

Vice-Chairman & Lead Independent Director

Rueil-Malmaison, March 29, 2023

Dear Shareholders,

I am writing to you on behalf of the Board of Directors of Schneider Electric in relation to our upcoming Annual General Meeting to be held on May 4, 2023. I wanted to take this occasion to share with you some context around the change of governance that was recently announced and the key resolutions submitted to your approval at this AGM.

2022 was a strong year with record revenues, profitability, and net income despite the many challenges confronting businesses around the world. This led the Board to propose a dividend of €3.15 per share; making 2023 the 13<sup>th</sup> consecutive year of dividend growth. The Board is also proud of the progress made in the second year of the ambitious 2021-2025 Schneider Sustainability Impact program as the Company scored 4.91 against a target of 4.70, in accordance with the Board's commitment toward sustainability and our wish to be an Impact Company. These strong results, achieved amidst ongoing headwinds, are testament to the success and robustness of the strategy implemented for the last 20 years under the leadership of Jean-Pascal Tricoire, Chairman & CEO.

- **Change in Leadership Structure**

After two decades where Jean-Pascal Tricoire has led the strategic transformation of the Group and further to his wish to step down as CEO, the time has come for a change of governance at the head of the Company. In accordance with the intention disclosed in 2021, the Board of Directors has decided to separate the functions of Chairman and Chief Executive Officer as of May 4, 2023.

Peter Herweck who was the CEO of AVEVA, will succeed Jean-Pascal Tricoire as CEO on May 4, 2023, becoming responsible for the general management of Schneider Electric as the sole executive Corporate Officer. Over the last four years, the Governance & Remunerations Committee, under the guidance of the Board of Directors, has conducted a comprehensive and robust succession planning process to propose a successor for the role of CEO. Several high-quality candidates were considered. Peter Herweck's level of global operational experience, technology and software acumen, skills and personal qualities were assessed by the Board as being particularly in line with the Group's strategy. His appointment was unanimously approved by the Board of Directors with Jean-Pascal Tricoire's full support.

At the unanimous request of the Board of Directors, who want to retain the benefit of his extensive experience, Jean-Pascal Tricoire will remain as Chairman. His many achievements include the repositioning of Schneider Electric as a leader in the fields of digitization, electrification and sustainability, as well as building a distinctive culture and management system based on a meaningful and inclusive mission and the empowerment of people.

**Schneider Electric SE**

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This robust foundation has made Schneider Electric future-ready and the Board of Directors is confident in the continued success of the Group in the coming years, which will continue to be supported by Jean-Pascal Tricoire as Chairman. In his role, Jean-Pascal Tricoire will be entrusted with extended powers and missions beyond those provided for by French law. My own powers, as Vice-Chairman & Lead Independent Director, will now include the ability to request that the Chairman of the Board of Directors call a meeting of the Board of Directors to discuss a given agenda item.

This change of governance will go alongside a new set up of the Committees and a reorganization of the powers of each corporate body. A Governance, Nominations & Sustainability Committee will be created and will focus on matters considered to be central to the work of the Board, including governance, succession planning of Board members, Corporate Officers and Executive Committee members, as well as Sustainability. A separate Human Capital & Remunerations Committee will oversee all topics related to the compensation of the employees, Executive Committee members, as well as Corporate Officers and Board members.

- **A strengthened Board of directors**

During the year, the Board continued to improve and reinforce its composition, and invites you to support, at the Shareholders' Meeting, the appointment of two new Independent Directors. Abhay Parasnis (**resolution n°15**), a US citizen, is Adobe's former Chief Technology Officer and Chief Product Officer and serves on the Board of Directors at Dropbox. He will bring to the Board his remarkable technology and digital skills, especially his experience in cloud transition and in SaaS transformation, as well as his spirit of innovation and reinvention. Giulia Chierchia (**resolution n°16**), an Italian and Belgian dual citizen, is currently Executive Vice-President of Strategy, Sustainability and Ventures at BP. She will bring to the Board her expertise in Sustainability and the energy sector, in particular, her experience in energy transition strategy in large companies with a global approach including strategy, sustainability, capital allocation and ventures.

I also invite you to renew the terms of office of Léo Apotheker, Gregory Spierkel, and Lip-Bu Tan (**resolutions n°12, 13 and 14**), all of whom bring many complementary skills to the Board. The Governance & Remunerations Committee has taken into account their individual performance and value added to the Board as well as their availability to fulfill their function as a director of Schneider Electric. To this end, the Committee took note of the announcement that Lip-Bu Tan will retire from his role of Chairman at Cadence Design Systems, Inc. (<https://d18m0p25nwr6d.cloudfront.net/CIK-0000813672/cd2ef8b8-abb5-4620-a08d-c5c49565fc6c.pdf>). After Cadence's AGM scheduled on May 4, 2023, and subject to your vote at Schneider Electric's AGM, Lip-Bu Tan will hold one non-executive chairmanship at Credo Technology Group Holding Ltd. and one non-executive directorship at Intel Corporation, in addition to his office at Schneider Electric.

- **Balanced Remuneration Policies**

Throughout 2022, I had the opportunity to discuss our compensation policy and practices by engaging with many of Schneider Electric's shareholders, as well as investor representative bodies. For 2023, the compensation policies proposed by the Board of Directors reflect the Group's governance change.

Considering that Jean-Pascal Tricoire is stepping down as CEO on May 3, 2023, the Board decided not to increase his fixed remuneration for the period from January 1, 2023 until May 3, 2023 and to maintain his compensation policy broadly in line with that applied in 2022. For the same reason, he will not be entitled to any performance shares grant in 2023. The Board also decided that, as he is staying as the non-executive Chairman, he will not be entitled to receive any severance indemnity, nor any non-compete indemnity. In addition, in line with the remuneration policy, for cases of change of assignment within the Group, Mr. Tricoire will keep his rights to unvested LTI granted in 2021 and 2022, subject to presence and performance conditions. The Board considered fair and in line with all stakeholders' interests that he keeps his rights and is pleased to continue benefiting from his experience and his support to the transition (**resolution n°7**).

When positioning the fixed compensation of Jean-Pascal Tricoire as Chairman for the period beginning on May 4, 2023, the Board used an in-depth study of industry practices for compensation (based on CAC40 and Stoxx Europe 50 indices as well as industry peers) and also took into account the specific missions assigned to him by the Board. As such, the Board positioned his remuneration just above the third quartile of the benchmark study, which also reflects his specific and extended missions to support the new Corporate Officer in order to ensure the success of the transition. In addition, at the request of the Board, Jean-Pascal Tricoire voluntarily committed to a non-compete provision once he will terminate his duties as Chairman, without compensation (**resolution n°9**).

In designing the remuneration policy applicable to the new CEO, the Board wished to maintain an overall stability in the existing compensation structure which has evidently driven positive behavior. It is balanced, provides market competitive pay, and ensures a strong link between pay and performance. The policy also provides strong alignment with both employees and shareholders, as well as a focus on the long-term. In positioning the remuneration for Peter Herweck, the Board considered notably his experience and skills, his successful career in particular within the Group which he joined in 2016, his compensation package as Chief Executive Officer of AVEVA as well as the size of the Group and its evolution over the past years (notably since the Board last adjusted the fixed salary of its top executive in 2018). The total on-target package for Peter Herweck is composed of (i) a fixed component of €1,200,000, (ii) an on-target bonus at 100% of the fixed compensation and (iii) a long-term remuneration representing 170% of the fixed compensation. It is positioned between the median and the 75<sup>th</sup> centile of the CAC 40 companies and below the 25<sup>th</sup> centile of the STOXX Europe 50 companies and peer group. Despite a realignment of the fixed component, the total on-target opportunity for Peter Herweck decreases by 23% compared to that of the former Chairman & Chief Executive Officer. The Board also took into account shareholders' feedback and proposes to (i) reinforce the bonus structure by including a new criterion, the Net Satisfaction Score (NSS), to highlight the importance of building trust with our customers and focus on quality, (ii) strengthen the performance targets linked to the involuntary severance indemnity, and (iii) include a clawback provision (**resolution n°8**).

- **Say On Climate**

The Board of Directors wishes to consult Schneider Electric's shareholders on its Climate Strategy and decided to offer you the opportunity to express your views through a consultative vote at the General Meeting (**resolution n°17**).

Schneider Electric, as an Impact Company, wants to be both a sustainability enabler, supporting partners and customers with its decarbonation and digital solutions and services, and a sustainability practitioner committed to becoming Net-Zero across its end-to-end value chain. Schneider Electric considers itself part of an end-to-end ecosystem and reviews its progress along three dimensions: first aligning the Group and its supply chain with a 1.5°C climate trajectory; second helping customers to do the same through Schneider Electric's offers; and third helping Schneider Electric communities accelerate their climate action. As a result, the Group's Climate Strategy addresses all of its stakeholders and shows there are ways for companies to "do good while doing well". Please refer to section 2.3 of Chapter 2 of the 2022 Universal Registration Document for the detailed Climate Strategy.

The Board intends to repeat this consultation at the 2026 Annual Shareholders' Meeting in order to allow shareholders to express their views on the progress made on the implementation of the strategy and the strategy itself. It will correspond to the launch of the new cycle of the Schneider Sustainability Impact, the current plan ending in 2025.

We count on your participation to the AGM and hope for your support on all the resolutions submitted to your vote.

We remain available should you have any questions or need clarifications on the AGM agenda.

Thank you for your support and your trust,

**Fred Kindle**

Vice-Chairman & Lead Independent Director