



Enabling a  
sustainable future

# 2021 Climate Report



# Acting for a climate positive world



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

Xavier Denoly, SVP Sustainable Development

## Context and goals

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

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

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

Concrete actions for the 2021-2025 period are monitored and shared transparently in Schneider Sustainability Impact and Essentials and are overseen by various dedicated Committees up to the Board of Directors. In the longer term, the Group is committed to net-zero CO<sub>2</sub> emissions in its operations by 2030, and took specific commitments for renewable electricity, energy efficiency and electric vehicles under the RE100, EP100, and EV100 initiatives. By 2040, the Group will be carbon neutral along the whole of its value chain, meaning all products will be carbon neutral. Importantly, beyond targeting excellence in reducing its own footprint, Schneider Electric also delivers about 100 million tonnes CO<sub>2</sub> gains to its customers each year with EcoStruxure™.

## 2021 Highlights



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



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



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

## Key targets and results

### Progress against our 2021-2025 Sustainability commitments

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

Schneider Sustainability Essentials				
Long-term commitments aligned to UN SDGs	2021-2025 programs	Baseline <sup>(1)</sup>	2021 progress <sup>(2)</sup>	2025 Target
	1. Decarbonize our operations with Zero-CO <sub>2</sub> sites	30	51	150
	2. Substitute relevant offers with SF <sub>6</sub> -Free medium voltage technologies	0%	38%	100%
	3. Source electricity from renewables	80%	82%	90%
	4. Improve CO <sub>2</sub> efficiency in transportation	0%	-1%	15%

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

## Long-term roadmap

<b>2030</b>	<b>2040</b>	<b>2050</b>
<ul style="list-style-type: none"> <li>Net-zero operational emissions and reduction of Scope 3 emissions by 35% (vs. 2017);</li> <li>Switch to 100% renewable electricity (RE100);</li> <li>Double energy productivity vs. 2005 (EP100);</li> <li>Shift 100% of Company fleet to electric vehicles (EV100).</li> </ul>	<p>Become carbon neutral on full end-to-end footprint (full Scopes 1, 2, and 3), 10 years ahead of 1.5°C climate trajectory.</p>	<p>Engage with suppliers towards a net-zero CO<sub>2</sub> supply chain.</p>

# 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.

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

### 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



## 2030 PLEDGE

# For our Ecosystem

### Climate

Carbon pledge towards net-zero CO<sub>2</sub> 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 Climate governance

### 1.1 Governance

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

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

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

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

Additionally, environmental transformations are driven by a network of leading experts in various environmental fields (eco-design, energy efficiency, circular economy, CO<sub>2</sub>, etc.). On an annual basis, a process identifies and recognizes those individuals who own a specific expertise that the company is keen to maintain and grow. Various governance bodies enable these communities of experts and leaders within the Environmental function to meet every month or every quarter, depending on the topics and entities, to ensure consistent adoption of Environment policies and standards throughout the Group. To implement these policies, Environment leaders coordinate a network of more than 600 managers responsible for the environmental management of sites, countries, product design and marketing.

### 1.2 Risks and opportunities

#### Climate-driven opportunities

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

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

This growing demand for greener, low-carbon products and services creates a strong business opportunity for Schneider. Where appropriate, opportunities for growth are identified and translated into new products (for instance our unique SM AirSeT™ switchgear to avoid using SF<sub>6</sub>, or the creation of the new Sustainability Business). The Group is uniquely positioned to seize these opportunities because it acts on both sides of the equation:

- The energy management, industrial automation, and sustainability consulting solutions Schneider brings to the market are directly linked to activities to mitigate greenhouse gas emissions and improve humanity's resilience to climate change.
- At the same time, Schneider acts to reduce its end-to-end CO<sub>2</sub> footprint, aiming for a carbon neutral value chain by 2040, with precise steps for 2025 and 2030.

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

#### Climate-driven risks

##### Failure to meet 1.5°C-aligned GHG reduction emissions targets

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

##### Inadapted evolution of the supply chain footprint

Volatility of energy and commodity prices as well as regulation strengthening will generate increasing and volatile operating and investment costs along Schneider's value chain, impacting both Schneider's expenditures and those of its suppliers. This can translate into an increase of the cost of goods sold and reduced margins. This risk can be mitigated by securing low-carbon and resilient sources of energy supply, increasing resource-efficiency, and increasing resale prices along the value chain. Also, physical assets are retrofitted for resource-efficiency, as competition with newly built efficient infrastructure will increase. For instance, energy-efficient and digital buildings provide superior comfort to users while lowering operating costs, which translates into higher asset value.

### Transition risks

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

Climate change mitigation will likely lead to regulation strengthening, which can disrupt markets. For instance, SF<sub>6</sub>-insulated switchgear can have a significant impact on climate change if SF<sub>6</sub> is mishandled at the end of life of the equipment and leaks into the atmosphere. Schneider Electric strives to anticipate regulation changes and launches innovative SF<sub>6</sub>-free solutions.

### Workplace disruptions

Extreme weather events, floods, droughts, and other climate impacts will increasingly put pressure onto supply chains. Shortages of all kinds can translate directly into revenue loss (missed orders), increased costs (urgent shipping), and increased working capital requirements (stock management). Extreme events can also cause damage to property and assets. This risk can be mitigated by adopting a flexible and resilient supply chain, with the ability to rebalance supply and manufacturing.

To further tie climate-related issues to financial planning, Schneider successfully launched the first-ever sustainability-linked convertible bonds in 2020. This bond has been linked to three SSI targets by including the objective to save and avoid 800 million tonnes of CO<sub>2</sub> on the customers' end by 2025.

## 1.3 Risk management

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

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

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

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

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

Finally, environmental risks (including climate) are assessed and mitigated at site level through the Group's Integrated Management System (IMS). The IMS covers the supply chain sites (plants, distribution centers, large offices) and hosts ISO 14001, ISO 50001, ISO 9001, and OSHAS 18000/ISO 45001 compliance management systems. Each site is audited periodically, either externally by Bureau Veritas (every three years), or internally. At present, the impact of climate-related matters is not material to the Group's financial statements.

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

## 2 Roadmap towards a 1.5°C climate trajectory

### 2.1 Climate impact commitments

In its Trust Charter, Schneider Electric adopts an unequivocal position regarding impact on climate change and CO<sub>2</sub> emissions. The Group has been a leading contributor to the fight against climate change for the past 15 years by implementing its own energy management and industrial automation solutions across operations, by supporting its clients in achieving their low-carbon and efficiency objectives, and by allowing more than 30 million people to gain access to electricity. Schneider also takes an active role in a variety of multi-stakeholder organizations to promote solutions to climate change, call for a price to CO<sub>2</sub>, and strengthen CO<sub>2</sub> governance globally. Since 2011, the Group has also been contributing to the Livelihoods Funds, which proposes innovative investment models to simultaneously address environmental degradation, climate change, and rural poverty.

The Group aims to be a role model in the fight against climate change, by sharply decarbonizing its own operations and by delivering services and solutions that allow its customers to reduce more CO<sub>2</sub> emissions than those produced by the Group's activities. Ultimately Schneider aims to reduce the end-to-end emissions of its offers, by engaging suppliers and eco-designing offers for lifecycle climate and circular performance.

#### Short to medium-term targets

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

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

#### Long-term targets

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

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

By 2050, achieving net-zero CO<sub>2</sub> emissions in its supply chain will require Schneider Electric to work transversally with all stakeholders, from product design, to sourcing, manufacturing and shipping.

### 2.2 Concrete actions in our ecosystem

#### 2.2.1 Net-zero CO<sub>2</sub> emissions in operations by 2030

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

- Reach 150 Zero-CO<sub>2</sub> sites by 2025 (SSE #1),
- Propose SF<sub>6</sub>-free alternatives for all medium voltage technologies by 2025 (SSE #2),
- Source 90% of electricity from renewables by 2025 (SSE #3), and 100% by 2030,
- Increase energy efficiency in our sites by 15% by 2025 (SSE #5) and double energy productivity by 2030 (vs 2005),
- Shift one third of corporate vehicle fleet to electric vehicles by 2025 (SSE #7), and 100% by 2030.

The Group leverages its Power and Building EcoStruxure™ IoT architectures to deliver these ambitions, monitor and optimize energy consumption, manage assets and grid infrastructure, manage distributed renewable energy resources and electricity load, monitor energy quality, and power electric vehicles.

This strategy has delivered an absolute reduction of 405,028 tonnes of CO<sub>2</sub>e emissions on Scope 1 and 2 (from 699,079 tCO<sub>2</sub>e in 2017), which is a 58% decrease.

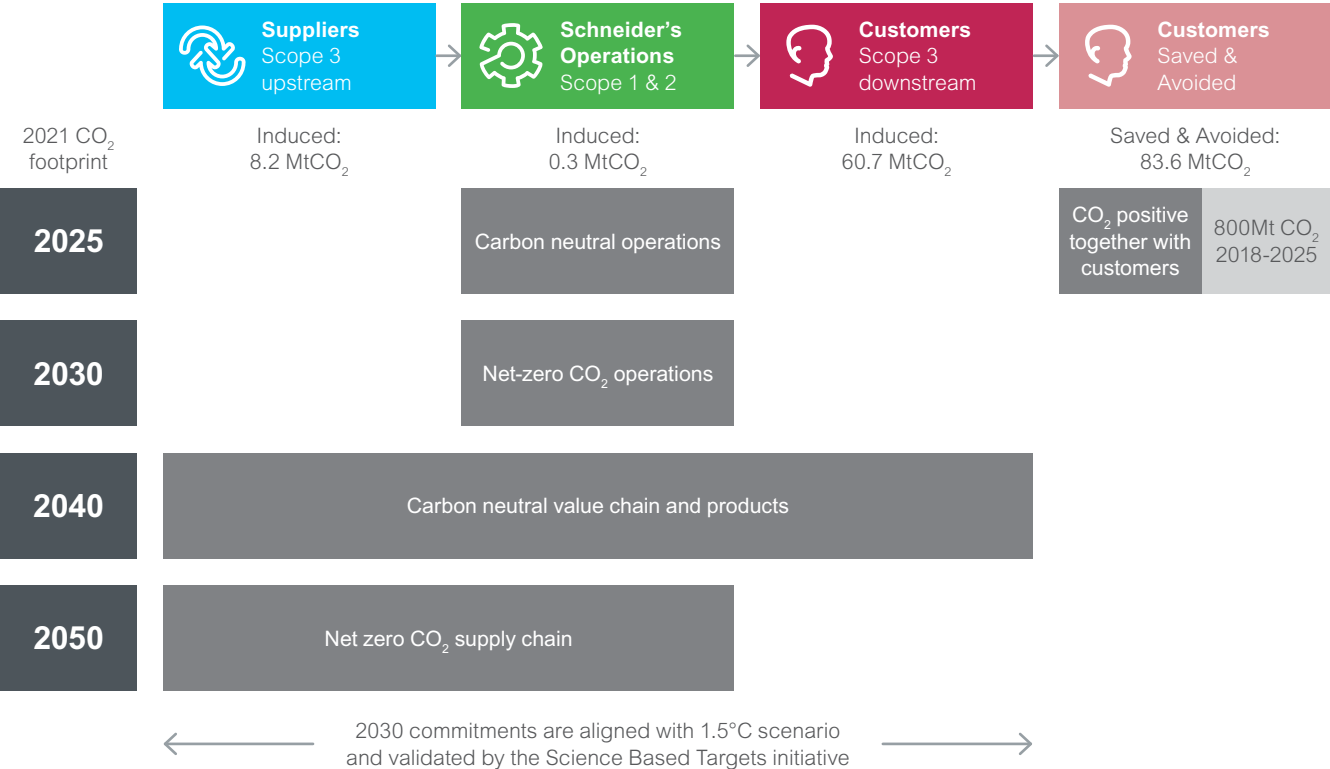
#### 2.2.2 End-to-end carbon neutrality by 2040

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

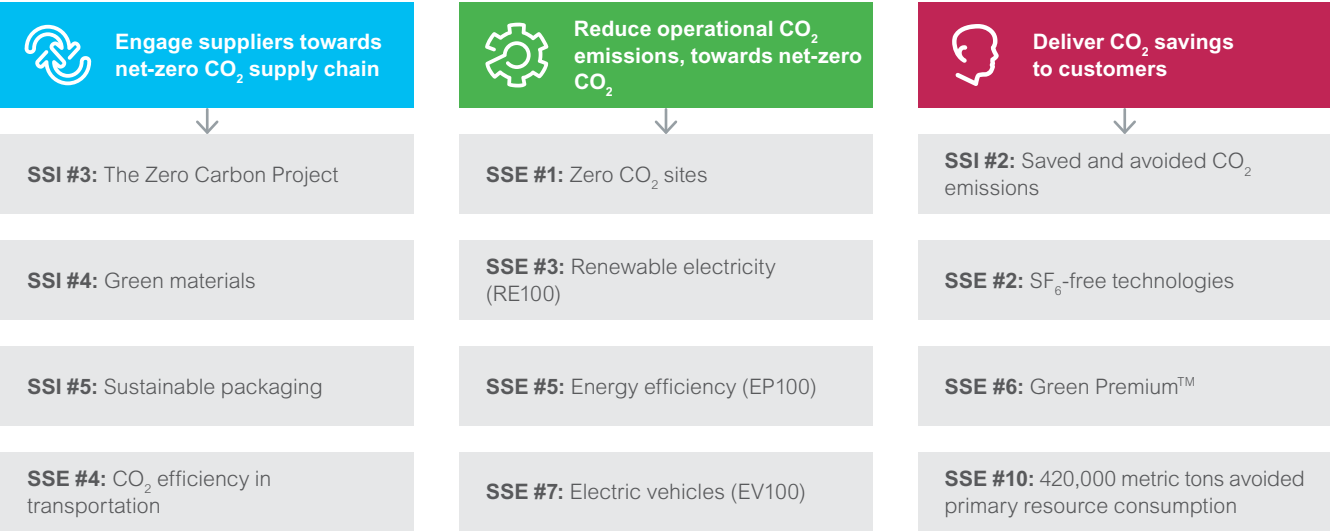
- Engage 1,000 top suppliers to reduce their operational CO<sub>2</sub> emissions by 50% with The Zero Carbon project (SSI #3).
- Reduce purchase-related CO<sub>2</sub> emissions with EcoDesign Way™ to improve the end-to-end lifecycle environmental footprint of its offers, notably by reducing and substituting materials and components in products. The Group aims to source 50% green materials by 2025, favoring bio-sourced, recycled, and sustainable options (SSI #4).
- Have 100% of its primary and secondary packaging free from single-use plastics and made from recycled cardboard (SSI #5).
- Reduce CO<sub>2</sub> emissions from freight and logistics activities, by shifting from air to sea freight and optimizing fill rates and travel routes (SSE #4).
- Reduce CO<sub>2</sub> emissions from waste management, with its "Waste as Worth" program. In 2021, 126 sites achieved the "Waste to Resources" designation as part of SSE #9.
- Reduce CO<sub>2</sub> emissions from capital goods by optimizing real estate space occupancy as saved surfaces translate directly into lower CO<sub>2</sub> emissions, as well as spared natural habitats and agricultural land.



Roadmap towards a 1.5°C climate trajectory



Concrete actions



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

### 2.3 CO<sub>2</sub> footprint

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

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

Coverage of reported emissions is 100% for energy, fugitive SF<sub>6</sub> emissions, waste, purchases, capital goods, commuting, travel, and freight (coverage is estimated using a relevant activity indicator for each source of emissions, such as spent for purchases and business travel, surface for energy and capital goods, headcount for commuting and waste). Schneider reports no GHG emissions on franchises, investments, or downstream-leased assets, because these emissions are not considered relevant for its activities.

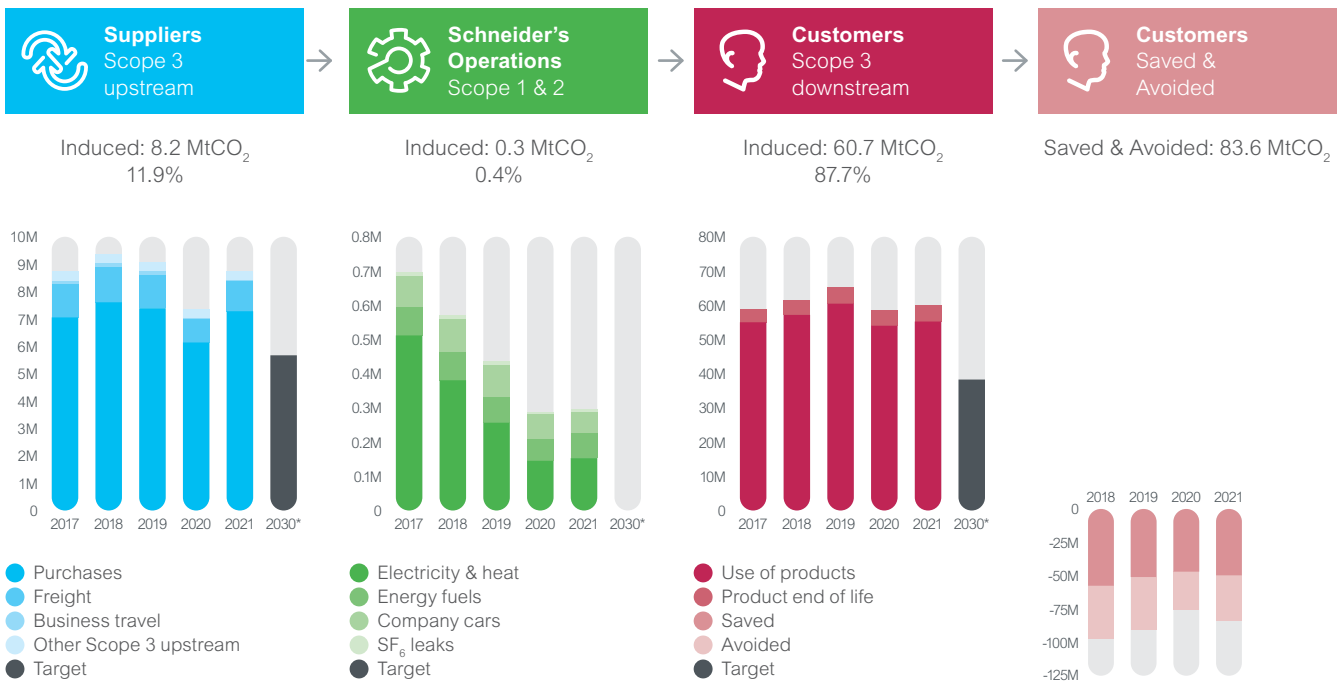
### 2.4 Internal CO<sub>2</sub> price

To lead the global transition to a zero-carbon economy, Schneider Electric calls for policymakers to define robust and predictable carbon pricing for companies, enabling companies to integrate collaterals on climate in their strategy. A high and stable price on carbon will strengthen incentives to invest in sustainable technologies and to change behaviors.

As part of its carbon pledge, Schneider is committed to take into consideration a carbon pricing of EUR 50 – 130/ton (depending on time horizons) to inform the Group’s climate strategy. In line with the vision, an internal price on carbon is already used in several cases to include the cost of CO<sub>2</sub> externality in decision-making and strategy.

An internal CO<sub>2</sub> price is used to assess the performance and resiliency of operations. The cost of CO<sub>2</sub> is evaluated for industrial activities, taking into account CO<sub>2</sub> emissions from energy consumption and SF<sub>6</sub> leaks in industrial sites. CO<sub>2</sub> cost is also taken into consideration in industrial network modelling to account for future CO<sub>2</sub> prices in industrial decisions. This enables measurement of the potential impact of CO<sub>2</sub> pricing on the Group’s supply chain. Schneider views internal CO<sub>2</sub> pricing as a useful tool to reinforce its governance and external commitments on CO<sub>2</sub>.

#### Schneider Electric carbon footprint: 2017 to 2021 evolution



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

## 2.5 Climate scenarios embedded in the Group's strategy

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

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

The scenarios developed by Schneider demonstrate that a net-zero carbon future, aligned with IPCC's 1.5°C scenarios, is still possible, and the Group is uniquely positioned to embark its ecosystem onto an inclusive, zero-carbon transition. The Group sees the energy and climate transition as an opportunity for companies who are "part of the solution" to grow their revenues. Schneider Electric's Energy Management and Industrial Automation offers help customers deliver energy and resource efficiency and reduce CO<sub>2</sub> emissions. Furthermore, smart grid technologies unlock the potential to electrify energy usage, powered by renewable electricity.

The Group sees an acceleration of the dominant role of:

- Electrification: the world is becoming more electric, with demand growing potentially up to 3x by 2050;
- Digitization: with the increase in connectivity, complemented by real-time information and competitive computing capabilities, digital technologies play a major role in reaching decarbonization targets while augmenting economic productivity, notably around efficiency in energy and resource use and circularity, as well as increased resiliency and security.

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

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





### 3 Delivering a climate positive impact with EcoStruxure™

#### 3.1 Save and avoid 800 million tonnes of CO<sub>2</sub> emissions on customers' end

With EcoStruxure™, the IoT-enabled architecture, Schneider Electric helps companies become more efficient and reduce their CO<sub>2</sub> emissions. To demonstrate this positive impact, a new indicator was launched in 2018 to quantify CO<sub>2</sub> savings delivered to customers using Schneider's offers. New technologies were added to expand the methodology coverage in 2021: SF<sub>6</sub> recovery services, SF<sub>6</sub> AirSet solutions, Field Services, Energy Management Systems (EMS for electrical network) and data center design. Overall, from 2018 to 2021, Schneider Electric helped customers save and avoid 347 million tonnes of CO<sub>2</sub>e.

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

The innovative CO<sub>2</sub> accounting methodology to quantify CO<sub>2</sub> savings delivered to customers, created by Schneider, allows for the quantification of CO<sub>2</sub> induced and saved by the Group's solutions at its customers' premises. Detailed calculation rules are defined per offer, leveraging sales data, market expertise, and technical knowledge. The methodology is designed to become a shared industry standard, its principles are applicable across the capital goods and consumer durables sectors. Attention was given to define rigorous calculations, with conservative assumptions. The methodology is public and was developed with Carbone 4, an expert CO<sub>2</sub> accounting consulting company.

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

Schneider's methodology, "Saved and avoided CO<sub>2</sub>: decarbonization creates value" is available for download on [se.com](http://se.com); as well as the detailed methodology (and hypothesis) for all Schneider's solutions

#### 3.2 Deliver access to energy products and solutions

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

In line with its carbon pledge towards net-zero CO<sub>2</sub> emissions, Schneider has committed to provide access to green electricity to 100 million people in underserved areas by 2030, both as a fundamental right and a means for social and economic development. Schneider's Access to Energy program bridges the energy gap by focusing on offerings and business models for village electrification and domestic energy needs, as well as investing in and supporting companies providing affordable, clean, and renewable energy.

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

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



**Climate**  
**SSI #2**

**Deliver 800 million tonnes of saved and avoided CO<sub>2</sub> emissions to our customers**

CO<sub>2</sub> savings are delivered at every layer of EcoStruxure™. For instance, Building Management Systems (BMS) monitor, control, and optimize the performance of buildings throughout their lifecycle. This drives occupancy productivity as well as energy savings. From 2018 to 2021, Schneider Electric's BMS sales enabled customers to save 11 million tonnes of CO<sub>2</sub>e.

Baseline	2021 Progress	2025 target
263M	<div style="width: 100%; height: 15px; background-color: #ccc; position: relative;"> <div style="width: 130%; height: 100%; background-color: #4CAF50; position: absolute; top: -15px; left: -15px;"></div> <span style="position: absolute; top: 50%; left: 50%; transform: translate(-50%, -50%);">347M</span> </div>	800M

Saved and avoided CO<sub>2</sub> are delivered at every layer of EcoStruxure™

**Together with Customers and Partners:**

**347M tonnes**

cumulated CO<sub>2</sub> saved and avoided from 2018 to 2021

Annual savings are equivalent to:

**43M** people in the EU

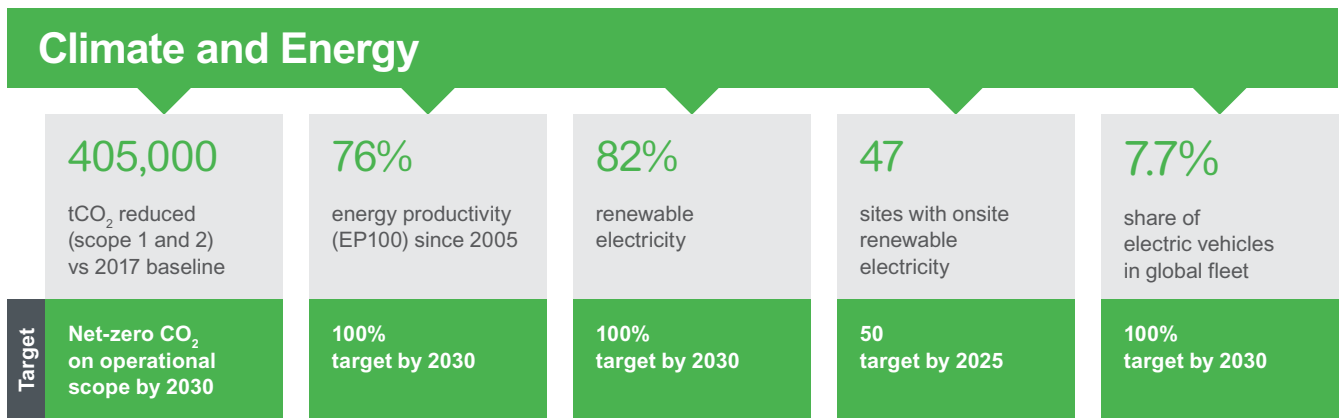
**416M** hectares of US forest

Innovation At Every Level

<b>Apps, analytics and services</b>	Leverage IOT data to identify additional energy efficiency opportunities, increase the lifetime of assets, optimize maintenance services and boost demand flexibility.	<b>CO<sub>2</sub> savings in the ecosystem</b> Example: power purchase agreements (PPAs)	
<b>Edge control</b>	Manage on-site operations, with day-to-day optimization of energy consumption through remote access and advanced automation.	<b>CO<sub>2</sub> savings in infrastructure (building or industrial process)</b> Example: Building Management System (BMS)	
<b>Connected products</b>	Connected products are eco-designed to improve their efficiency and deliver electricity savings.	<b>CO<sub>2</sub> savings at product level</b> Example: high efficiency UPS Uninterruptible Power Supply and Transformers	

## 4 Decarbonizing our operations by 2030

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



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

Schneider Electric leverages the power of its EcoStruxure™ architecture to deliver energy savings and uses its own sites as showcases for customers and business partners.

In smart factories and distribution centers, the Group implements the three-layer EcoStruxure™ architecture, with connected meters and sensors to monitor energy consumption and quality, Edge Control Power Monitoring software to optimize daily operations, and analytics and services to benchmark performance and optimize energy and maintenance. Asset Performance Management also enables the Group to optimize operations and maintenance, for maximum uptime and longevity.

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

In offices, Schneider Electric's EcoStruxure™ solutions Building and Workplace Advisor enable analytics of BMS data alongside space, utilization, and comfort metrics. These smart solutions enable the Group and site leaders to actively benchmark and develop occupancy and facility management strategies to ensure continuous right sizing of its footprint and site occupation to keep energy consumption and resultant emissions to a minimum, while reducing costs and improving employee experience and comfort.

#### Spotlight: IntenCity R&D Center, Grenoble, France

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

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

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

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



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



Global, regional, and site energy reporting is delivered with the EcoStruxure™ Resource Advisor software suite. EcoStruxure™ Resource Advisor provides a data visualization and analysis application that aggregates volumes of raw energy data into actionable information. EcoStruxure™ Resource Advisor is a cloud-based software as a service (SaaS) model, it provides reduced solution costs, increased data storage capacity, and a flexible and mobile energy solution enhanced by Schneider Electric expert services.

The Group is a member of EP100 (Energy Productivity 100), a Climate Group initiative. Its target is to double energy productivity by 2030 against the 2005 baseline, meaning double the economic output from every unit of energy consumed within 25 years. In 2021, the Group achieved 76% energy productivity (against a 2030 target of 100%) compared against 2005.

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

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

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



## CLIMATE GROUP EP100

### 4.2 RE100: switch to 100% renewable electricity by 2030

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

This commitment entails many benefits. First and foremost, going green is deeply aligned with the Group’s strategy. Schneider wants to be one of the corporate players who shape the future energy landscape, having its own sites producing and consuming renewable electricity. Second, renewable sourcing is an important pillar to drastically cut down CO<sub>2</sub> emissions from the Group’s operations, following a 1.5°C trajectory in line with Science-Based Targets. Third, because it makes good business sense. In a lot of cases, renewable supply enables savings on electricity costs. It is also a way of diversifying energy supply risks and reduces exposure to the volatility of market prices. Also, in some developing countries, microgrid technologies coupled with renewables can enable the securing of power supply and reduce downtime risks. Fourth, because the Group wants to demonstrate the value add of its own technologies and solutions, by showcasing EcoStruxure™ Microgrid IoT architecture on its own sites. Sites leverage Schneider Electric’s connected inverters, Molded Case Circuit Breakers (MCCB), and transformers to connect on-site solar panels to the grid and use the energy and microgrid software to manage energy production and consumption. Schneider also leverages the expertise of the Sustainability Business consulting teams to deliver this transformation.

**Resources**

**SSE #5**



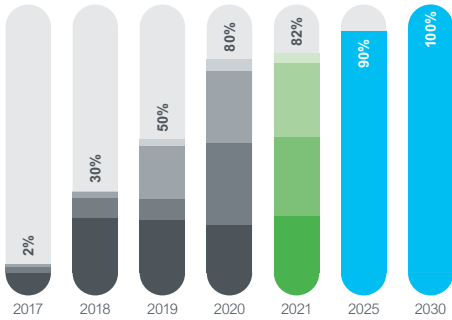
**15% energy efficiency in our sites**

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

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

Baseline	2021 Progress	2025 target
0%	6.6%	15%

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



- NAM
- Europe
- APAC
- Rest of the World
- Target

## RE100 CLIMATE GROUP

In 2020, Schneider Electric was recognized as the 2020 Clean Energy Trailblazer by Climate Group's RE100. This was the first year of the RE100 Leadership Awards, which recognizes companies going above-and-beyond to accelerate a clean energy future. Schneider was awarded the honor based on its wide-ranging commitments, including the Company's own CO<sub>2</sub> reduction targets, CO<sub>2</sub> savings delivered by EcoStruxure™ technologies to customers, clean energy advisory services, and its Access to Energy program, which provides energy access in underserved communities globally.

Climate  
**SSE #3**

**90% of electricity sourced from renewables**

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

Baseline

80%

2021 Progress

82%

2025 target

90%

## 4.3 EV100: Shift 100% of company fleet to electric vehicles

As part of Schneider Electric's climate strategy, we investigate opportunities to improve the accessibility of sites, with commuting shuttles, secure bicycle storage, personal lockers and changing areas, and pedestrian-friendly access paths connecting to local routes. Schneider also promotes flexible working to avoid thousands of unnecessary or avoidable trips generating travel-led emissions by enabling employees to connect remotely, to work from home, and at customer sites.

At the end of 2019, Schneider accelerated its efforts to cut CO<sub>2</sub> emissions from transport with the commitment to switch to 100% electric cars by 2030. By 2025, Schneider Electric aims to switch one-third of its corporate car fleet. The Group demonstrates this commitment by being a member of EV100, a global initiative bringing together forward-looking companies committed to accelerating the transition to electric vehicles (EVs) and making electric transport the new normal by 2030. At the end of 2021, 7.7% of the Group's corporate car fleet was comprised of EVs.

## CLIMATE GROUP EV100

Resources  
**SSE #7**

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

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

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

Baseline

1%

2021 Progress

7.7%

2025 target

33%

### 4.4 Zero-CO<sub>2</sub> Sites

The path towards net-zero CO<sub>2</sub> emissions in operations by 2030 will require more than just renewable electricity. While many applications can be electrified, some applications do not, and may not in the near future, have electricity-based alternatives. As such, Schneider Electric has begun identifying applications on sites that currently have electrification alternatives as well as those which will require the use of fossil-free fuel solutions.

This effort has resulted in the Group newly embarking on its journey towards Zero-CO<sub>2</sub> Sites. The ambition is to source 150 sites with fossil-free energy (e.g., renewable electricity, biofuels) by 2025. But it's not enough to just use renewable energy; it remains critical to maintain energy efficiency. That's why the program also requires digital energy monitoring. For large sites in particular, this means installing connected meters on the site's significant energy uses and connecting them to systems like EcoStruxure™ Power Monitoring Expert, EcoStruxure™ Resource Advisor, or EcoStruxure™ Building Operation to ensure real-time monitoring of energy which allows for active energy management and efficiency.

**Climate**

**SSE #1**

7 AFFORDABLE ENERGY

9 RESPONSIBLE CONSUMPTION & RESPONSIBLE PRODUCTION

11 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

**150 Zero-CO<sub>2</sub> sites**

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

For sites that have achieved the Zero-CO<sub>2</sub> site status, they were able to reduce 43,000 tonnes of CO<sub>2</sub> in 2021.

Baseline	2021 Progress	2025 target
30	<div style="background-color: #27ae60; width: 100%; height: 10px; position: relative;"> <span style="position: absolute; left: 15%; top: -10px;">51</span> </div>	150

### 4.5 Reduction of SF<sub>6</sub> emissions

SF<sub>6</sub> gas has excellent insulating properties which have historically helped ensure the safety and quality of certain Schneider Electric products. However, SF<sub>6</sub> gas has a Global Warming Potential (GWP) 25,200 times higher than CO<sub>2</sub>, making it one of the highest GWP gasses. As such, Schneider is innovating its offers to move away from SF<sub>6</sub> gas (SSE #2: 100% substitution with SF<sub>6</sub>-Free medium voltage technologies by 2025). In 2021 the promises from Schneider to deliver new SF<sub>6</sub>-free medium voltage switchgear became a reality with the installation of innovative products on several customer sites. 2021 was the year of the industrialization of several new product lines, free of SF<sub>6</sub>, to prepare the full commercial launch of this new generation of products.

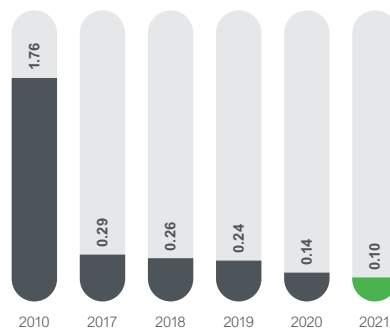
In the interim, all Schneider manufacturing plants and R&D laboratories handling SF<sub>6</sub> gas in their processes are actively reducing, as much as possible, SF<sub>6</sub> leaks and emissions during the different phases of their activities. A worldwide community of SF<sub>6</sub> experts are sharing best practices for processes, including procedures, equipment, and training.

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

This technology allows for continuous measurement of SF<sub>6</sub> concentration in enclosures around devices and piping networks. In the event of any deviations, an alarm notification is automatically sent to maintenance teams. Additionally, the seal testing processes of the products are mainly done with helium instead of SF<sub>6</sub>. This method ensures that no emissions are coming from non-compliant enclosures during the production time.

Thanks to this global activity and to the commissioning of efficient equipment, Schneider has exceeded the 0.19% target set for 2021. The Group achieved 0.1% leakage rate globally in 2021, systematically decreasing from 4% in 2008. This SF<sub>6</sub> leakage reduction enabled savings of 11,400 tonnes of CO<sub>2</sub> equivalent in 2021 versus 2017.

Annual SF<sub>6</sub> leakage rate



**Climate**

**SSE #2**

9 RESPONSIBLE CONSUMPTION & RESPONSIBLE PRODUCTION

13 CLIMATE ACTION

**100% substitution with SF<sub>6</sub>-free medium voltage technologies**

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

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

Baseline	2021 Progress	2025 target
0%	<div style="background-color: #27ae60; width: 100%; height: 10px; position: relative;"> <span style="position: absolute; left: 38%; top: -10px;">38%</span> </div>	100%



## 5 Decarbonizing our supply chain by 2050

Decarbonizing the world at scale, in line with the conclusions of the Intergovernmental Panel on Climate Change (IPCC), requires immediate collective action. Schneider Electric is committed to engaging its suppliers towards net-zero CO<sub>2</sub> emissions by 2050, and is already taking concrete action, through its Zero Carbon Project for the next 5 years.

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

### 5.1 The Zero Carbon Project

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

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

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

The fundamental tenets of TZCP include:

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

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

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

#### Partnership and collaboration

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

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

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

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

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

#### Calculating GHG emission reductions

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

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

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



## 5.2 CO<sub>2</sub> efficiency in transportation

Schneider Electric uses a robust transport network to connect its factories and distribution centers, and to deliver to its customers. The related CO<sub>2</sub> emissions are part of the scope 3 emissions of the Group's carbon footprint, as this activity is performed by transport suppliers. From 2015 to 2017, CO<sub>2</sub> emissions intensity from transportation was reduced by 10%. The 2018-2020 Company program aimed to further reduce CO<sub>2</sub> intensity in transportation by 10% in 2020 compared to 2017. By the end of 2020, performance compared to 2017 regarding transport-related CO<sub>2</sub> emissions had decreased by 8.4%.

With Schneider Sustainability Essentials 2021-2025, the Group aims to further reduce CO<sub>2</sub> intensity in transportation by 15% compared to 2020, or a 3% reduction year on year (SSE #4).

For 2021, unprecedented shortage in materials and components sourcing, coupled with lower reliability and availability of transportation means, led to an absolute CO<sub>2</sub> emissions increase in freight paid by the Group of 24% (compared to 2020), yet a 1% increase in CO<sub>2</sub> intensity only.

Building on the work done in prior years, Schneider will be further enhancing its CO<sub>2</sub> reporting capability in 2022 to not only report on freight CO<sub>2</sub> footprint but to facilitate engagement with transport suppliers on continuous improvement.

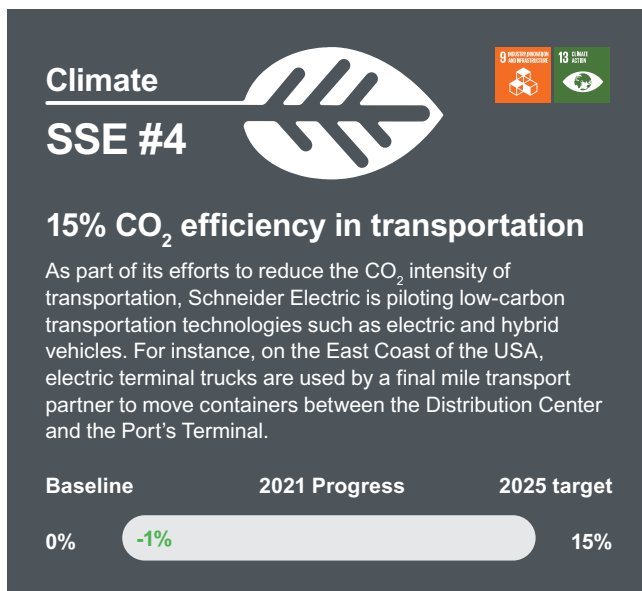
Collaborative engagement with the Group's transportation suppliers will continue, focusing on the pillars of optimizing existing transport footprint, as well as supporting and piloting advanced low carbon transportation technologies across all transport modes – air, sea and road freight.

Some evidence of Schneider initiatives to mitigate the impact of transport-related CO<sub>2</sub> emissions include:

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

## 5.3 Green materials

Purchases are responsible for the largest share of Schneider Electric upstream Scope 3 CO<sub>2</sub> emissions. Schneider has committed to increase green materials in products to 50% by 2025, and tracks progress quarterly under Schneider Sustainability Impact (SSI #4). While this program does not focus on CO<sub>2</sub> only, but also mitigates other environmental impacts such as resources, biodiversity or toxicity, this initiative will contribute to reduce the Group's Scope 3 supply chain emissions, in line with its 1.5°C carbon pledge. To achieve this ambition, Schneider will participate actively with industry leaders in dedicated working groups to become a change agent of the low-carbon economy while enhancing the traceability of materials. At the end of 2021, 11% of materials in scope where qualified as "Green".



## 5.4 SF<sub>6</sub> Recovery services

Sulfur hexafluoride (SF<sub>6</sub>) is a gas with high dielectric (insulation) strength, and it has been widely used for building switchgear – especially medium voltage gear – for the past 30 years, as it allows to reduce the size of electrical gear.

The electric power industry uses roughly 80 percent of all SF<sub>6</sub> produced worldwide, and the global installed base is still expected to grow by 75% by 2030.

In 2013, Schneider Electric started offering its customers a seamless service for the removal and/or recycling of obsolete equipment called “SF<sub>6</sub> recovery services”. Today, recovery services are available in France and 10 other countries; the customer support is under development to propose a model adapted to the different markets in different countries all over the world.

The ambition is to offer recovery services to any SF<sub>6</sub> Schneider legacy by 2025.

The recovery service allows Schneider's customers to dispose correctly of their machinery, against a green disposal certificate, thus granting them peace of mind. The service consists in collecting the equipment and, together with our partners, dismantle and reuse, recycle or dispose of all the components (such as metals or thermoplastics) appropriately. Specifically, SF<sub>6</sub> is extracted from machines and sent to a specialist company for regeneration and destruction.

## 5.5 Green information technology (IT)

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

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

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

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

Carbon footprint reduction is an integrated requirement for the IT vendor selection processes. Consequently, new PCs are up to 40% more energy efficient and have a 50% lower carbon footprint than the corresponding end-of-life equipment to be replaced. Shifting demand to standardized PC models has resulted in an estimated 1,000 tonnes of avoided CO<sub>2</sub>/year in 2020. Setting ultra-small form factors as the default PC choice has also resulted in further CO<sub>2</sub> avoidance of more than 1,500 tonnes per year.

Additionally, upholding the Group's IT vendors to sustainability requirements, the annual 2021 CO<sub>2</sub> emission avoidance reached the level of 1,300 tCO<sub>2</sub> and 180 MWh of energy consumption.

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

By using leasing services (mainly in Europe and North America), donations, and offering an Employee Purchase Scheme (mainly in Asia Pacific and China) a second life is made possible for retired PCs. Refurbishing IT devices to give them a second life can extend their lifespan by several years. Extended lifespan implies a decrease of the weighted yearly carbon footprint by over 50% through the amortization of embedded CO<sub>2</sub> emissions over time.

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

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

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

Optimization of the Group data center footprint is achieved via its sustainable-first hybrid IT strategy. This was performed using two levers in 2021: the rationalization of on-premise servers and the move towards cloud. This switch has continued, partnering with providers who have made commitments in terms of sustainability and carbon neutrality. Thanks to that particular effort, the Company cloud infrastructure footprint increased by 25% in 2021, and over 80% of its server infrastructure has been virtualized. In addition to that, on-site servers were rationalized, thus saving about 1,300 tonnes of CO<sub>2</sub> in 2021.

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



The hosting of the Schneider Infrastructure for Europe & Global applications is provided by IBM for both its Montpellier and Grabels data centers. Both locations are ISO 14001 and ISO 50001 certified for the environmental management of IT. Those two IBM data center sites hosting Schneider workloads were awarded by the European Commission Participant status in the EU Code of Conduct (CoC) for Energy Efficiency in Data Center program.

Thanks to the rationalization of the Group's application landscape, 380 applications were decommissioned in 2021, allowing Schneider Electric to reduce data center footprints, as those applications are replaced with applications running on more efficient infrastructures.

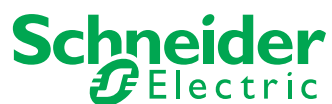
Regarding the network footprint, as the move towards cloud influences network energy consumption itself, Schneider Electric has implemented initiatives to optimize application hosting between edge and the cloud. A standard hybrid architecture, allowing local hosting on virtual machines for network intensive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

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

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



Life Is On



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