

A statement from Chairman and CEO, Jean-Pascal Tricoire

Our mission is to be your digital partner for efficiency and sustainability

Jean-Pascal Tricoire
Chairman and CEO



2020 was a signature year. A year of incredible disruption, a year of strong performance, and a year of acceleration of our strategy. While the COVID-19 pandemic continues to disrupt our lives, we saw a reinforcement of the trends that support our business.

Although we have learned to live with the virus, in 2020, we were forced to change. We now live and work differently. We adapted to new ways of working with much less travel and many more digital meetings. The disruption of 2020 went far beyond the pandemic, with social upheaval and geopolitical tension. We saw the conclusion of Brexit, an acceleration in technologies and innovation, such as electric vehicles and 5G, as well as increasing commitments to halt climate change.

For Schneider Electric, it has been a signature year. We've changed more than we ever thought we could, while staying true to our mission.

We delivered on our purpose and mission

Our first priority in 2020 was the health and safety of our people and the communities in which we operate. We supported and helped our ecosystem, our customers and partners, and all the people close to us by putting in place dedicated safety, security, and work policies. We also launched the Tomorrow Rising Fund, with more than 70 local projects supporting the response, resilience, and recovery of communities in more than 60 countries.

Our purpose is to empower all to make the most of our energy and resources, bridging progress and sustainability for all. At Schneider we call this, Life Is On, and never has this been more true than in 2020, as we ensured continuity for our communities supporting critical infrastructure, such as electricity and water networks, hospitals, data centers and industrial plants, pharmaceuticals, and food cold chains. We were recognized as providing mission critical services to many sectors, in more than 90 countries, and as such, were asked by authorities to keep our business running. All our teams remained committed and continued to serve customers. In a matter of days, we transitioned our customer care centers from in-office to work-from-home set ups. We were able

to support our customers in reducing risk in their operations and to operate remotely with our automation and digital solutions. Our manufacturing plants remained up and running, allowing us to meet the critical needs of this crisis year.

2020 confirmed that, at Schneider, great people make a great company.

In 2020, we achieved resilient business performance and, at the same time, built the future.

In 2020, we achieved four things:

1. A resilient business performance;
2. We shaped our future, realizing strategic acquisitions;
3. We increased our sustainability impact; and
4. We transformed how we work, to adapt to circumstances in record time.

Resilient business performance

This year of crisis has proven that the execution of our strategy, and the repositioning of Schneider Electric over the past 15 years, has made us more resilient. Compared to the global financial crisis of 2009, when our sales decreased by 15.7%, and our profitability by -310 bps versus 2008; in 2020, we were much more resilient. We have been able to achieve strong business performance, with EUR 25.2 billion in Revenues (-4.7% with the previous year), a Gross Margin at a 12-year high of 40.4%, an Adjusted EBITA margin expanding +20 bps organically, and a record-high Free Cash Flow of EUR 3.7 billion, which is a signature of our quality of execution. Both Energy Management and Industrial Automation businesses delivered very solid profitability and all geographies contributed to the rebound in the second half of the year.

The transformation towards more digitization and services, our sustainability leadership, and our multi-hub organization, positively impacted the Group's 2020 performance.

We witnessed a **step-change in our customers' adoption of our solutions for digitization and sustainability**. The Group's assets under management grew by 46% over this past year, and software and services, which now represent 17% of our revenue, grew 6 pts higher than the rest of the Group's portfolio. Our business related to digital solutions and EcoStruxure™, including software, controls, connected products, and services, and representing more than 50% of our total revenue, has become an indisputable catalyst for growth and is due to increase further in the future.

The **accelerated execution of our long-standing strategy** of more products, more services, more software, and better systems supported strong resilience. We were able to support customers across all sectors in managing their operations remotely, providing more efficiency and resiliency. We continued to engineer and deliver projects. In the second half of the year, we were back to growth and sold more services, digital solutions, and products than in 2019, thanks to our unrivalled network of partners.

We **fully leveraged our global set up and our multi-local model** to benefit from our global scale and adapt with speed and reactivity to the very different local COVID-19 situations. We truly believe that trusting and empowering local teams is the most efficient way to deal with the unexpected and to swiftly define local and innovative solutions. Our supply chain recovered quickly and its performance, in terms of customer-centricity, sustainability and digitization, was recognized and in 2020 ranked #4 globally and #1 in Europe by Gartner.

We shaped our future and realized strategic acquisitions

This strong performance made it possible to continue investing for the future and to provide continued dividend growth for shareholders for the 11th consecutive year.

We **acted nimbly to accelerate our transformation journey**. We finalized the acquisition of the Electrical & Automation business of Larsen & Toubro, building the foundation for stronger development in India and of a new global hub to serve global markets from India. We also constructed defining deals in software, with the completed acquisitions of RIB Software, to accelerate the digital transformation of the construction sector, and ProLeiT, to reinforce our automation capabilities in the food and beverage sector. We realized the strategic investment in Planon, to extend our cloud-based capabilities for construction orchestration and facility management optimization, as well as the proposed acquisition of ETAP to form a unique suite electrical design tools, and we supported AVEVA's planned acquisition of OSIsoft. As such, we are uniquely positioned to address the software needs of our customers across the life cycle of their projects and installations.

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Our customers support our solutions for an all-digital, all-electric world, transitions we enable with more products, more software, more services, and systems.”

Our mission is to be the digital partner of our customers for sustainability and efficiency, as digitization becomes increasingly pervasive in buildings, in data centers, across smart grids, industries, and in homes. For years, we have continuously developed and reinforced a full offer for an all-digital, all-electric world. By combining digital and electric solutions and services, we deliver a unique efficiency value proposition based on four dimensions of integration. Firstly, we enable integration of energy and automation for energy and resource efficiency. Secondly, we connect everything from end-point to the cloud, making every installation transparent and the data available to all those who need it, from operators to the control room. Thirdly, based on a fully integrated suite of software and digital twins, we enable the integration of an installation's life cycle across all phases, from design and build, to operate and maintain. And finally, digitization allows us to connect and manage companies across sites to reach new levels of enterprise-wide efficiency.

At Schneider Electric, we relentlessly innovate for our customers, with technology and in the way we do business. We launched new innovations, such as EcoStruxure™ Automation Expert and our SM AirSeT switchgear to eliminate SF₆ from our systems. In 2021, more than 20 new, innovative offers will be released. In 2020, our eCommerce business grew over 20% year-on-year, now representing 25% of our overall distribution business.

A step-change in sustainability

This year we have seen a strong call for sustainability, and a deep move towards smart and green recovery plans. We realized that, even as we continue to fight COVID-19, climate change is the next risk on the horizon – and that it is a risk that will impact everyone around the world, even more severely than the pandemic. Corporations are making ambitious commitments and the sense of emergency has increased with the COVID-19 crisis. Today, more than 370 companies have joined the UN Global Compact's Business Ambition for 1.5°C, and many other coalitions have taken shape. Governments are turning a corner, as shown by the Green Deal in Europe, China's targets to peak emissions in 2030, and the new US administration's return to the Paris Agreement. This has been strongly fostered over the past two years by growing demand from investors and shareholders to boards and CEOs, to put together science-based targets for carbon neutrality.

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In 2020 we accelerated and prepared for the future.”

A statement from Chairman and CEO, Jean-Pascal Tricoire

At Schneider Electric, sustainability is at the core of everything we do, in line with our purpose. We keep on progressing and consolidating our position as a practitioner and an expert in sustainability and ESG, that is, environment, social and governance. **We have put more resources behind our sustainability business and advisory services** to help our customers and partners navigate this landscape and to lead them on a proven decarbonization pathway that combines both strategy and action, while also positively impacting their bottom line. We have already developed strong partnerships for sustainability and efficiency and since 2018, our systems business alone has helped save 134 million tons of CO₂ for our customers.

We are grateful for the international recognition we achieved as a leader in sustainability, ranked as the world's #1 most sustainable corporation on Corporate Knights' Global 100 in 2021, recognized as a CDP A List Company for ten years in a row, trusted by numerous ESG investors all around the world, listed as one of the most ethical companies, and recognized with a Glassdoor 4.0 ranking. In 2020, we completed our Schneider Sustainability Impact 2018-2020 program, delivering a strong performance of 9.32 out of 10 against the year-end target of at least 9 out of 10, despite the disruption caused by COVID-19. However, we want to continue to raise the bar and go even further, so in 2020, we took a new step towards our environment, society and economy goals, with six long-term commitments to sustainability, including carbon emissions (to be carbon neutral on full end-to-end footprint by 2040) and resource preservation goals (net zero biodiversity loss in our operations by 2030), substantiated by more than ten concrete detailed targets. For example, we want 80% of our revenues to be green revenues by 2025 and increase gender diversity in hiring (50%) to front-line managers (40%) and leadership teams (30%). **Sustainability is a strong driver for growth.**

Doing business as unusual

In 2020, we **transformed faster than ever, and adopted new ways of doing things** that we had previously thought impossible. We demonstrated agility, through our fast reaction and ability to adapt to the pandemic, with both our customers and internally.

We innovated to transform the way we work:

- 100% of our customer care centers across 62 locations moved to remote working;
- We developed remote services in many areas; and
- We organized more than 5,600 digital events, 600,000 digital trainings, and hundreds of digital smart factory tours. We held our first ever all-digital Annual Shareholders' Meeting, allowing more shareholders to participate than ever before.

I personally spoke with many more customers, employees, shareholders, investors, and partners than in a normal year. We reinforced the communication with our suppliers and distributors, and stepped up collaborative services, such as AVEVA 3D, IGE-XAO, and RIB Software's M2 platform. Collaboration and trust are a major catalyst of resilience. We swiftly changed the way we work across the Company, leveraging our multi-hub organization, further empowering our local teams, and encouraging a hybrid home/office way of working. This was possible thanks to the day-to-day experience with digital tools that our teams operating in different global sites, have acquired over the past ten years. We encourage flexible working and our employees have been working from home a few days per week for years, which helped a lot. As such, we were able to reorganize quickly when the pandemic broke out.

The future operating model will be more digital and decentralized: a hybrid of what we have learned and how we worked before.

2021 Perspectives

2020 was a pivotal year for digitalization and sustainability. Looking ahead, 2021 will be a year of a strong rebound and momentum in all our geographies and many sectors, with growth opportunities in buildings, homes, data centers, infrastructure, and industry. Electrification, digitization, and sustainability are at the top of the agenda of all our customers.

A year of intense action and transformation in 2020 has prepared us for a continuation of strong execution in 2021. We are well-positioned with our end-markets, our portfolio, our model, our organization, and our leadership to grow our business and deliver digital solutions for efficiency and sustainability to our customers across the life cycle. We remain focused on the deployment of our priorities and our 2021 financial target is in line with our ambition to achieve c.17% Adjusted EBITA margin by 2022.

Strength resides in agility, local reactivity, and speed. Let's build on everything we learned in 2020. Crises are a powerful learning accelerator because they leave us no choice. They also remind us that we are more resilient, more flexible, and more able to change than we all imagine, attributes which are a solid foundation for innovation and growth.

Jean-Pascal Tricoire,
Chairman and CEO

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Revenues