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**Amitabh Kant** *Government of India - G20 Sherpa*

## PRESENTATION

**Amit Bhalla** - *Schneider Electric SE - Senior Vice President, Head of Investor Relations*

Hello, everyone. Big welcome on behalf of all of Schneider Electric. To all of you here, welcome to India. For those who are watching us live or recording, welcome to you as well.

We've been thinking about this potential event in India for a few years now because we had the transaction with L&T several years ago, as you remember. I am so happy that we now have the chance that we are all over here, and we have an exciting 1.5 days for you.

I know some of you are probably visiting India for the first time and several of you have probably been here before, but with a little bit of a gap. But I hope that during your time here in India, you'll be able to feel the energy, the dynamism, really the aspiration of a people of a country that's clearly on a path of acceleration. You probably already noticed just on your way from the airport, or if you're staying in the hotel and just look outside the window, what I'm talking about. The development and everything that you see is quite present.

So I think what we're going to do now is we have two sessions today. I know all of you are quite keen to hear from Olivier, but we'll get to that in just a few minutes. But before that, we have the real treat -- in fact, the honor -- of having our special guest with us today, and I'm going to introduce him now.

So Mr. Amitabh Kant has kindly here to join us. And Mr. Amitabh Kant is India's G20 Sherpa. And previously, he was the CEO of NITI Aayog. And for those of you who might not know, that's equivalent to the planning sort of commission. It's the think tank of the government of India.

And a lot of the policies that we all, overseas, sit and attribute and discuss and talk about, he has really been somewhere in the cockpit. He's the architect of several of those. We talk about the Make in India. You talk about the Incredible India campaign. And even -- he's got a strong, strong career of several decades in the Indian civil services and he's done a lot. So at Schneider, of course, we talk about being an impact company and making impact. Here's a gentleman who's actually made impact on the ground.

So Mr. Kant, thanks so much for being here with us. The audience and ourselves will all benefit to get some perspective from you, from a policymaker standpoint, in terms of where India is today and what is there to be expected in the years to come.

So thank you, sir, and welcome to the stage.

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**Amitabh Kant** - *Government of India - G20 Sherpa*

Thank you very much, Olivier, and all the distinguished guests who have joined us from different parts of the world.

Let me begin by an American humorist, a writer, a journalist, and a humorist, Mark Twain, who visited India for a long period of time and said that India is the cradle of human race, it's the birthplace of human speech, it's the mother of history, it's the grandmother of tradition and the great grandmother of legend. He said this at a point of time when India was still colonized.

In 1700, when India got colonized, India had a 24% share in global GDP. According to Madison estimates, by the time it became independent in 1947, India's share had shrunk to less than 5% of the global GDP. So in 250 years of colonial rule, from a quarter of a global GDP share, India has had moved to the margins of the global economy. And today, actually, India is the fastest growing large economy in the world, and in many ways, India's story is a story of getting back to where it was around the time when it had got colonized.

Now, India last year has grown at 8.2% and it overtook UK to be the fifth largest economy in the world. From 1947, when it moved away from British Raj, India moved into a licensed Raj regime. And until 1991, India actually grew and progressed under a very controlled socialistic regime. And the first set of reforms came in 1991. But a huge web of regulations really remained in many ways which controlled and cabined the private sector.

Until a decade back, India was termed as a fragile five. And the last decade has seen India moving from the fragile five to the top five. What has India done to move from the fragile five to the top five? And what are the challenges in its growth story? Let me dwell on this.

First and foremost, I think India has carried out a range of structural reforms in its economy, first and foremost of which is the goods and services tax. That is, this GST replaced 28 taxes and 18 CESs and is one tax across the economy. And this has seen the acceleration of the collection of GST by the government of India and which has continued to grow at rates of 15% to 20% month on month in recent times.

The second has been the insolvency and bankruptcy code because India was a socialistic regime, there was no insolvency law, and there was a lack of credit discipline so private sector could borrow money from public sector banks not repaid back and there was a lack of credit discipline. The Insolvency and Bankruptcy Code has brought all that to an end. When this act was enacted, India faced a twin balance sheet problem. The balance sheet of the banks had a number of huge amount of non-performing assets and the corporate balance sheet had huge debt. All that has been set right. The banks are in the healthiest position right now and the corporate balance sheets are booming.

The third has been the Real Estate Regulation Act which has brought discipline in the real estate sector because the Indian builders would take money from middle class families and not provide houses. The regulatory framework has brought a huge amount of discipline.

The fourth has been about three years back, India reduced the corporate taxes, brought them on par with the best corporate tax regime in the world. And the fifth has been a huge focus on ease of doing business. So India scrapped the range of rules, regulations, procedures, acts. It has scrapped close to 1,700 laws in this country. It started doing competition between states, and the first year we did this, Gujarat came number one, next year Andhra beat Gujarat, the third year Telangana beat Andhra and Gujarat.

But the good thing was that the mineral-rich states of Jharkhand and Chhattisgarh were 24th and 25th; they carried out vast reforms and moved to the 4th and 5th position. So there has been a huge focus on ease of doing business. So the first and foremost has been a huge focus on structural reforms.

The second has been the focus on digitizing India. India is the only country in the world where everyone has a digital identity. Every Indian has a digital identity. It is called the Aadhaar. Between 2015 and 2017, India opened up 550 million bank accounts. 55% of the bank accounts were opened in India. Every second bank account across the world was opened in India, and then we seeded these bank accounts with both the digital identity and the mobile number of the individual.

This led to Indians doing fast payments. All Indians now use their mobile to do fast payments. Last year, we did about 125 billion fast payments. We did 50% of the real-time fast payments in the world. This is the highest in the world. The China was second with 22%.

As a consequence of the fast payment, a number of our startups -- MobiKwik, Pine Labs, et cetera -- started looking at the payment history and started providing credit. And then, there were a number of startups like Zerodha, Groww, Upstox, which took the stock market and wealth creation to Tier 2, Tier 3 cities and rural areas. And therefore, today, these young startups control 30% of the stock market in India. And then, there was a number of startups like Digit, Acco, who took insurance to Tier 2, Tier 3 cities and who can do all this from fast payment to credit to stock market to insurance all within 30 seconds and one minute on your mobile, 30 seconds to one minute.

I have not been to a physical bank or an ATM machine or used my credit card for the last 4.5 years. My mobile is my virtual bank. The only time I've used my credit card is when I was visiting my daughter in San Francisco to hire a taxi. And therefore, what Indians have done is that for them, every transaction is done within 30 seconds to one minute, and the cost of transaction has fallen from about what the World Bank says from about close to \$25 to less than \$0.15. And that is why a new company like Reliance Jio could acquire close to 450 million customers in India within a period of 10 months.

When I was a young officer and I was working with fishermen in Kerala, know your customer opening a bank account for a fisherman used to take me eight to nine months. Today, we do it in less than a minute. That has been the technology and the digital story of India.

And this is the story because this is all open source. This is open API. This is globally interoperable. You can use an UPI from Eiffel Tower in Paris to Singapore. And India is the only country where phone pay competes with Google Pay, Paytm competes with Amazon Pay. And on the top of the public layer, the private sector is competing.

And therefore, what the Bank for International Settlements in its research said that what India has achieved in seven years would normally have taken India 50 years to achieve. And that is why during the COVID period, India could do 2.2 billion COVID vaccinations, all digital, no paperwork, all on the mobile. India today puts money into the bank of beneficiaries without leakages in 700 schemes of its government schemes. And during the COVID period, it could put money into the bank account of close to 900 million people.

In America, 22% of the checks came back, but in India, nothing of that kind happened. It was all digital transaction without any leakages. So to my mind, the real story of India is the digital story of India and the digital transformation and the leap frogging and the clubbing of leakages as it's happened.

The third big story of India has been the story in the last seven to eight years is the story of infrastructure creation. So in the last eight years, India has built about 40 million houses. 40 million houses is like making a house for every single person of Australia; that's more than the population of Australia. India has actually built a complete Australia within India.

It's provided 130 million Indians toilets and done a huge extension program for behavioral change for a movement called the Swachh Bharat that is cleaning up India, and 130 million toilets means that actually we've provided toilets to the entire population of Germany. That's the size and scale to what India has done, and we've provided piped water connection to 253 million Indians.

We've also provided 30 million Indians with electricity connection and the government's aim was to provide housing, water, electricity connection to every single Indian household. It has also built about 88,000 kilometers of roads, 88,000 kilometers of road, and that's like four times -- 4x the roads which India already had, it's done in the last eight years, 88,000 kilometers of road. So the Indian government took its CapEx spend from close to 1% to 4.5%. And it said that it will drive the infrastructure creation of India, and in many of these cases, it is now putting out much of this infrastructure for private sector operation and maintenance.

And the fourth big thing that's happened in India is the story of going green and energy transition. India during the last eight years has built 200 gigawatt of renewable energy. It brought down the price of renewable energy from close to INR24 to INR1.99 -- that is INR24 to INR1.99 through transparent competitive bidding -- and it provided LPG connection, cooking gas connection to 110 million women who used to burn firewood and spoil their health, 110 million, and this is a big story which is not told but it has transformed the lives of women in India to 110 million LPG gas connections.

India has also used its size and scale to procure 470 million LED bulbs and brought down the price to 15% of what its price was, and then it went in for a electric bus tender where it procured 600 buses -- 6,000 buses for six cities of India. The next tender is for 10,000 buses, the third is for 30,000 buses, and India's aim is to build 100,000 electric buses in India and transform the transportation system to electric buses and make India the center for making India buses, all electric buses.

Today, India is a very major importer of fossil fuel. It imports worth about \$170 billion worth of fossil fuel. Our aim is to use the climatic conditions of India to use renewables, produce 500 gigawatt of renewable energy by 2030, use renewable energy to crack water, and produce green hydrogen

at the lowest cost. India is climatically blessed, and our aim is that by 2047, India should be the largest producer of green hydrogen and the largest exporter of green ammonia in its -- that is green hydrogen in its liquid form and be the largest manufacturer of electrolyzer, and that is move away from fossil fuel to clean energy by 2047.

Now, all this is happening because our vision is that India must be the first country in the world to industrialize and urbanize. And we are at the beginning of that phase and India will be urbanizing for the next five decades, India will be industrializing for the next five decades that India must be the first country in the world to industrialize and urbanize through a process of decarbonization.

Our view is that net zero is net positive, and our view is that it is possible because of India's size and scale to be able to procure LED bulbs or buses, electric buses to be able to bring down prices sharply as we have done in many other cases, and unlike what many other commentators have said or Bill Gates has said that when you move from fossil fuel to green energy, you have to pay a green premium. What India has demonstrated that if you do it with size and scale, you are able to pull demand and bring down the cost and you actually can do it at a green discount. So for us, green discount is possible; for us, net zero can be net positive. So that is the fourth story of India.

And the fifth, to my mind, is that India believes that it is possible to grow and expand in the coming years if you are able to get into cutting-edge areas of growth. And therefore, India has launched several missions, one of which is a national mission on artificial intelligence; the next of which is a national mission on quantum computing; the third is a national mission on semiconductors and much of the designing of chips happens in the city in which you are, Micron and many other companies do chips designing here; and the fourth is a mission on green hydrogen. So these cutting-edge missions will take Indian economy forward and disrupt it in many ways for the green transition areas.

Now, as India continues to grow, the Prime Minister of India, Mr. Modi, has put out this vision with the cabinet that India's vision should be to be a Viksit Bharat. Viksit Bharat means a developed economy by the time it becomes 100 in 2047. And this means taking India's economy from a \$4 trillion economy to a \$30 trillion economy and taking the per capita income from USD3,000 to USD18,000 by 2047. A \$30 trillion economy and an \$18,000 per capita income, which means that your GDP must grow 9x, your per capita income must grow 8x and your manufacturing must grow 16x. That is the challenge before India.

Now, this is the vision for 2047. You may be the third largest economy in 2027, but the challenge is to look at 2047 when India becomes 100, become a \$30 trillion economy, make your GDP grow 9x. And for that to happen in today's world, what are the challenges India faces?

And the key challenges to my mind are that first and foremost, there is a challenge of geopolitics that you have the relative period of stability between World War II and now in the heart of Europe has come to an end. The First World War was fought in Europe. The Second World War was fought in Europe, and you now have a conflict in the heart of Europe which has gone on for about three years.

You have about 55,000 people dying in the Russia-Ukraine war, but you have a huge humanitarian crisis in the Middle East with over close to about 350,000 people dying in a much shorter period of less than a year. So you have a massive Middle East conflict and you have a huge challenge there. You have a challenge of China saying that it will pursue a One China policy even if it means use of force, and therefore, many countries foresee a conflict in Asia in due course. And therefore, the period of long stability of growth has come to an end and you have challenges of geopolitics.

The second key challenge to my mind in this long spurt of growth for a democracy like India is that when other countries were growing, when Japan grew in the post-World War II, when Korea grew, or when China grew in recent times, there was free trade prevailing in the world. They could penetrate global economies. Now, the global supply chains have been disrupted and many of you have seen America imposing 100% duty on Chinese electric vehicles, 50% on solar parts and 25% on steel and aluminum, and Europe following that with 45% duty in response to what they say that China is overproducing for the world and that Chinese overproduction is backed by Chinese state support. So the global supply chains are badly disrupted at the moment, and this, to my mind, will be a key challenge.

The third key challenge will be that you see new technology coming in. You've seen artificial intelligence, quantum computing, machine learning, all this will drive production, productivity, growth. They have the ability to transform lives of citizens across the world, but they would also require much like nuclear technology, the basic assumptions on which they are based, they have the potential to trigger conflicts among societies. And therefore, you need international norms and regulations that cannot be done by one single country; it needs to be done internationally like in the

case of atomic weapons. And therefore, that will be the third key challenge for the global society. So those, to my mind, are the international challenges.

Within India, there are challenges; and the challenges, to my mind, is that first and foremost that India still, even at this rate of 8.2% last year's growth, 8.2% last year's growth has grown at those rates for the last two, three years, India still only grows on 50% of its population, just 50% of its population.

The other 50% of the population are either wage earners or they live in government subsidies. And that if India has to sustain this growth over a three-decade period, India needs to convert these 50% people into -- from passive wage earners to active, very active contributors to India's society. And that's what India is doing through a range of schemes like Make in India, Startup India.

Many of these schemes which the government is driving today are improving literacy or health standards or improving nutritional standards are to ensure that these 50% of the people become the main drivers of India's growth story. And therefore, if India is to grow on a sustained basis for a three-decade period, this is, to my mind, critical.

The second is that India still now has grown largely on the back of services sector. If India needs to grow on a sustained basis, then you need to fire on all cylinders. You need to fire on manufacturing, which contributes about 17.5% to India's GDP but needs to contribute 25% of India's GDP.

And therefore, the government has supported size and scale in manufacturing through a scheme called the Production-Linked Incentives Scheme, which has led to Samsung, Apple, many companies producing in India to get the size and scale, go bigger and bigger and bigger and bigger for the next five years, and the government said it will support it. So the Production-Linked Scheme is aimed to get the size and scale in manufacturing.

And India needs to fire not just on manufacturing but on urbanization and on enhancing agriculture productivity by focusing not merely on agriculture but on value addition in agriculture, on fisheries, on dairy, and many of these areas. And that, to my mind, are the challenges for India to diversify its economy from just services to manufacturing to agriculture to urbanization.

The third key challenge, to my mind, for India domestically is to ensure that it does sustainable urbanization. Many of you have come to Hyderabad for the first time, and you should travel around Hyderabad, and this is a story of rapid urbanization in India. Many cities in Gujarat, Tamil Nadu, Andhra, Telangana have urbanized at a very rapid pace, and this is going to happen in every single state of India. India is going to see 500 million Indians getting into the process of urbanization in the next five decades.

Now, 500 million Indians getting in means the challenge for India is to create two Americas and create a Chicago every five years. And therefore, planned sustainable urbanization with clean energy, with water recycling, with public transportation is critical and important, and urbanization can be a very big driver of growth. Well-planned, well-managed urbanization can create vast jobs. It can be the center for growth, for prosperity, and therefore, sustainable, good urbanization on the back of public transportation will be critical for India.

And the fourth key challenge to my mind is that if you look at India's growth story, India grows on the back of some states. It grows on the back of Gujarat, Maharashtra, Andhra, Telangana, Tamil Nadu, the southern part of India. You need the eastern part of India and you need the populous parts of India -- Bihar, UP, Chhattisgarh, Jharkhand -- all to grow at rapid pace. These are the mineral-rich states of India.

And once they start growing, you will see the growth growing from 8% to 12%, and that is important because they are the populous parts of India. So if Uttar Pradesh was to be a country, it will be the sixth largest economy in the world, sixth largest country in the world. And therefore, these states need to grow and that will call for a huge focus on good governance in some of these states, which is now beginning to happen, which is now beginning to happen in some of these states. So these, to my mind, are some of the key challenges which India faced with internationally and domestically as it starts its long spurt of growth.

But I am, despite telling you all these global challenges and domestic challenges, a great believer that this is not merely India's decade, but this is India's century in many ways. And this is India's century because the average age of an Indian is 29, and by the time it turns 100 in 2047, the average

age of India will still be 35. So it is passing through a demographic shift which rarely happens in history and rarely does a country not create wealth when it is going through this baby boomers phase.

And therefore, there are low dependency burdens, and India must create wealth during this period. And to my mind, the predictability and consistency of policy and the faith that the private sector must create wealth and the government must remain only a facilitator is the government's philosophy. So if you look at the last 8 to 10 years, the government has driven the digitization with the private sector. The government has kept its arms off businesses but said that it should be driven by the private sector, but the government should focus on improving learning outcomes and health outcomes. And therefore, this predictability and consistency of both policies and mindset, to my mind, will enable India to grow in the coming years.

I also believe that this is India's century because we are the only large economy in the world which is a \$4 trillion economy but is growing at about 8.2%. There will be ups and downs because of maintaining the macroeconomic stability to control inflation at times, but I'm very confident that growth will keep bouncing back because of demand factors.

India is also the only large economy in the world today which is building eight airports and three metro systems per year. And India is the only large economy in the world which is doing 30 kilometers of roads and about 12 kilometers of railway tracks every day, 30 kilometers of road and 12 kilometers of roads every day. And India is the only country in the world which has increased its solar energy 31x in the last nine years, 31x. No country in the world has done this.

And India is the only country in the world which does 50% of its fast payments on mobile real time. No other country does that. And my belief is that India has the ability to carry out population scale impact at low prices, which very few countries have the ability to do, and that's how it cracked renewable energy. And when it does that, when it is able to do population scale impact at low prices, it transforms not merely the lives of 1.4 billion Indians, but the next 4 billion people of the world will be moving from poverty to middle class in the next 1.5 decades of this world. And therefore, I'm truly a believer that despite global challenges, despite many challenges which are living, vibrant, dynamic, democracy like India faces, this will be not merely India's decade but India's century.

Thank you very much, ladies and gentlemen.

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**Amit Bhalla** - *Schneider Electric SE - Senior Vice President, Head of Investor Relations*

Thank you very much, Mr. Kant, for that insightful view around the policymaker's perspective. I think a lot of us would benefit to get a sense as to what's the thinking and the context behind a lot of the policies which are out there. You're right; you said that there's potential ups and downs, but the direction of travel is very clear. We appreciate that you were here today. I know you have a flight, but the longer you can stay, we would appreciate -- understand that you have to get back at some point as well.

Well, we keep moving things along. And one more -- well, one presentation now, one more important presentation which I know you've been waiting for. It's our CEO, Olivier Blum. I'll just take a few minutes to introduce Olivier. I think several of you have probably met him already over the years in some of his earlier affairs within the company, and he has obviously done a lot of the company, and if I might just give a few examples.

So of course, geographically and from the operations standpoint, starting from his home country of France and then spending many years in Asia, he was somewhere instrumental in the development of the business in China -- those were pivotal years -- and thereafter also actually spending five or six years in this country in India. So I think -- and we'll obviously hear a lot more about and deep dive into our business in India tomorrow, but really, the size and scale and the positioning that we have today, I think, Olivier was at sort of the forefront of that, the time when we had this rapid acceleration starting, I think, in the mid to late 2000s, 2007, '08, all the way through to 2014.

Olivier has also been instrumental in two other things in the company which at least I've witnessed myself in the last several years. One was around sustainability. You all know as to what -- how important sustainability is to Schneider. And Olivier was leading the charge, and you know about our Schneider Sustainability Index and impact that we have, the five-year program. And I do remember that Olivier took a lot of time to align all parts

of the business to ensure that the ambitions that we are setting and, in fact, we are in the middle of those right now, are challenging and have the support of all parts of the company.

And at the same time, he also was our Head of HR, which was very interesting because he brought the entire knowledge of the business and the technology into the HR business and also means that he knows the company very well and most of the leaders and they know him back as well. I'm sure I'm missing something. I think you did strategy as well. So I think -- and of course, most importantly in the last sort of three years has been leading successfully the energy management business as well.

So it's my real pleasure to bring on stage our CEO, Olivier Blum.

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**Olivier Blum** - *Schneider Electric SE - Chief Executive Officer*

Thank you, Amit. First of all, it's my pleasure to welcome you in India. We'll spend a lot of time later on today on India and two more. And Mr. Kant, thanks very much for being with us. You are probably one of the best persons that can explain to everyone what happened in this country in the past, what it is today, and what it is in the future.

For us, India is a very important country and we'll share more with you. And we also believe in everything that have been said before, and we see massive opportunities and you will discover how much we are committed to the development of that country. And it's very, very exciting to be together with you in India and talking about Schneider.

First of all, as far as I'm concerned, of course, it's a kind of special day for me. The first time I have the opportunity as a new CEO to host you, to give a keynote on what we see about Schneider. I feel very honored, and of course, I thank very much the Board of Schneider in trusting me in this new position.

I feel also very excited, a lot of responsibility, of course, but very exciting because this company has a unique positioning and that's what I'm going to, of course, describe to you today. And you know a lot already about Schneider Electric. And it's a very exciting time, of course, between the positioning of the company, the purpose that we have, the portfolio that we have created, and the geographical footprint that we have. We believe it's a unique time for our company.

Now, I'm sure a lot of you have some question. What's going to happen? Am I going to change everything? What is the positioning of the company? But I want to also come back on what Amit said. My life has been pretty much associated to the development of the company, so it's not that I'm new to Schneider. I've been leading the strategy, I've been leading business, I've been leading ESG, and I've been, of course, participating to what I'm going to share with you.

So I'm, first of all, extremely committed to the purpose and the mission of the company. It's not going to change. On the contrary, I do believe our positioning -- when we say our purpose is to create impact by employing all and make the most of energy and resources, bridging progress and sustainability for all, you can connect by the way very much to what Mr. Kant has said about India -- this purpose continues to be extremely relevant. It speaks a lot to all our stakeholders, to our customers, to our employees, and all our environment, and we are really, really committed to that.

The second point, which is very, very important, when we created a couple of years ago our mission to be a digital partner, a trusted partner in sustainability and efficiency, it's very, very important. We were one of the few companies in the world a couple of years ago to believe that the climate transition would be a must for every country in the world. And there would be no climate transition without any energy transition, and there would be no energy transition without digital.

And that's why we've created that position based on a unique portfolio to make sure we can help all our customers in every segment -- small, medium, large customers -- in all geography to go through the climate transition, to go through the energy transition, and bring efficiency in everything they do. So we are committed to that positioning, both on the purpose and the mission. And of course, what is the most important today is how we are going to accelerate the execution of our strategy.



Now, if you look at the trends, and it's very important that every year we refresh in front of you the view we have on what's happening in the world. You have already a lot of good insight from Mr. Kant about the way you see India, India versus the rest of the world. Of course, all those trends that we have explained to you one year ago in our Capital Market Day in Tottenham are still very, very true. There is no change.

We continue to see an acceleration of the climate transition, the energy transition, all of that being amplified in everything you see in digital. Of course, we'll talk a lot about AI, the opportunities we present for Schneider on the infrastructure side, but also how it helps Schneider Electric to amplify all the value proposition for our customers.

So when we look at all those trends that we've presented to you one year ago, we believe they continue to be a very natural driver to the expansion of our market, and we confirm that opportunity we see, which is an acceleration of our market by '27 in the range of 6% to 7%. So we continue to be very, very convinced that there is an acceleration in all our market.

Now, going a bit more in detail on what we see in the end market, we see that -- we continue to see a very, very strong dynamic with a double-digit growth on the data center and networks. That's something also we presented to you one year ago. On the other extreme, we see also on the infrastructure all the need that you need in power and grid because of electrification everywhere in the world, and these are going to be the two major drivers on the growth of our end market.

At the same time, in the middle, we continue to see very solid growth in buildings, both in home, commercial buildings. Of course, it will be slightly different geography by geography. We know that it's not going to grow at the same speed, but we believe it's still very good positive momentum in those markets together with the industrial sector. And as you know, the industrial sector was probably suffering a little bit in the past year, and we start to see early sign of recovery and we'll come back on that tomorrow. But we believe those two segments continue to be growth drivers.

So why I'm sharing that with all of you today is just to confirm that the long-term commitment we presented to you one year ago are still very valid. And we see for Schneider Electric an opportunity to deliver 7% to 10% growth through the cycle by '27 and to continue to have very strong and robust development of our margin.

So that's very important, and I wanted to start by that, sharing with you that the purpose and the mission is extremely relevant and continue to be relevant. We continue to see an acceleration of our end market, and we continue to see that the target we've shared with you to go through the next cycle one year ago are still very relevant for Schneider Electric.

The next point, which is very, very important, I would like to confirm that our capital allocation priorities remain the same. Number one, we'll continue to make strong investment in our credit ratings. We'll continue with a very progressive dividend strategy, which has been the case for the past 14 years. And also, we'll continue to fund our organic growth both on the supply chain side to continue to build capacity to support this important growth cycle, but also on the R&D side, and I'm going to come back on that one in a couple of minutes.

Last but not the least, we have a very strong practice at Schneider on portfolio management, so we'll continue to look at everything which is in our portfolio, making sure we have a very healthy way to manage our portfolio like we have done in the past three years. And at the same time, and I want to confirm that, we will look at opportunity, of course, of M&A whenever it makes sense.

But important point, which is mentioned on the slide, in all the growth ambition that we show to you by '27, they don't rely on major M&A activity in the next three years, but of course, we'll watch and we'll stay and we'll look at all the possible opportunity. So just to confirm that our capital allocation priority remains the same, we are committed to it and it's very, very important.

So what I would like to shift now is to tell you what are we doing to transform the company, what does it mean on the technology side, what does it mean on the customer side, what does it mean on the impact side, on the ESG side, but also on the people side. One year ago, we came in front of you to say we are transforming our company to be the industrial tech leader. It remains very, very relevant. And I'm not going to spend a lot of time to share tons of data on what we see in the market, but what I can tell you is what we see very, very, very clearly is an acceleration of this climate transition and energy transition.

As we used to say, some people are doing it on the long term to achieve their net zero goals, but at the same time, a very strong focus on energy everywhere in the world, on energy security, on how to save energy everywhere in the world. And we are absolutely convinced at Schneider Electric that it is possible to make it happen, it is possible to develop our customer, to make them more sustainable. And this combination of electricity and digital is the absolute solution. I'm sure you've heard it from Schneider Electric many, many times.

What I'm going to go through now a bit more in detail is how we make it happen and what is very different in the positioning of our company to make it happen for our customer. We see four key pillars in the way we drive the transformation of our company to deliver a unique solution to our customer. First of all, on the technology side; secondly on the way we are bringing that to our customer, the unique model we have to bring solution to our customer; the way we make Schneider Electric a very different company by being an impact company, so commitment we take for ourselves but being part of the solution for our customer; and last, the people side, which is very, very important because I do believe we have a unique way at managing Schneider Electric.

So let me go through the technology transformation. You've heard many times about our digital flywheel, and it's very, very important because it's not just something that we are showing to you; it's something that we are using internally to transform our company in the way we communicate with our salespeople, in the way we communicate with our people in technology. And it's very, very important because that represents how we are transforming the entire portfolio of Schneider Electric.

For those of you who have been following Schneider for many, many years, we've been very well known for our company having a huge portfolio of product and equipment. But all our strategy in the past 10, 15 years has been leveraging that unique position that we have everywhere in the world, dealing with customers everywhere in the world, how we can transform this portfolio to create more intimacy with our customer, to deliver more values to our customer through services, and also leveraging digital to generate more opportunity for our customer.

And we keep on looking at that flywheel as really the key metric on how we move our portfolio. And our ambition is to make sure that everything which is part of this digital flywheel should be in the range of 60%, 65% by '27. It's very, very important because we embark in that transformation all the business model of Schneider, so I'm going to talk in a minute about product, about equipment, services, about what we do also in system, in digital, but it's very, very important because we want to embark all the dimension of the company, all the entity of the company, because it requires a drastic transformation on the way we are developing our offer for our customer.

Of course, it has a very important benefit at the end of the day. It creates much more intimacy with our customer. It creates also much more recurring revenues with our customer on one side with what we do in our software portfolio, but also in what we do in digital services, which I'm going to explain a little bit more in a minute.

So now, if you go on the technology, what does it mean at Schneider Electric? We've presented to you that slide that we call the EcoStruxure stack, which is the way we explain to our customer if we were in front of a customer today, we'll explain how EcoStruxure is a unique set of solution that we can deliver in home, in building, in data center, in infrastructure, in industry. So EcoStruxure is basically developed from a technology standpoint for all different end segment, and the value problem we bring to our customer, of course, is different on all those end segment.

What we have created at Schneider Electric is a stack of technology from the products, which were historically not connected, to more and more connectable products, which are amplified through automation, and the path cycle that we have continued to amplify through services and digital. So that's something we've been presenting for a couple of years. It has been a massive transformation for our customer, but it has been a massive transformation internally.

So what does it mean from a technology standpoint? It means that we are making sure that we don't develop all the components of EcoStruxure in parallel universe. It's not possible anymore in the world of today, like we were doing probably 15, 20 years ago, when you develop a breaker and equipment on one side for low voltage and medium voltage, you develop a UPS on the other side, and then you think about services, and so on and so forth.

The way we are doing R&D at Schneider Electric, between industry automation and energy management, is to make sure that we look at all the components of our product development, of our R&D, to make sure that it makes a lot of sense for our customers. So you will see a couple of

examples later on. But from a technology standpoint, what does it mean? We want to make sure that every single product that we develop in the future is connectable, and of course ideally should be connected.

But what is more important is when those products are connected together, we want to make sure that the customer experience for the customer will be fantastic, which means that the gateway will have to be standardized to make sure they speak the same language to the customer. We want to make sure the user experience for the customer is a great user experience.

We want, for instance, to give you an example, to make sure all our assets, all our product equipment, they are serviceable by design. Fifteen years ago, we used to launch product, and five years later, we think about the serviceability of the asset. Today, we embark that up front in our R&D development. So what is very, very important, we want to make sure that everything we do in R&D between energy management and industry automation is connected to make sure, at the end of the day, it's easy for the customer to consume, it's easy to use, and that we deliver that unique value proposition segment by segment, customer type by customer type.

So what does it mean in the way we are transforming our portfolio? As I said, we continue to develop products which are more and more protectable. We put much more focus on all our automation activities in our portfolio. As you know, and we presented to you all our strategy in field services that we have in the past ten years to create more intimacy with our customer, to propose maintenance contract. But the next big way for us is to make sure those services are more and more digital.

And why is it possible? It's possible because when you sell assets which are connectable, it's very easy now to activate a services contract at the same time when you sell the equipment to the customer, which was not possible 10, 15 years ago.

The next thing which is important, we are not just selling contract for the sake of selling contract. We make sure that we have data which are relevant for our customer. We make sure that thanks to those data, we can provide preventive maintenance, for instance, to our customer. And you will see many example in the back tomorrow where we show you in a very concrete manner how we can extract those data and make them relevant to our customer.

Where Schneider, of course, is very, very different than the many other tech player is because we understand how things work. We know how it works in industry. We understand how it works in data center. We understand how it works in building. And we can make a lot of sense from the data. It's not only about extracting the data. It's making sure that we can compare, that we can amplify those data, thanks to artificial intelligence. And we can create a very different value at the end of the day for the customer.

And the last piece, of course, which was very important for us, is make sure that we don't stop only at that level, but that we create a very, very strong software platform, what we call CONNECT, our industrial intelligence platform, where we can connect all the software portfolio that we have at Schneider and go to the next level to the value prop to our customer.

What is very, very important at Schneider, historically, we like to present this EcoStruxure stack from the bottom to the top because that's a bit the story of the company. But what is very important strategically on how we position with our customer, you can enter in this EcoStruxure stack from every level. I can give you an example. We have developed probably, and you know that, strong consulting capabilities with our sustainability business.

So we do consulting at enterprise level to help large companies to build their net zero strategy. That's one way to enter, for instance, in a discussion with customer. We can enter with a customer in data center to design, co-design the architecture of the data center of the future with hyperscaler. We can enter through AVEVA One software. We can enter from the product side.

What is very, very important and the way we position Schneider Electric very, very differently, we want to make sure not only we provide a unique stack of solution to give the best value to our customer, but they can enter and work with Schneider on the different layers. And of course, our job at the end of the day is once a customer is with us, is to make sure that we can optimize and we can sell as much as possible from our portfolio.

And that's what we are doing with our geographical organization. Our job on R&D was to develop the platform. The job of our sales guy is to make sure that when they are in front of the customer, of course, they can make the most of that portfolio. And I'll give you a couple of example in a much more concrete manner on what we are doing. So just to summarize on this technology pillar, it has been really our focus and it continues to be our focus to make sure we transform our R&D to support the development of this EcoStruxure stack, which is very, very differentiated.

So your question could be, what have we done differently in the past years and what are we doing differently? I said already a little bit. We just make sure that we align all R&D organization to those strategic priorities. I've given already a couple of examples. It means that all our new R&D development should be very much linked to our sustainability priority. What does it mean? What is the Scope 3 upstream and downstream of a new product that we bring to the market? What is the environmental impact of those new products? What are the saved and avoided emissions that a new product can give to the customer?

Just one example. I've shared already about the serviceability of the asset, making sure that every R&D program start by what will be the serviceability of the asset. Going to the concept of circularity, you launch a new circuit breaker in the market, how can you retrofit eventually five or 10 years later this circuit breaker to create a loop of circularity? And of course, digital being everywhere because we don't imagine a world in the future where every single product could be connectable and of course connected ideally.

What is very, very important for a company like us is to make sure that we don't do R&D for the sake of R&D but make sure we bring the customer in everything we do. Three, four years ago, we launched this big agile transformation in R&D which is really one objective was to bring the customer much more in our discussion but also to create much more efficiency and agility in the way we do R&D.

Execution, I just mentioned it, the objective was really to make sure we go faster. We are in a market where we cannot wait for 10 years to bring a next generation of products, so the speed and the agility of execution was very, very important for us. And at the end of the day, we are still in a very competitive market. You are, by the way, in India which is an extremely competitive market so it's also very important in everything that we do in R&D that this design to cost, this cost obsession is very, very important from the development of products to the industrialization.

And to be very clear with you, we put a lot of rigor in performance management to make sure we maximize the return on investment. And when you see at the bottom of the chart, we have increased and we continue to increase our commitment in R&D, so we want to put more fund, more organic fund to support the R&D transformation of the company.

But it was super important for me, especially when I was leading in energy management, that we have very, very strong basics when it comes to performance management that we maximize the return on investment. It's not just by launching more and more products but making sure that it impacts strategically, but it delivers the right return on investment.

Of course, we've been working a lot also in the R&D on the resilience part of the agenda in the past year. Needless to mention to you that the COVID has been a big acid test on the way we maintain a very resilient company, working with our colleague Mourad also on the supply chain. And of course, the topic of global, local geopolitics is a very important topic for Schneider Electric, and we have always made sure that R&D and our supply chain can be as close as possible to the different market, what we call the multi-hub model, and I will explain later to make sure we can be very, very resilient.

And it's very, very important when you are a global company like Schneider. You will hear me a lot talking about global strategy, global strategic priority, the transformation have to be defined at the global level, a certain number of global priority also when it comes to resource allocation. But also the way we implement that strategy is to make sure that we are as close as possible to the different hub which are North America, China, international, which is led by India, and Europe. And it's very, very, very important for us because this is how you answer to the needs of the customer and how you make it happen.

And last but not the least, because sometimes there are people who are asking the question on what it is to be a global and local company. Well, we want to have this global strategy, but on the other side, we want to stick to the regional market. We want to make sure we have a certain number of fundamentals when it comes to platforming that we respect because there are sometimes some activities, some products where it's much better

to have a global platform to take three, four years to develop that global platform and then to go for a very fast implementation everywhere in the world.

You will see, for instance, our new Galaxy platform is a very good example of a new platform we built in the past three years. Now, we are ready for launch and we can adapt to the different geography and we go much faster when it's time to launch it everywhere in the world. So that notion of having global platform for local adaptation to adapt locally is very important in our overall strategy.

So first pillar which is very, very important to deliver that unique value of Europe to our customer, which is the cost structure, it's very important that we transform our R&D to make sure that from those products which are connectable to automation, to service, which are more and more digital, to software, we unify R&D and we align all the transformation everywhere in the world. For industrial Automation, for energy management, because when you go to EcoStruxure, the combination of the two is what makes Schneider Electric very, very different.

The second very important pillar of our strategy is around customer centric. I'll talk a bit later when I move to people about the unique model that we have on the people side, but unique model of Schneider, and you know it very well, we are very integrated company. We are very integrated company because we want to be one Schneider for our customer, one Schneider for our employees. But it's very important that when we face our customer everywhere in the market, our commercial organization can transform this unique technology stack that I talked about into something which is unique for the customer in different part of the world.

So what I'm going to walk you through is a couple of examples on how this strategy and this technology focus is translating and is hitting the ground in front of the customer. First of all, we keep on launching many, many new products everywhere in the world -- can be product, can be software -- and what is very, very important, as I said before, we don't want only those products to be connectable, but we want to make sure that they embed more and more AI capabilities.

What does it mean AI for a company like us? AI is a unique opportunity to amplify the value to the customer. It's to make sure that we can give more to the customer with the same product in the future and I will give you an example.

The third point which is very, very important, when we hit the ground in the different part of Schneider Electric, you know probably that we were, as I said before, a company long time ago which was very much focused on product which were sold to partner and we have developed a big part of the company which is much more end user focused. But it's very important for us that even if sometime, in some cases, we go directly to the market and we go straight to our end user, that we continue to develop a unique network of partners everywhere in the world.

You will see now, in the presentation tomorrow what Manish and Naresh will present in India, it's a unique network of capabilities that we have to bring those offer to the customer through distributor, through point of sales, through system integrator, through panel builder. And that remains a very, very strong focus for us because this is what help us to increase our market coverage in the world. 50% of the revenue of the company are done through partner, 50% directly to the end-user, and it's important for us that we keep that combination in the future. So that's the first part which is how we bring those product to market through our partner.

Second example where we bring full solution to our customer and which is a very interesting, of course, market. I talked about it in my introduction. It's, of course, the data center. For those of you who have been following Schneider for a long time, I'm sure you remember the time of the acquisition of APC which was, at the beginning, not an easy one, not something which was seen as a straightforward acquisition at that time.

But our unique vision, again, if I come back to the beginning of my presentation, when we say we want to be a trusted digital partner for efficiency and sustainability, our vision was to create a unique portfolio of solution where we are not just selling product or a series of product to a customer but we can co-design the architecture of the future with our data center customer. So we have this unique portfolio of historical activity like our low voltage activity, our medium voltage, our busway, our UPS, our digital building, what we call building management system capability, and so on and so forth.

And for us, it was very, very important that we have all the components that help us up front to work with the hyperscaler and to co-design, to co-architect the data center of the future. And as you know very well, in a data center, it's not only about the reliability of your data center or

providing your data to your customer, but it's access to power, it's access to clean power and make sure those data center are not only reliable but they are energy efficient.

And of course, with this unique portfolio of activity, you don't have a lot of players in the market that can pretend definitely to bring all of that as one package to the customer. And it has given the opportunity in the past three years to sign three years contract with some of our large hyperscaler, which is also another form of recurring revenues for the customer and that creates a very, very strong intimacy.

So we don't want to stop just there. And as you know, a couple of weeks ago, we have decided to enrich our portfolio because with the evolution of AI that you all know, it's very important. There are, of course, a lot of consequence of AI and what it means for data center.

If I keep it short and simple, and you all know it, it means that the data center of the future will require much more power, but it will require much more cooling to be able to manage the new chips that you will have because of the new type of data center in the world. So it was very, very obvious for us that on top of our air cooling technology that we had historically created in our portfolio, it was really the time to invest more on liquid cooling.

We had our own investment, but we've decided to go with the acquisition of Motivair to accelerate our time to market and to be able to help this company really to hit the ground everywhere in the world. It's a US-based company. They have massive opportunity to grow in the US, but everywhere in the world. And when you combine this liquid cooling unique capabilities that we have together with the portfolio that described before, that positions Schneider Electric ideally to capture really most of the opportunity in the next cycle.

But we are going beyond that. It's not only just having the technology. We are signing partnership, for instance, with NVIDIA. We'll be with them on Thursday in Paris for the AI event because we want to make sure that we work upstream in the value chain, working very closely with NVIDIA to be always ahead of the game to understand what is the next generation of technology that we'll bring to the market because it will have an immediate consequence on the design of the data center of the future.

And that's what we want to make sure that we are always ahead of the game to bring the latest technology, the best technology with all the hyperscaler in the world. So when you combine the previous portfolio that I've described, what we are doing with Motivair, the co-design that we are doing in architecture with NVIDIA, the launching that I've mentioned of the new Galaxy platform, and the fact that we have invested, by the way, in India, also in a new cooling factory that give us the confidence that we are in an ideal position to make the most of the next wave that we have in front of us in data center.

The next example that I want to give you on how we are hitting the ground with all those technology, you heard me since the beginning talking a lot about services, talking a lot about digital services. I'm sure by now you know that Schneider Electric in the past five, 10 years probably has put a lot of focus on field services, being able not to be a solution provider only, but being able to stay with our customer across the life cycle. So we have developed already a very important field services opportunity with our customer.

But together with the evolution of the technology, we wanted to go one step beyond. So we wanted to make sure that we can really create more intimacy with our customer across the life cycle. And we start by eco-consulting activity, where we go everywhere in the world and we consult our customer on energy efficiency, on sustainability.

Of course, we imagine it takes a very different form if you are with SME in a country or if you are enterprise across different geographies. EcoCare that I'm going to describe in a minute, which is a core of the engine. And last but not the least, also EcoFit, which are unique capabilities we have in different parts of the world to retrofit existing installation we have sold 10, 20, 30 years ago in different parts of the world.

So let me take you to EcoCare, what is EcoCare, because I think it's important, really, that you understand the logic of what we are doing and how we create value at the end of the day for our customer and value financially for the company. EcoCare is very, very simple. We start, and I said it several times, we make sure we make all our products connectable by design.

So for instance, if you take a medium voltage switch here like this one, you will see some of them in the back of the room, we've made sure that all the new generation, and we have moved from the old generation of Schneider Electric, of AVERA, to create a completely new range, which is the AirSeT range. We make sure that every single breaker that we launch now is connectable. And we put a certain number of sensors inside that breaker, which are connectable at the time of the installation.

The point which is very, very important is not only making sure that the technology is available, but making sure that with our commercial people, we attach at the time we sell those systems to the customer a quotation for EcoCare. It's very, very important because we've learned from the past, if you don't miss the opportunity when you sell the equipment, it's too late. So we attach systematically with EcoCare, for EcoCare, a contract when we sell new equipment to our customer.

And then, once the customer has signed the contract, they are onboarded by our customer success manager. So we have different of those CSM everywhere in the world. We have one actually in Bangalore. So there is an automatic onboarding with the customer. And then, we give access also to the customer to a direct access to our L2 level, where they can have access to a certain number of support.

Most important, what we do through this EcoCare contract, we provide peace of mind to our customer, which means that we have a 24-by-7 access to their installation. And you imagine that those medium voltage equipment that you see in the back, they are sitting in very, very critical application. They can be in hospital. They can be in data center. They can be in many, many critical application.

So we provide peace of mind to our customer by making sure that we are monitoring all the possible defects which are happening, but we are also going one step further. If we anticipate an erosion of one component, we are able to signal to the customer that in three months, six months, 12 months from now, you will have to call for a service engineer for a retrofit.

So by doing that, we are creating a completely new value prop for our customer. We give them access to unique analytics. They can use it by themselves, of course, but also our CSM have access on a permanently basis, on a day-to-day basis, to make sure they can monitor. We can go up to the level to monitor the health of the asset for the customer.

I've given you an example for medium voltage equipment. We do the same with our Galaxy range with UPS. And what is very, very important, if I come back to my presentation on the technology side, you don't want to sell one equipment with one type of digital expense on one side, the UPS with a very different one. In the past three years, what was very important for us is not only to make sure we create that connectivity, but to make sure we use the same protocol, the same gateway, which means that when it arrives to the customer, you have one unique value proposition for customers.

Now, you can tell me there will be always other player in the market that can do it. But when you are in the example of the data center, you don't have a lot of company in the world who can co-design data center of the future and can provide this type of unique contract where you combine all the health of your medium voltage equipment, your UPS, your cooling technology, and so on and so forth. So that creates a unique value proposition, of course, for our customer, which is translated in recurring revenues for Schneider Electric. That's why we're quite ambitious on the way we can develop the company.

And as you imagine, it creates a very strong intimacy with our customer because once you are in, if there is any opportunity of retrofitting of expansion, you are the first supplier that your customer will call. So it looks like a very simple thing, but that's something on the technology side that we have been building over the past cycle, not only creating the connectivity, making sure you have the sensor, making sure you have all the software application which are available, the platform, but making sure that we converge all the assets or all the products we have in the company.

So we have a couple of example in the company going in that direction. We have the example, for instance, that we have here with one of very important company in India, but I wanted to share with you a very interesting example, which is a combination of what I explained to you on the data center on services. Tomorrow, we'll explain to you a little bit more what we are doing with Capgemini in India. You've seen probably a press release in the -- which was one year ago, a little bit less, where we talked about the energy common center. This is a very, very interesting example because that go one level beyond.

You have the case of a company which is Capgemini, very well known by all of you. Worldwide, they are looking at their ESG strategy. The CEO wants to create a strong focus on ESG three years ago, and he starts to look at what is really this net zero, what is the commitment we need to take, and very quickly, long story short, he understands that CO2 emission is related to energy.

Where are my Scope 1 and 2 emissions when you are a company like Capgemini? Basically, the biggest part of their energy consumption is in this country. They have 23 campuses, which includes 70 buildings in the country. And at that point of time, we have some discussion at the consulting level. We sit together with our India team, and we enter and we walk inside, and then we look at the opportunity.

And what do we do, basically? We make sure that we connect all existing assets, where they have a lot of product from Schneider Electric, but not only. We have them to install a certain number of other assets. You have to know that in all those buildings in India, they have building, office building, but they have also data center. That's why it's very interesting for us as a business case because they have any kind of building that you can imagine.

So we are able not only to sell our product, to make sure we sell all our automation. They are using EBO, which is our software platform for digital building to convert all the data, and then we sign an EcoCare contract because we provide them, again, peace of mind. And of course, it's great to do it with Capgemini because they have their system integration capability, and we can do basically a full energy common center to help Capgemini to control all their energy consumption in India.

Outcome, 30% energy saving. The local team is extremely happy. The CEO is on the way to achieve their CO2 emission goal, and that creates, you can imagine, a very different relationship when we do that with the customer. So this example is very interesting because it's a full monty, where you combine all the product of Schneider Electric, the equipment, going up to the service level with one customer.

Last but not the least, in how we are hitting the ground in front of our customer, as you know, we have built this unique, of course, software business at Schneider Electric with AVEVA, RIB, and ETAP. And we went last year to the next level by creating our new industrial intelligence platform, which is CONNECT, where we want to make sure we give our opportunity to our customer to consume more software coming from Schneider Electric.

Very simply, the way we are doing it is we try to have a strategy where we follow the life cycle of our customer from design, build, to operate, and optimize. And what we have been doing is basically is to assemble a unique portfolio of software that we've done mainly through acquisition. But at the end of the day, what is very important is to make sure that it's easy to consume for our customer because you can have the best portfolio of software. If you just leave it here, it's not going to happen.

So CONNECT basically helps our customer to have the same identification, to have the same digital experience, to have the same commercial strategy when you enter with one software and you can consume more of all the software capability that we have within one software. We do it, of course, for the scope of one software, which is, again, AVEVA, ETAP, RIB. But everything that I've described before to you about EcoStruxure, where we are moving to the full stack of EcoStruxure, we have also in the historical portfolio of Schneider Electric, both in energy management and AI, a certain number of software that our customer can also access through that CONNECT platform.

What is very, very important, we want to make also that platform agnostic to make sure that we can also have third-party partner to make sure, again, that we bring, again, the most of the value for our customer. And of course, that creates a very, very different positioning because we are combining on one side engineering information, operational information, and we can help our customer through the life cycle to have access to this full ecosystem and to optimize their solution.

And you will discover in the back of this room, but also tomorrow, a certain number of examples, and I have a couple of them here, where we show all the capabilities which are delivered to EDF, Sng, but I would like to mention Dr. Reddy's. Dr. Reddy's, I don't know if you know, is a large pharmaceutical company, and by the way, some of their biggest factory are here in Hyderabad. So tomorrow, you will visit the smart factory of Schneider Electric, but Dr. Reddy's has one of their smart factory, which has been recognized as a lighthouse, where we have been contributing to our entire portfolio to make it happen, and we are quite proud of that example.



So if I recap, very strong focus on all the technology transformation and positioning of our portfolio, connecting all the different part of the portfolio, making sure we drive this R&D transformation; second part, making sure we hit the ground with one-stop solution to our customer, with a very strong customer-centric approach, thanks to our different commercial organization. But for me, what is very important, the presentation could not finish here, is that we have two pillars in our strategy which are very, very important.

We have been managing this company for a long time, I would say, already. We are probably the first -- one of the first companies in the world to introduce that idea of CSR when it was really at the early stage. But for us, the concept of an impact company is very, very simple. First of all, we believe in performance because performance is the only way to impact. There are always, in some part of the world, people who are always opposing performance and ESG; we don't. Performance is basically the right to play, the right of doing good.

Second point, which was very important in our strategy, and Amit, you were mentioning it in your introduction, we are working on impact on all our stakeholders -- of course, our investors, our customers, our employees -- but we are doing a lot of work, for instance, with Mourad to embark all our supplier in this journey. This is something which is very important. Our entire ecosystem of partner working also with government in different part of the world to make sure we help them to build standard on energy efficiency and so on and so forth. So the recipe for success for us has been to make sure that all our ecosystem, all our partners are involved.

What has been also very, very important is focus on the different pillar of ESG, environment, governance, of course, but also social. And at the end of the day, of course, what has made Schneider Electric unique, and you know, we've got a certain number of awards in the past year, this year again, and most sustainable company in the world. It's not only that we are trying to be role model in everything we do on ESG for Schneider Electric, but we are, of course, part of the solution for our customer. And that's what makes Schneider Electric very, very different.

And if you talk, by the way, to many of our employees everywhere in the world, they will tell you, I've joined Schneider Electric because of the ESG commitment, and I'm staying at Schneider Electric because of the unique positioning of the company. So that's very, very important in our DNA.

And we'll continue, of course, in the next cycle to deliver our net zero commitment. So we want to be one of the first company in the world to sign to be net zero and to be recognized by SBTi to have our target recognized by SBTi. And we have a very strong commitment on the Scope 1, 2, and 3 that we are delivering. And as I said before, we are doing it through different parts of the company, through the value we bring to our customers, so making sure that every single offer that we launch can help our customer to save and avoid CO2 emissions.

I'm backing our employee in the journey, and we have also a very, very well-known program that we are doing with our supplier, the Net Zero Carbon Project, where we've decided four years ago to embark our supplier to commit to divide by two their CO2 emissions, which helps us, of course, to reduce drastically our Scope 3 upstream emissions as a company.

And it has been one of the most probably advanced program at that time with the partnership of Mourad, which is, by the way, for your information, a program which we designed with our consulting team in sustainability and that we have been able to sell to other customers, because the benefit is when you are one of the most advanced companies in sustainability, you practice on yourself, but that gives you a lot of ideas, of course, on what you can do for our customer. So we'll continue to mobilize all our customers.

Amit said it, we are in the last year of our previous SSI; actually, 2025 will be the last year. We are committed to deliver our target. But more important, we are redefining where we speak, what should be our commitment by 2030 to keep Schneider Electric ahead of the game.

Last pillar, which is extremely important, it's good to talk about technology, to talk about the customer, to talk about all the ecosystem. At the end of the day for us, all of that is possible thanks to the unique mobilization we have from our employees everywhere in the world.

What I would like to leave you today is the way we run the company and the way we will continue to run the company. Most of you are famous by now on how we run Schneider Electric, but this multi-hub concept that we have created is unique. And we are not just doing it for the sake of doing it or just for the fun because it's completely connected to the strategy of the company.

If I come back to what I told you since the beginning, we want to be one Schneider in front of our customer, which means that we want to have one set of technology that speaks to each other that our salespeople can bring to the customer. And of course, if you benchmark Schneider Electric with all the multinationals, that's kind of unique setup that we have built.

But to make this setup a reality in different part of the world, we have opted 10 years plus for this multi-hub model, where we want to make sure we create unique capabilities in North America, in China, in India, and of course, in Europe historically, where we assemble leaders from R&D, supply chain, and local commercial team to work together and to be as close as possible to our customer. It has multiple benefits. There is one which is obvious. You understand really well the needs of India market, for instance, and you are much faster at developing solution from the India market. But think about it from an employee standpoint.

When you work for a large multinational, what is your model? The old model, you work in different part of the world, but you have always to go back to the headquarter to get authorization. For us, when you work in all those different part of the company in India, in China, US, or Europe, you are empowered locally to make decision. It gives you the ability to move very, very fast, but also it's a strong empowerment and accountability.

And from the people's standpoint, what does it create? It creates a very strong attraction in the different market where we operate, but a very strong retention because the people, they are empowered. And as you know, with the multi-hub setup, since we have distributed all our global position, people can grow at Schneider Electric without going to the headquarter.

You know that our previous Chairman and CEO, Jean-Pascal Tricoire, moved to Hong Kong at that point of time to create that multi-hub setup. I am myself -- I was in Hong Kong for 10 years and I relocated 18 months ago to Dubai because Middle East was a new hub for Schneider. You have a couple of my colleagues of the ExCom here.

It's interesting because you have managed international ops being based in Singapore, Hilary, our CFO that you know very well, being based in Paris, and Mourad, who is our global supply chain leader, based in Hong Kong. So that's a unique setup that we are creating to make sure that we distribute our global capability, but again, we give opportunities to our employees everywhere in the world to deliver one unique value to our customer, to be more agile and strong again capacity to retain.

And of course, what does it mean? By being an integrated company, when you work at Schneider, you work for Schneider first. So you can enter in supply chain, you can move to sales, you can move to different part of the company, and probably I don't like to speak too much about myself, but I'm the best example probably of that as a French guy who moved to China, to India, to Middle East, doing HR, sales, technology, strategy, and so on and so forth. But that's a really unique value proposition of Schneider on the people side.

So when you look at what does it mean in numbers, it means that we are always very conscious to have a very, very balanced footprint when it comes to the number of employees that we have everywhere in the world, and of course, it has to match somewhere the revenues that we have in our company. And of course, across cycle, it might change, but what is very important is to stay consistent. Many of you know that for instance, China growth was a bit flattish in the past cycle. We still have great R&D capabilities in China that we don't want to lose and we continue to invest. It's important for China, but it supports the rest of the world and so on and so forth.

Last but not the least, we continue to engage our employees in this journey by providing opportunities to invest in Schneider through our employee shareholding plan every year. 61% participation, it's quite large, which means that year on year, we have been able to increase the ratio, which means our people believe in our story. At the end of the day, it's very important for us. Most of our employees are being impacted by our sustainability performance, short-term but also long-term incentive plan, and we continue to put a very strong focus on diversity, gender diversity, but any kind of diversity at Schneider.

And by the way, just to connect with what I told you before, when you have a multi-hub setup, it just helps you to attract different nationalities everywhere in the world and to retain them. But it has a very strong impact also on gender diversity and to help all our women leaders to continue to grow at Schneider Electric and we've seen the benefit. And as a result of that, we are very pleased, of course, to report that our engagement continues to increase and we have a very strong workforce everywhere in the world, which is quite committed to the company.

This is recognized outside. It's great. We always love this recognition. It's not probably what is our obsession, but we like to see it. It's a great recognition that the work we have been doing in the past year on the technology, on the customer side, and everything we do on ESG and people is very appreciated by outside. And it's important, of course, for a company like Schneider.

We were starting this meeting by talking about India. I can tell you I landed in India in 2007. Nobody knew what was Schneider Electric. Schneider Electric is one of the most powerful employee brands now in the market, which helps us to attract, of course, the best talent when we hire outside. So those recognitions, of course, are a good reflection of the good job we have been doing and they help us to develop Schneider Electric for the next stage.

So that's what I wanted to share with you to summarize a market that we see full opportunity. We are committed to what we told you one year ago in terms of strategy, positioning, ambition, top line, bottom line, and a very strong focus to keep on transforming our company on technology, on customer, ESG, and people to make sure we stay ahead of the game and we can continue to deliver strong results. I will stop here.

Thank you very much. And I will hand over back to you, Amit.

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**Amit Bhalla** - *Schneider Electric SE - Senior Vice President, Head of Investor Relations*

Thank you very much, Olivier. We have the formal Q&A session tomorrow. Just looking at the time, maybe, Olivier, if we can just spend a few more minutes over here.

I think at least to us in the company, it's pretty clear that even though it's only been a few weeks, I think four weeks, that you have hit the ground running. And I think after this presentation, it's probably pretty much clear to everybody that you're on top of it.

But so what I just thought was we'd probably take another five, seven minutes and try to get -- I'll ask a couple of questions which I'm sure are on the minds of the investors as well, and they can obviously follow up tomorrow.

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## QUESTIONS AND ANSWERS

**Amit Bhalla** - *Schneider Electric SE - Senior Vice President, Head of Investor Relations*

But really, I think on the presentation, you've spoken about the fact that the markets are good, the strategy is intact, capital allocation is intact, et cetera. But specifically in terms of all of your experience in the company and what is it that -- and I think everybody understands it's early days -- but what is it that you bring to the role? What is your priority as you've taken on this challenge?

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**Olivier Blum** - *Schneider Electric SE - Chief Executive Officer*

Well, thank you. Thank you very much, Amit, for the question.

What is very interesting in this unique cycle is the acceleration of the end market and the acceleration of the growth opportunity. And it's very, very different for a company like Schneider to manage a company which is growing at GDP and depending on the year around plus 1, minus, or growing a company 7% to 10%.

And definitely, my objective, my ambition in working with the entire management team of Schneider is really to accelerate the execution of our strategy. It requires very, very different agility when you grow by 7% to 10% every year versus when we used to grow a couple of percent.

And I have to say, personally, I've learned a lot by working in China, in India, in those economies which are moving fast, and it's super important at the top of the company we are extremely fast at making decisions. Usually, when we are in our position, we don't have to make a lot of decisions, but we have to make those decisions which are full of uncertainty.

And for me, it's very important that at the top of the company, we guide the company strategically, but we accelerate the execution of our strategy. On the technology, of course, on the way we are hitting the ground, on the way we are prioritizing our resource allocation, and that's really, for me, the most important part, growth and acceleration of the strategy to grow faster.

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**Amit Bhalla** - *Schneider Electric SE - Senior Vice President, Head of Investor Relations*

And the focus on execution, of course. All right.

You mentioned China, India, it's always the comparison that people get. And I've -- of course, every time I come back, for me, it's like a bit of a homecoming, including this trip. But I think it's probably the same for you as well because you did spend quite a number of years here. I think your kids grew up here, et cetera.

Give us a sense of your experience back in India. Now, let's bring the conversation back to the reason we're here for two days. And one in terms of just the history of Schneider here, you said that the brand was not very well known at the same time. We've got a long history of, I don't know, 60 years plus in the country. And if I might just add, just your personal experience as well in developing this market.

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**Olivier Blum** - *Schneider Electric SE - Chief Executive Officer*

Well, it's very interesting because probably for our colleagues who are Indian, who live in India, who grew up in India, they've seen the transformation of the country. But sometimes, when you are inside, you don't see it much. For me, what is very interesting, I started to be involved in this country probably 18 years ago, something like that. I moved with my family 15 years ago. And what I can tell you, every day when I come back to India, I continue to see a difference.

What Mr. Kant has said today is very different in India already than 10 years ago. So what was very important for us in the history of the company, and we have this chart that tells you everything we've been doing for the past 60 years, we celebrated our 60 years in India last year, which is a great achievement, and we are all very proud. But I was lucky personally to be involved in 2007 when we decided to accelerate the development of India.

And the objective at that point of time, as you know, was to create a new platform, a new platform which will be scalable. Because it's very, very different to be a couple of hundred, I would say even less than EUR100 million company at that time, and to build a platform that will help you to scale with a brand where you can attract people, where you can attract customer, where you have manufacturing capabilities.

And what I think has been very interesting in all our development in India, we had this first phase from 2008 which was make India big for Schneider, put it really on the map of Schneider, making sure that every single leader will put strong focus on India, on the commercial side, manufacturing and R&D. And of course, the past five, 10 years has been the acceleration of that foundation, making this one Schneider in India. And of course, with the acquisition of L&T, what we call the Lauritz & Knudsen brand today, has been a fantastic add-on to what Schneider, I think, was doing.

And of course, we'll go more in detail tomorrow. But that gives us the unique opportunity, a unique positioning in the country to capture, of course, the important growth in the next cycle.

**Amit Bhalla** - *Schneider Electric SE - Senior Vice President, Head of Investor Relations*

So last year, for instance, when we said through to 2027, there are a few countries that are going to lead the growth, and you're living in one of them and you were the architect of the other one, which is here in sort of Middle East and India were two of those. But again, maybe if I were to just add a little bit on to that question, because again, the topic of China, we've been so successful in Western markets, et cetera, for several decades.

But back to the point of multi-hub, as you were saying, that it's a lot more local, local for local. And for instance, I understand that India is a specific market. Mr. Kant was talking about the fact that the GDP has developed by only 50% of the population and the other 50%, which is more agriculture based.

So in your experience, in your mind, what is really the recipe for success in a country like India? Because, obviously, it's not a cookie cutter that whatever you've done in developed market can just be replicated. So any just thoughts on that and how Schneider can play a part?

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**Olivier Blum** - *Schneider Electric SE - Chief Executive Officer*

No, for sure, Amit, and I think it's a very important question because I think it's part of the unique, probably, DNA and positioning of Schneider Electric. Some of us come from Europe, some of us come from the US, and when you grow up in those countries, you have a certain model in mind on how to develop business. But very quickly, when you move to China, you discover that if you want to be successful in China, you have to be Chinese in China. You have to have a very specific strategy.

And at one point of time, when you discover in India, you believe that what you have learned in some new economy will work for India. But the only way to be successful in India is to create really an India for India strategy. Of course, you can do it in country like China and India because of the scalability because they are huge market where we can have a very strong focus.

Our recipe for success, as you can see on the slide, is a very, very, very simple one. It's to make sure, and it's back to my presentation, making sure you create a very strong R&D center in India. At the beginning, the R&D center in India was just a subcontractor of what we were doing in France of US 15, 20 years ago. It's not a subcontractor now. They are in charge of their own map. They are developing product in India for the Indian market.

And you will see all the serial product that we have, for instance, on Lauritz & Knudsen, which are products which are developed for the local market. Of course, what we do from there is to make sure we can bring those products in other parts of the world very successfully. Number two, from an R&D standpoint, that India is a home of digital. You have so many software engineers in India that help you to amplify everything that I was talking about in technology. That's the first point.

Second point, you don't succeed in India if you don't manufacture in India. Mourad will talk about it tomorrow. We have 31 factories which gives us unique capability to be super competitive and to be super fast to deliver our customer. India is a very large market. You will get to know a little bit more tomorrow how we are positioning our brand. But it's one of those unique markets in the world where we position Schneider Electric brand, the LK brand, the Luminous brand, in order, again, to extract most of the opportunity in the market. So the brand coverage is very important.

And last but not the least, but I said already several times, these people's strategy is very important. And being a French in India, when you enter in that country, there is one thing you realize very quickly. You can be successful in India if you have very, very strong Indian leadership team. And by the way, no surprise, India is one of the largest population in the world, very well educated, speaking English, and we are benefiting from all those talents now everywhere in the rest of Schneider Electric.

And last but not the least, you will hear a little bit more from Deepak today. Sustainability means a lot in a country where you have hundreds of millions of people who don't have access to energy, who don't have access to electricity. So the overall mission of Schneider Electric is very, very well in this country. And that's why we have specific commitment, but that's why also we have created initiative in India, which are benefiting the rest of the world, in Africa, for instance, when it comes to access to energy.

So we believe this is a recipe for success. Now, we are very proud to have it. It gives us a lot of ambition for the next cycle. But as Mr. Kant said, India is a developing country. Every five, 10 years, there are new things, so we should not stop here and continue to build the future, for sure.

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**Amit Bhalla** - *Schneider Electric SE - Senior Vice President, Head of Investor Relations*

Very clear. I think you used the word ambition, so let that be the last question from my side. What is your ambition for Schneider Electric in India in the coming years?

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**Olivier Blum** - *Schneider Electric SE - Chief Executive Officer*

I'm going to look at my colleagues who are in the portable because they are the one to deliver. We should be super ambitious for that country. It's not only delivering this double-digit growth opportunity that we have, but we have always to think about what will be India in five years, 10 years from now.

We were in a company 10 years ago where we are selling product where digitization was nowhere. You heard from Mr. Kant, every single person in this country, every single person have access to a mobile phone. They have access to data and so on and so on. And we see a certain number of things from a technology standpoint that we don't see in other part of the world.

So what we are doing in India, it's super important. We should be ambitious not only for what we do in that country, but how we can impact the rest of our solution. And I'm sure you have a good flavor now of what Mr. Kant said, what they are doing to develop the economy to make sure it's easy to do business within India.

The GST was a tremendous progress. I can tell you, I was living in India when you have those different 38 tax treatments in different states. It has completely changed the way for a large company on how you operate in India. So the government is putting infrastructure. They are making it easier to do business. They are focused on IT, a lot of data center opportunity, a lot of manufacturing.

So if you look at everything he has said, it impacts a lot of strategy, but more than impacting, it creates a lot of opportunity for us. And again, that's also a unique place where digital will be very, very different, where we can also definitely innovate in the field of AI to impact all our solutions.

So again, a great story. We have created this huge foundation, but the most important is to deliver and of course to keep thinking about how this country will look -- how it will look like in five years from now and what we can continue to do differently.

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**Amit Bhalla** - *Schneider Electric SE - Senior Vice President, Head of Investor Relations*

Sure. Thanks for that, Olivier. And in fact, as we've just been mentioning, and I'll come to that in a few minutes, just the agenda for tomorrow and there's obviously collectively a lot more for all of us to learn in regards to where our positioning is and what's going to happen and then, Olivier, you'll be back with us tomorrow for the Q&A session as well and that's there. But I just want to say thank you to you to agree to come to this event very soon into your tenure and we'll go to that.

Okay, so maybe just -- I know it's coming towards the end of the thing. I just wanted to spend a few minutes on really on the agenda for tomorrow. And it's not the detailed agenda, but just to give you a sense of what it is that we would have.

We have the first half of the day, which is back here in this room, which is going to be obviously a deep dive on India. We will have some customers, and I'm not going to give you more details on that just yet, but you'll be able to see the breadth of the coverage that we have there. We're going to focus on supply chain, and then, as Olivier was saying, Deepak, who's our Country President, is going to speak about CSR and the role of ESG that India has been playing as well. Of course, very happy that Hillary is here with us, so we will have a session with her. And then after that, we will have a Q&A session, of course, tomorrow.

So I think at this point of time, we will close the webcast, but I'll continue along for the rest of you. We have the marketplace, which will be manned tomorrow by the India leadership, so the leaders for different parts of the technology --

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