (Human Development Index), or health and human rights (Human Right score). Using this data, a composite country risk index was built to reflect the risk level for countries where Schneider's main sites are located.

Conclusions

The third step was to combine Schneider's site impact level with the composite country risk index. The overall result shows that the level of risk on local communities living around Schneider Electric sites is

"low" in most cases. This owes mainly to the fact that the Company is usually located in large, urban, or peri-urban areas, crowded with many similar or larger companies. In case of factories, they are mostly located in already existing dedicated industrial areas, with solid infrastructures and transportation networks, and Schneider Electric's presence does not have an impact on them.

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

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

12.1.2 In depth evaluation of 5 sites

The management and safety officers of these sites are engaged with a dedicated questionnaire, covering environmental and human rights potential risks and opportunities for the local communities. The result of the evaluation shows that among the five sites reviewed, four have no significant impact and one may have some specific impacts.

Four sites with low impact, well mitigated:

- The four factories studied are located within dedicated industrial parks, with specific infrastructures including transportation and access. No competition for local resources (water, power, staple goods, etc.) were reported. Their impact on the urban surroundings is low, as they are either located next to a very large city, or in one case, in the countryside and at a reasonable distance from the nearest village.
- These sites provide a significant source of employment for local people. Besides, these entities foster local development initiatives such as supporting schools, cultural programs, or local infrastructures (such as hospitals).
- The industrial activities performed on these four sites are mostly the assembly of components. There are some marginal activities of plastic injection that are subject to local and national regulations, with regular compulsory reporting.
- One of the sites is part of an industrial park, that includes housing facilities for workers (dormitories). These facilities have been recently enhanced, are compliant to local standards, and have not been subject to any specific alert report. However, they remain a point of attention and follow-up on Schneider's side.

One site with medium risk, mitigation actions in progress:

- This specific site is hosting an industrial process that involves the use of chemicals. Although these are not critical and restricted substances, they are required to be monitored and processed specifically.
- The site is located close to a small urban area, therefore risks of marginal pollution are present.
- Several mitigation actions have been implemented by the local team. A specific review of the adequacy of these measures is in progress.

12.2 Communities living around Schneider Electric's customer projects sites

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

12.2.1 Characterizing the sites, ranking them by risk level, and selecting the ones for a deep dive

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

Country	Customer activity
Chad	Mining, minerals and metals
Mauritania	Oil, gas and petrochemicals
Angola	Power and grid
Nigeria	Life sciences
Tanzania	Water

Based on these criteria, the Group has established a list of 25 projects to be reviewed with their management team.

12.2.2 Evaluating the impact for selected sites

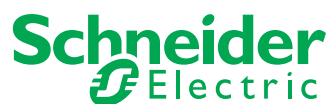
Projects reviewed can be grouped into three categories, each reflecting the type of involvement of Schneider Electric, and the mitigation capabilities of Schneider.

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

Among the projects reviewed, 2 were of type A, 6 of type B, and 6 of type C.

- 2 projects of type A: the study of these projects is showing the following risks and benefits on local populations:
 - Temporary/brief disturbance in the transportation and mobility due to large materials and equipment delivery.
 - Temporary and planned power outages.
 - No environmental or pollution risk.
 - Local security implemented by final customer, with no or little impact on the neighboring communities.
 - The project is a source of employment for local companies.
- 12 projects of type B and C: among these projects, six are projects with significant impact on the local communities (petrochem, etc.) and six have no impact (desert or remote location). For these projects with significant impact, relations with local communities are handled by the end-user or the main contractor. Given the small size of Schneider Electric's contribution to the overall project investment, the capacity of Schneider to be a significant contributor to the mitigation measures is very limited. Specific policies that would increase this capacity, adapted to these project profiles, are currently studied.

Life Is On



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