

# 2023 Climate Report

## The Next Frontier: Industrial Tech for Sustainable Impact



# Leading on decarbonization

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## Context and Group’s commitments

2023 was the hottest year on record, and this time, by a lot. The European Union’s Copernicus Climate Change Service announced that January 2024 marked the first time that the global average surface temperature exceeded 1.5°C above pre-industrial levels during a 12-month period. The breach of 1.5-degrees may be temporary, but it shows the unprecedented challenge required to keep warming to the 1.5°C Paris Agreement target. The Intergovernmental Panel on Climate Change (IPCC) AR6 Synthesis Report<sup>(1)</sup> also pointed out in March 2023 that the pace and scale of what has been done so far, and current plans, are insufficient to tackle climate change. Urgent and more ambitious action and a commitment to work together to enable system-wide transformation are needed to deliver the enormous cuts in emissions and the innovation necessary to limit GHG emissions by 2030. If we act now, the report underscores, we can still secure a livable sustainable future for all.

We all need to do more within an increasingly limited amount of time. It is encouraging to see now over 4,500 companies with reduction targets approved by the Science Based Targets initiative (SBTi). For Schneider Electric, it’s been more than one year since the company Net-Zero targets, were validated by the SBTi, in line with their “Corporate Net-Zero Standard”. And as one of the first companies with targets aligned with science, it requires to work through the challenges, while celebrating the successes, learning, and sharing lessons learned to contribute to the broader understanding of what it will take to accelerate progress. By working with its stakeholders across all areas of influence, the Group is accelerating its action to reduce its environmental footprint across its entire value chain, and beyond.

Schneider Electric works with its partners to inspire change through the communities it works in, through helping push scientific and technological progress and innovation, and using its voice with governments, institutions and NGOs to inspire meaningful change through policy evolution and ultimately driving together the broad societal transformation the world needs in order to tackle climate change.

2023 is the first year in which Schneider Electric achieved a year-over-year reduction in its CO<sub>2</sub> emissions across all Scopes. The granular numbers tell an interesting story about the levers for progress, from individual actions to innovations implemented by the company, the influence it exerts, the commodities it purchases, to the speed at which the world is making the transition to clean energy and the improvement in the data used for carbon accounting.

Starting 2024, Schneider Electric looks to accelerate progress across all of these dimensions: continue to speed actions to further slash emissions in operations, accelerate support for suppliers in scaling the opportunities for high-integrity green materials, advance the work with external stakeholders to accelerate grid decarbonization and drive deeper emissions reductions from the use of the products the company sells, and use the company voice and expertise to support efforts aimed at tackling remaining carbon accounting and measurement challenges. Creating certainty in carbon measurement, paired with enhancing data availability and standardization will allow companies to count carbon accurately and consistently, and will ultimately give everyone the foundation needed to accelerate progress.



**“At Schneider Electric, we take full measure of the incredible challenge posed by climate change, as well as the urgency and responsibility to accelerate action, to innovate, and to transform our economies and societies. As we approach the middle of this crucial decade, we will deepen our work with others across and beyond our value chain to push the boundaries of what’s possible, to slash carbon and to accelerate the conditions for progress.”**

**Xavier Denoly,**  
SVP Sustainable Development

(1) IPCC. 2023. Synthesis Report of the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.

## Progress of our Climate commitments

Schneider Sustainability	#	2021-2025 programs	Baseline <sup>(1)</sup>	2023 progress <sup>(2)</sup>	2025 Target
Impact (SSI)	1.	Grow Schneider Impact revenues <sup>(3)</sup>	2019: 70%	<div style="width: 74%;"><div style="width: 74%;"></div></div> 74%	80%
	2.	Help our customers save and avoid millions of tonnes of CO <sub>2</sub> emissions	2020: 263M	<div style="width: 553M;"><div style="width: 553M;"></div></div> 553M	800M
	3.	Reduce CO <sub>2</sub> emissions from top 1,000 suppliers' operations	2020: 0%	<div style="width: 27%;"><div style="width: 27%;"></div></div> 27%	50%
Essentials (SSE)	1.	Decarbonize our operations with Zero-CO <sub>2</sub> sites	2020: 30	<div style="width: 101;"><div style="width: 101;"></div></div> 101	150
	2.	Substitute relevant offers with SF6-Free medium voltage technologies	2020: 26%	<div style="width: 60%;"><div style="width: 60%;"></div></div> 60%	100%
	3.	Source electricity from renewables	2020: 80%	<div style="width: 88%;"><div style="width: 88%;"></div></div> 88%	90%
	4.	Improve CO <sub>2</sub> efficiency in transportation	2020: 0%	<div style="width: 1.6%;"><div style="width: 1.6%;"></div></div> 1.6%	15%

These programs contribute to UN SDGs



(1) The baseline year for each indicator is provided together with its baseline performance.  
 (2) Each year, Schneider Electric obtains a "limited" level of assurance on methodology and progress from an independent third party verifier for all the SSI and SSE indicators (except SSI #+1 and SSE #12 in 2023), in accordance with ISAE 3000 assurance standard (for more information, please refer to the 2023 Universal Registration Document). The 2023 performance is also discussed in more details in each section of this report.  
 (3) Per Schneider Electric definition and methodology. Note that for the reporting requirements under the European Taxonomy Regulation, (for more information, please refer to the 2023 Universal Registration Document).

## 2023 Highlights



Schneider Electric is on the CDP Climate Change A-List for the 13th year in a row.

The Zero Carbon Project won the CIPS Excellence in Procurement Award as the Best Commitment to Decarbonization in Supply Chain.

In October 2023, The Zero Carbon Project won the Sustainable Supply Chain Award at the World Sustainability Congress by Sustainability Leaders with special focus on Accelerate Zero Carbon Workshops.

## Long-term roadmap



- 2025**
  - Carbon neutral operations
- 2030**
  - 25% absolute GHG emissions reduction across the entire value chain from a 2021 baseline
  - "Net-Zero ready" operations
- 2040**
  - Carbon neutral across the entire value chain (Scopes 1, 2, and 3), including carbon removals
- 2050**
  - Net-Zero CO<sub>2</sub> emissions across the entire value chain

# An “Impact Maker” for sustainability

For over 15 years, sustainability has been at the core of Schneider Electric’s transformation journey. The Group is now a world corporate leader in sustainability and a critical partner to our customers, suppliers, investors, NGOs, and other stakeholders using our services and products to accelerate their own energy efficiency and sustainability transition. Our purpose drives us in “empowering all to make the most of our energy and resources, bridging progress and sustainability for all”. Schneider Electric is an Impact Company.



At Schneider Electric, we pride ourselves on being an Impact Company because sustainability does not only inform what we do, it drives corporate decision making. This entails a responsibility to share learnings and keep raising the bar.

We are an Impact Company convinced that to do good, we need to do well, and vice-versa. To deliver sustainability impact, we must combine solid profitability with leading practice on all environmental, social, and governance (ESG) dimensions. At the same time, this positive impact supports the long-term resilience of the Company as we attract new customers, investors, and talents.

Our sustainability and business impacts converge to act for a climate positive and socially equitable world, while delivering solutions to our customers for sustainability and efficiency.

We bring everyone along in our ecosystem, from employees to supply chain partners, customers, as well as local communities and institutions. Building on a foundation of trust, our unique operating model with a multi-hub approach is set up to impact at both global and local levels. From a meaningful purpose, our culture builds on strong people and leadership values empowering all Schneider Electric people to make a great company.

## 1. Do well to do good and vice versa

- Performance**  
The foundation for doing good
- Business**  
Part of the solution
- All ESG**  
Dimensions

## 2. Bring everyone along

- Model & culture**  
Set up for global and local impact
- All stakeholders**  
in the ecosystem

# An Impact model recognized in external ratings



In top 1% performance among 100,000+ companies, achieving Outstanding level



The only company in its sector listed as A List 13 years in a row

**Corporate Knights:**  
A Global 100 Most Sustainable Corporation

Schneider has been featured on Corporate Knights' Global 100 list of sustainability leaders every year since 2012, ranking 7th in 2023

**Moody's**  
ESG Solutions

Schneider is part of the Euronext Vigeo World 120, Europe 120, Euro 120, France 20 and CAC40 ESG indices

**Dow Jones**  
Sustainability Indices

#1 among industry peers, scoring 88 out of 100 in the latest S&P Global Corporate Sustainability Assessment

See our recognitions on the Awards page at [www.se.com](http://www.se.com)

## Our 2025 sustainability commitments

With less than 10 years left to reach the 17 United Nations Sustainable Development Goals (SDGs), Schneider Electric has accelerated its impact and is making new, bold commitments to drive meaningful impact within the framework of its business activity. Schneider Electric's 6 long-term commitments are to:

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

## Our unique transformation tool

Since 2005, Schneider Electric measures and demonstrates its progress against sustainability goals with a unique transformation dashboard today called Schneider Sustainability Impact (SSI).

The SSI is the translation of our six long-term commitments into a selection of 11 highly transformative and innovative programs executing our 2021 – 2025 sustainability strategy. It has been designed to focus on the most material issues, leveraging internal and external stakeholders' feedback.

Every quarter, the SSI provides, on a scoring scale of 10, an overall measure of all the programs' progress, which is shared with all our stakeholders together with financial results.

At the end of the year, 64,000 employees of the Group are rewarded for the progress achieved as the SSI constitutes 20% of their short-term incentive plans' collective share (STIP).

To ensure robustness, the SSI's performance and monitoring systems are audited annually by an independent third party and obtain a "moderate" assurance, in accordance with ISAE 3000 assurance standard (except for SSI #+1). In 2023, the Group obtained a "reasonable" assurance for SSI #8.

2021 – 2025  
**SCHNEIDER SUSTAINABILITY IMPACT**

- 1. Focused on material issues**
- 2. Disrupting the status quo**
- 3. Transparent quarterly disclosure**
- 4. Robust assured by an independent third party**
- 5. Rewarding employees for performance**

# 1 Climate risks, opportunities, and impact management

The Intergovernmental Panel on Climate Change (IPCC) indicates the last decade has witnessed temperatures higher than any in the past 125,000 years. This is affecting every region of the world, manifesting as rising sea levels, increasingly extreme weather events, rapidly melting sea ice, and declining biodiversity and natural resources. The changes in climate are unprecedented when compared to patterns observed in past centuries and millennia, and further warming will continue to amplify these changes<sup>(1)</sup>.

Beyond environmental consequences, climate shifts also impact society, contributing to the loss of livelihoods and businesses, escalation of health emergencies, and displacement of populations. Schneider Electric has embedded climate-related risks reviews into its decision making, to mitigate risk exposure and ensure resilience.

## 1.1 Risks, opportunities, and impact assessment and adaptation measures

Schneider Electric proactively identifies and measures climate-related risk and opportunity to assess existing and potential impacts to its business, operations, and value chain. This approach encompasses enterprise risk management and climate risk, and vulnerability assessments leveraging on scenario analysis.

The enterprise risk management of climate-related risk and opportunity is a domain specific review led by environmental experts, overseen by the Group Risk Management department and the Internal Audit department. The risk and opportunity assessment covers acute and chronic climate physical risks, legal and regulatory risks and opportunities linked to current and emerging climate regulations, as well as market, technology, and reputational risks and opportunities linked to changes in customer behaviors.

In 2023, the Group performed a forward-looking climate risk and vulnerability assessment with an independent third party to identify and price the materiality of physical and transition climate risks that may affect the Group's operations and sites, its extended value chain (upstream and downstream), and overall economic activities in the short term, medium term, and long term using scenario analysis. In this study, climate risks are quantified under different emissions pathways between 1.5°C and >4°C temperature rise by 2100. Five emissions pathways were considered: SSP5-8.5, SSP3-7.0, SSP2-4.5, SSP1-2.6, and SSP1-1.9 by 2025, 2030, and 2050.

The Group identifies climate-related risks and opportunities and devise measures for management and mitigation. Schneider references guidance from the Task Force on Climate-related Financial Disclosures (TCFD) to classify its climate-related risks and opportunities into two major categories:

- **transition:** risks and opportunities related to the transition to a lower-carbon economy, and
- **physical:** risks and opportunities related to the physical impacts of climate change.

### Transition risks and opportunities

Governments, public institutions, and society are responding to this climate crisis in implementing more stringent regulations and redirecting investments toward low-carbon alternatives. Regulatory, legal, and behavioral changes, and the evolving competitive landscape can present risks for companies delaying their transition to a low-carbon economy or companies highly exposed to sectors slowing down this transition.

**Policy:** As climate urgency intensifies, regulation appears to be a key lever in driving a faster and more co-ordinated transition. While the EU is framing its transition through the European Green Deal, with policies aimed at driving faster carbon reduction through Fit for 55, enhancing its capability for high-quality carbon removal through the Carbon Removal Certification Framework (CRCF), and enhancing manufacturing and digital capacity in industries, through the proposed Net Zero Industry Act, the Inflation Reduction Act (IRA) in the USA aims to steer capital towards clean energy, transportation, and industry, mainly through tax credits. A number of governments have introduced or are contemplating regulatory changes to address climate change. For example, emissions trading systems, which establish a market price for emissions, are now implemented or scheduled for implementation in multiple large emitting countries including China, Australia, EU member states, Canadian provinces, and several states within the USA. Carbon taxes, which represent tax rates on greenhouse gas (GHG) emissions, are also implemented or scheduled in many countries, including Mexico, Columbia, Argentina, South Africa, and Japan. The outcome of climate regulations may result in additional requirements and fees or restrictions on certain activities or materials, impacting primarily companies slowing down this transition but creating as well opportunities for companies leading this transition towards a low-carbon economy.

Schneider Electric anticipates possible financial impacts of future carbon emission costs by working to address both its operational and value chain footprints. Given the relatively low level of Schneider's Scope 1 and 2 emissions in its carbon footprint, carbon pricing mechanisms primarily present the potential for indirect impacts. Among others, it could result in higher raw materials and manufactured components costs, and increasing costs incurred by consumers during the use of sold products.

(1) IPCC. 2022. Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.

The EU Taxonomy, as a cornerstone of the EU's sustainable finance framework, helps direct investments to the economic activities most needed for the transition. In 2023, 89% of the Group's revenues came from economic activities listed in the EU Taxonomy as able to contribute substantially to at least one of the six environmental objectives listed in the regulation. Although Schneider's proportion of revenues aligned with the EU Taxonomy is at 31%, its high share of revenues eligible demonstrates the prominence of Schneider Electric's markets in the transition towards a sustainable economy. This transparency tool represents an opportunity for the companies of the sector who are leading on sustainability, to reinforce trust with stakeholders, to ensure access to green financing with potentially favorable terms and finally to attract and retain environmentally conscious customers, partners, investors, and employees<sup>(1)</sup> (see details in section 2.7.2 on page 277 of the 2023 Universal Registration Document).

As a sustainability-leading company, Schneider Electric supports shaping climate policies that can move industries and the world forward. The Group monitors policy risk and is committed to keep its position as a company leading in sustainability to capture associated opportunities through various strategies. Several examples include but are not limited to the following:

- Achievement of Schneider Electric's climate goals, which in turn reduces risk exposure to future changes in carbon prices.
- Incorporation of an internal or shadow price for carbon to understand the potential impact of external carbon pricing on its portfolio's resilience to climate scenarios. The Group internal shadow price is meant to inform the Group's climate strategy and incentivize low-carbon innovation. Also the Group assesses marginal abatement costs (additional cost per ton of CO<sub>2</sub>) of some specific decarbonization actions or programs, in order to determine what are the most cost-efficient ones. Schneider uses different carbon price scenarios, varying from EUR 50 - 130/ton (depending on time horizons).
- Management of the legal and regulatory environment to stay abreast with regulatory developments and anticipate future changes, including Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CSDDD) and the EU Taxonomy.
- Climate policy advocacy to advance the world's carbon reduction efforts. Read more about this page 28.

**Market:** The growing demand for low-carbon products and services generally presents a significant business opportunity for Schneider Electric. The Group already explores ways to improve the efficiency and emissions profile of existing products with innovations, such as SF<sub>6</sub>-free medium voltage switchgears (read more on page 21). The low-carbon transition can present risks with potential financial impacts for companies delaying the change, as well as opportunities for sustainability leaders. For example, consumer preferences may change and further veer toward environmentally sustainable alternatives. This is a critical element of the Group's sustainability impact goals and ecodesign strategy. In 2023, 74% of the Group revenues qualify as Impact revenues.

Additionally, maintaining industry-leading offers for more efficient, low-emission products and services that support the transition to a low-carbon economy requires adapted investments in research and development (R&D). Schneider Electric invests about 5% of its annual revenues in R&D each year and as outlined during its 2023 Capital Markets Day, expects a step-up in strategic R&D investments over the coming years towards 7% of turnover in R&D. This also includes sharp focus on product quality and performance to prevent potential trade-offs associated with our products' enhanced sustainability profile.

**Reputation:** Customer sentiment can be influenced by companies' actions or inaction to mitigate and adapt to climate change.

Schneider has been working to reduce its own GHG emissions for over 15 years and continues to raise the bar, setting ambitious targets for both its operations and its value chain. The Group actively manages this risk by building and executing detailed roadmaps for its targets and collaborating with its stakeholders through initiatives such as The Zero Carbon Project.

In addition, the Group remains diligent in protecting brand reputation through accurate and transparent communication and marketing. In 2023, as litigation and legislative developments surrounding green claims rose, and public focus on greenwashing heightened, Schneider Electric sharpened its focus on environmental claims and language used regarding sustainability (see details in section 2.4.3.5 on page 193 of the 2023 Universal Registration Document).

Although additional measures were implemented in 2023 in response to emerging green claims and greenwashing regulations, reputation management has always been a focus, through:

- continuously monitoring Schneider's sustainability performance and revising strategy to adapt to regulations, and customer demand;
- maintaining robust internal and external controls to ensure information verification and accuracy such as third-party assurance of emissions data and internal audits of sustainability information and processes;
- consistently and transparently disclosing sustainability performance to our stakeholder, across all environmental, social, and governance topics, and
- collaborating with relevant stakeholders to develop and strengthen regulatory frameworks, advance standards to create common methodologies to measure the environmental footprint of products, and improve corporate carbon accounting.

**Technology:** As the global economy transitions towards a low-carbon future, technological innovation will accelerate the impairment of fossil-fuel intensive assets.

Schneider Electric is committed to be "Net-Zero ready" in its operations by 2030 (see details in section 5 on page 15), launching several transformations to deliver on this target:

- reach 150 Zero-CO<sub>2</sub> sites by 2025 (SSE #1);
- source 90% of electricity from renewables by 2025 (SSE #3), and 100% by 2030 (RE100);
- increase energy efficiency in its sites by 15% by 2025 (SSE #5), and double energy productivity by 2030 compared to 2005 (EP100), and
- shift one-third of corporate vehicle fleet to electric vehicles (EVs) by 2025 (SSE #7), and 100% by 2030 (EV100).

(1) EY. 2023. Why organizations should stay the course with their EU taxonomy reporting.

## Leading on decarbonization

### Physical risks and opportunities

The immediate effects of climate change, known as acute physical risks, can manifest as more frequent and severe natural hazards, such as intensified hurricanes or floods. These incidents are clear examples of how climate-related factors can cause financial impacts on companies. Extreme weather events not only directly affect the Group's operations but also impact crucial infrastructures like power plants, electrical grids, data centers, and transportation networks.

In the long term, the severity of physical impacts will vary based on society's ability to reduce human-induced climate change. However, even with mitigation efforts, the IPCC is highly confident that climate change will lead to numerous risks for natural and human systems beyond 2040<sup>(1)</sup>. It's crucial to prepare for potential intensifying impacts by considering various scenarios, understanding that some degree of impact is inevitable despite efforts to combat climate change.

Schneider Electric has over 300 industrial and logistics sites globally and is exposed to the physical effects of climate change in the form of more frequent and severe acute weather events. In addition, impacts from chronic environmental changes like average temperature increase could expose some of our sites to drought and increased water stress. These impacts could result in damage to assets, disruption to business operations, as well as human and environmental consequences.

**Damage to property and assets:** Physical risks resulting from climate change can have financial implications for the Group such as direct damage to property and assets. As a result, climate and weather-related risks are part of the Group's Business Continuity & Risk Management program, leading to preventive investment to secure assets and adapt to material climate and weather risks.

The Group's management method consists of risks quotations. Climate-related physical risks, such as floods, are part of the risk assessments and standard practice reviews made by independent global risk experts Global Risk Consulting (GRC), thereby defining potential financial impacts as well as the cost of response.

GRC measures and weighs:

- passive (exogenous) threats relating to floods, hurricanes (windstorms), earthquakes, construction, occupancy, and
- active (endogenous) risks relating to physical protection, human exposure, natural hazards, and business continuity plan.

Schneider's industrial and logistics sites worldwide are evaluated every three years. Risk profiles of each site are then regularly updated, and recommendations of adaptation measures are made to mitigate identified risks.

The Group deploys protection measures to mitigate or avoid the risks. For example, Schneider committed for 100% of its sites in water-stressed areas to have a water conservation strategy and related action plan by 2025. In addition, action plans are developed for sites with potential flood exposure. Plans may include installing flood gates or moving equipment to a higher level, production increase or reduction, delivery increase, checking external areas for possible objects that could float, and more.

In 2023, several factories in France were identified with exposure to riverine flooding. As a result, the Group took the appropriate adaptation measures to mitigate risk exposure and enhance resilience:

- Development of a flood emergency response plan.
- Implementation of a flood warning protocol, including the monitoring of local weather forecast and river levels.
- Assignment of responsibilities, including designations for safe de-energization and shut-down procedures should an event occur.
- Development of a recovery and clean-up plan with personnel designated responsibilities in co-ordinating post-flood salvage and arranging emergency utility equipment.

The Group maintains robust protocols and response measures if a weather incident should occur. Through its Property Damage and Business Interruption program, aligned with the ISO 22301 standard, Schneider Electric outlines substantive risks on the business and ensures crisis management, from the initial phase following an incident all the way to the recovery of activities.

The cost of management can be approximated by that of insurance plans. The cost (including tax) of the Group's main global insurance programs, excluding premiums paid to captives, totaled around EUR 28 million in 2023.



**Supply chain disruption:** Extreme weather events and changing climate patterns also present potential risks for the Group's supply chain; in particular, material shortages and logistics bottlenecks in the upstream and downstream. Climate-related supply chain disruptions could translate directly into revenue losses, higher costs, and increased working capital requirements. Delays in production and delivery could impact customer experience.

(1) IPCC. 2022. Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.



The Group monitors and tracks vulnerability to supply chain disruption through various strategies:

- Monitor events across 10,000 nodes (such as ports and critical supplier locations) to shorten reaction time should events occur, and thereby minimizing business impact.
- Analyze the criticality of industrial sites. This is performed by independent experts, covering areas such as interdependency analyses, alternative supply, and time to recover in case of damage.
- The Group's Supply Chain uses a resiliency index that includes natural and climate-related hazards to assess and mitigate business interruption risks.

Results from the 2023 vulnerability assessment indicate that more than a third of the raw material streams assessed are sourced from countries with high risk of hurricanes. Schneider anticipates and responds to these types of risks with adaptation measures focusing on supply chain resilience.

Notably, the supply chain strategy called STRIVE, launched in 2021, includes an increased focus on resilience to continuously improve supply chain flexibility and agility. More than 80% of selected CapEx is engaged in the "Power of Two in Manufacturing" project, whereby Schneider is proactively working to qualify alternate factories for same products and suppliers for all critical parts and components to improve continuity of supply. By doing so, it can dual-source critical components from partners in different geographies to help ensure availability regardless of potential business disruptions, such as natural disasters. The STRIVE strategy aims at securing top manufacturing risks with strategic stocks, and top supply risks under a specific multi-sourcing project. In term of logistics, the Group have deployed a full business continuity plan process, moving from 20% of business securitization in 2021 to 70% at the end of 2023, with the ambition to reach 80% in 2024.

For example, in the Philippines, the Group identified products at risk based on revenues, and then conducted a study to assess whether it should implement its Power of Two resilience strategy. The Industrial Planning team investigated associated existing technological challenges and budgeting. The site then worked with partners in the region (for example, in Vietnam) and invested in tools and equipment to mitigate potential business interruptions and secure the cost of goods sold (and therefore revenues), with the objective of securing around 35% of its sales through a business continuity plan by 2024.

## 1.2 Climate-related governance

Overall, the different governance bodies involved in the definition and monitoring of the sustainability commitments and programs are responsible for defining strategic mitigation programs in response to the risks and opportunities identified. Strategic programs defined at Group level are then cascaded into business divisions, down to the sites for implementation, and are monitored through the digital platform, EcoStruxure™ Resource Advisor.

Each program of the Schneider Sustainability Impact has a dedicated pilot in charge of driving the transformation and is sponsored at the Senior Vice-President and Executive levels to ensure management control and oversight.

Schneider was one of the first companies to address this topic at the Board level with the creation of the Human Resources and Corporate Social Responsibility Committee in 2014. The sustainability strategy, including climate, is overseen by the Board of Directors with the assistance of the Governance, Nominations & Sustainability Committee (renamed as such in 2023). The Group further addressed the topic by deciding that the annual variable compensation of the Chief Executive Officer and of the more than 64,000 employees (who benefit from a variable compensation), includes ESG criteria, part of which relates to climate. The Long-term incentive plan is also linked to ESG criteria (for more details on compensation, please refer to section 2.5.4 on page 234 of the 2023 Universal Registration Document).

Several other governance bodies are involved in this matter: the Executive Committee and its Function Committee, the Stakeholders Committee and the Sustainability department. At Group level, the Chief Sustainability, Customer Satisfaction and Quality Officer, who is reporting directly to the Chief Executive Officer, helps determine and enforce the Group's environmental goals and underlying transformations. Three committees involving Group Executive Vice-Presidents and Senior Vice-Presidents are dedicated to overseeing the implementation of the Group's climate strategy and decarbonization roadmap, respectively focusing on the supply chain, low-carbon product design, and the decarbonization of Schneider's operational emissions.

Schneider Electric's Chief Sustainability, Customer Satisfaction and Quality Officer is the head of the Global Environment team, leading the overall environmental vision, strategy, and program execution, including climate. The Global Environment team participates in the Group Enterprise Risk Management program, which identifies, assesses, and prioritizes risks and, through regular reporting and discussion, assists senior management and the Board on the governance of risk. The team gathers input from climate experts across the Company to support this reporting.

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

## Leading on decarbonization

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

In line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, Schneider Electric launched a prospective approach on climate change and energy transition four years ago, by setting up a dedicated organization, the Schneider Electric™ Sustainability Research Institute. This team, the Company think-tank on the Climate and Energy Transition, reports to the Chief Strategy Officer. A large part of its research is made publicly available on [www.se.com](http://www.se.com).

Several scenarios to 2050 were developed in 2019. Those included critical reviews of the geopolitical landscape, commodity and resource availability, economic and financial evolutions, climate sensitivity and evolving policies, energy transition pathways, and technology developments, among others, with quantified consequences, taking into consideration ten regions and a number of sectors individually, framing the business landscape in which Schneider operates.

Those scenarios have been regularly updated since. For instance, in 2020, the COVID-19 short-term impact assessment was also reviewed, including the importance and feasibility of climate-compatible recovery plans. In 2021, a set of global scenarios exploring the feasibility of a 1.5°C trajectory was published externally. Since 2022, a number of regional scenarios have also been released. Key findings are regularly cross-checked with new publications, particularly the ones from the International Energy Agency, Bloomberg New Energy Finance, and the International Renewable Energy Agency (IRENA), among others, as well as shared and discussed with these organizations.

In addition, further research efforts on decarbonization pathways per sector, policy and socio-economic implications are also published regularly to contribute to inform the debate on global decarbonization. In 2023, a dedicated analysis of climate risks interactions at Schneider Electric was also released.

The effort of this team helps to both contribute to the public debate on global decarbonization as well as inform strategic priorities across businesses and operations.



## 2 Schneider Electric’s greenhouse gas footprint

### 2.1 Schneider Electric’s 2023 carbon footprint

The Group calculates its end-to-end carbon footprint (Scopes 1, 2, and 3) in alignment with the Standards from the Greenhouse Gas Protocol: the Corporate Accounting Standard and the Corporate Value Chain (Scope 3) Standard.

In 2023, we obtained “reasonable” assurance from an independent third-party verifier on our Scopes 1 and 2 reported Greenhouse Gas (GHG) emissions, and “limited” assurance on our Scope 3 reported GHG emissions.

The charts below represent Schneider’s 2023 carbon footprint for Scopes 1, 2, and 3, including all relevant upstream and downstream GHG emissions from suppliers and products sold.

Suppliers Scope 3 upstream		14%	Schneider’s Operations Scopes 1 and 2		<1%	Customers Scope 3 downstream		86%
Purchased goods and services	6.8 MtCO <sub>2</sub> e		Energy consumption at sites (market-based approach for electricity)	0.13 MtCO <sub>2</sub> e		Use-of-sold products	44.2 MtCO <sub>2</sub> e	
Freight	0.6 MtCO <sub>2</sub> e		Company cars	0.06 MtCO <sub>2</sub> e		End-of-life (mostly SF <sub>6</sub> )	4.3 MtCO <sub>2</sub> e	
Other (e.g., business travels, commuting, upstream emissions from the energy sector)	0.5 MtCO <sub>2</sub> e		SF <sub>6</sub> leakage	<0.01 MtCO <sub>2</sub> e		Freight	0.4 MtCO <sub>2</sub> e	

Emissions from Scopes 1 and 2 are primarily from the use of electricity and natural gas at our sites and from our Company fleet (respectively 40%, 21%, and 31% of total Scopes 1 and 2).

Scope 3 emissions represent more than 99% of the Group’s carbon footprint, of which:

- 78% are due to the use phase of products (Category 11 of Scope 3 in GHG Protocol).** These emissions derive from the electricity consumption of Schneider Electric’s products, primarily due to heat dissipation (Joule effect). As per the GHG Protocol standard, these emissions are not the volume of CO<sub>2</sub> emitted in the reporting year from the use of products sold in previous years and currently in use by customers; it is rather a forward-looking view based on sales occurring in the reporting year, and the corresponding electricity consumption of the products during their full useful life. It is worth noting that Schneider Electric’s products generally have long life spans, which can be up to 30 years in calculations. The methodology is based on a lifecycle approach, leveraging the Product Environmental Profiles (PEPs) of our products.
- 12% are associated with purchase of goods and services (Category 1 of Scope 3 in GHG Protocol).** These are the upstream emissions (i.e., cradle-to-gate) from the production of products and services that the Company is purchasing in the reporting year, with the notable exception of freight services that are accounted in a different Scope 3 category. These emissions are coming from very diverse sources, given the wide heterogeneity of the Group’s procurement portfolio: raw materials, electronic and electrical products, printed circuit board assembly, fabricated components, along with purchases that are not directly related to production (e.g., services such as insurance and banking services).
- 8% are a result of end-of-life treatment of products, and particularly end-of life treatment of SF<sub>6</sub> (Category 12 of Scope 3 in GHG Protocol).** These emissions primarily reflect the SF<sub>6</sub> gas used by Schneider in products sold in the reporting year, and that may be released at the end of products’ life, a few decades after the reporting year. An assumption is made on the release in the atmosphere of SF<sub>6</sub> at product decommissioning, based on Schneider’s research, considering that some SF<sub>6</sub> in equipment is being recycled, while the majority is not recycled.

## Leading on decarbonization

### 2.2 CO<sub>2</sub> reduction performance

Since 2021, emissions from Schneider Electric's operations (Scopes 1 and 2) have decreased by 31% in absolute, and Scope 3 emissions have decreased by 17%.

Direct emissions from Scope 1 have decreased by 20% since 2021, largely due to energy efficiency initiatives and electrification of the Group's on-site processes and fleet. In addition, targeted efforts to reduce SF<sub>6</sub> have yielded measurable results. On Scope 2, emissions have decreased by 42% between 2021 and 2023, primarily due to the outstanding progress on sourcing more and more renewable electricity. All in all, on Scopes 1 and 2 collectively, the emissions have decreased by 31% since 2021.

From 2022 to 2023 more specifically, key drivers of the emission reduction (-12%) on Scopes 1 and 2 included:

- consumption behavior changes linked to the energy crisis which was drastic in 2022, but had some long-lasting effects (with gas consumption at sites in the energy reporting perimeter decreasing by 18% as compared to 2022);
- energy efficiency (SSE #5): 6.6% in 2021, 7.8% in 2022, and 13.2% in 2023; an additional modeled savings of 58 GWh compared to 2022;
- the switch to more renewable electricity consumed by the Group's facilities (SSE #3), whether directly, via on-site renewable energy or green tariffs from the utilities serving Schneider's operations, or indirectly, via unbundled and bundled market mechanisms; the share of global renewable electricity has increased from 85% in 2022 to 88% in 2023 (on the scope of ISO 14001 sites, as per the scope of SSE #3).

Scope 3 emissions decreased by 7% from 2022 to 2023:

- Upstream emissions have decreased by 10%, due to the reduction of volume of commodities being purchased, and the efforts of the decarbonization programs in the supply chain: Green Materials program which contributes to source materials with low carbon footprint, and The Zero Carbon Project which supports the decarbonization of suppliers.
- Downstream emissions, the majority of which come from the use of sold products, have decreased by 6% between 2022 and 2023. This is due to both the decarbonization of the grids that the Group's consumers rely on, and the evolution of the geographic split of sales, with a higher growth in geographies where the current and projected electricity mixes are less carbon-intensive as compared to last year. As explained in the section above, when calculating these emissions, the Group considers the products' lifetime and the projected carbon intensity of the grids where consumers are located.

The rate that Schneider can implement emission reductions is dependent on many factors that can change over time; these include our business growth and geographic distribution, supplier mix and suppliers' decarbonization journeys, and the rate of decarbonization of the grids that power the Group's products.

### 2.3 Evolving calculation methodology and data constraints

Carbon accounting is an evolving discipline where the granularity of calculation changes as new mechanisms for data collection and specifications become available. Schneider Electric regularly assesses data collection and calculation methodology for opportunities to expand data availability and enhance accuracy.

Especially, Scope 3 calculation presents an opportunity for continuous improvement for many organizations, as calculation depends on indirect, value stream emissions which are sources not owned or controlled by the Group. As specifications and availability of both activity data and secondary data change, continuous evolutions and improvements in Scope 3 methodologies can be expected.

In this context, the Group continues to support efforts that enhance data standardization and transparency. There are calculation decisions companies make with consideration to their unique circumstances, such as data type used, data collection method, and emission factors, among other choices. These variables can materially impact the calculation, and as a result, compromise the comparability and standardization of emissions data. Recognizing the opportunity for additional guidance on calculation methods, Schneider Electric has participated in 2023 in the update process of the GHG Protocol standards, and the Group is willing to engage further in this ongoing process.

Schneider Electric remains committed to transparency in disclosing how GHG emissions calculations and methodology evolve. In 2023, key evolutions in calculation methodologies included the following:

- The Group continues to work to use more granular or higher quality emission factor datasets as this is critical to support greater accuracy and reliability of GHG measurement and reporting. For instance on Scopes 1 and 2, in 2023 emission factors were updated in EcoStruxure™ Resource Advisor, the Schneider Electric solution that is used to manage environmental reporting of all ISO 14001 certified sites, in order to better take into account the various types of fossil fuels that are used. Also, it is noteworthy to mention the carbon footprint is using the latest Global Warming Potential (GWP) value of SF<sub>6</sub>, as published by the IPCC in its 6th Assessment Report available in January 2024. This change impacts emissions sources under Scope 1 and Scope 3
- In 2023, there was an improvement of calculations for emissions under Scope 3, Category 1: Purchased Goods and Services. The Group incorporated data collected from suppliers, and particularly from plastics suppliers, to leverage both the Green Materials program and The Zero Carbon Project. Also there is growing momentum about supplier specific carbon footprints of products, and the Group is supporting this trend by proactively engaging in the PACT Pathfinder initiative from the World Business Council for Sustainable Development (WBCSD). This is described in the section below.

- In terms of digital tools, in 2023 carbon accounting was migrated to new systems for two Scope 3 categories, Category 4: Upstream Transportation and Distribution, and Category 6: Business Travel. The shift to new systems for these aspects of the emission footprint enhanced calculation coverage and accuracy. For instance, the vast majority of freight paid by Schneider Electric is now incorporated in a dedicated CO<sub>2</sub> reporting tool called Sightness. The Sightness system provides a more robust data collection and analytical capability, as well as the integration with the EcoTransIT World emissions calculation engine to determine GHG emissions. This calculation engine is a globally recognized calculator, conformant with the accounting framework from the Global Logistics Emissions Council (GLEC). Into Sightness, granular shipment-by-shipment data are consolidated, directly from the shippers themselves and GHG emissions are calculated on the full well-to-wheel perspective of transportation (while the Greenhouse Gas Protocol standard requires the tank-to-wheel emissions to be reported)
- Also, the Group is keen to support demand for low-carbon commodities and products, and hence explores ways to reflect the corresponding CO<sub>2</sub> savings in the GHG inventory. For instance, with Sustainable Aviation Fuel (SAF): as part of the decarbonization approach to air transportation, the Group is committed to replace at least 5% of conventional jet fuel use with Sustainable Aviation Fuel (SAF) by 2030, as per the World Economic Forum (WEF) First Movers Coalition. In 2023 the Group started to source SAF and explored ways to source maritime biofuels as well, while the GHG Protocol does not explicitly allow, nor forbid, to reflect the corresponding CO<sub>2</sub> savings in the Scope 3 emissions. This will be one very desirable outcome of the ongoing update of GHG Protocol standards to bring clarity and guidance on how to factor in the decarbonization effects of sound market-based mechanisms.

## 2.4 Collaborating with suppliers to tackle Scope 3 upstream emissions through Product Carbon Footprints (PCF)

The calculation of Scope 3 Category 1: Purchased Goods and Services, involves integrating both volume-based activity data and expenditure records. Indeed, volume-based activity data is leveraged as much as possible, but procurement spend is used when volume is not available or does not have enough global coverage. In the 2023 reporting period, 43% of emissions from procurement were derived from volume activity data, particularly for materials like steel and plastics. The remaining 57% relied on spend-based calculations, notably for complex product categories like electronics and services, encompassing diverse subcomponents. Emissions factors are based on detailed analyses at the commodity level, utilizing databases like the French Environment and Energy Management (ADEME) or Environmental Improvement Made Easy software (EIME) to identify suitable factors. When calculating spend-based emissions, adjustments are made to neutralize the inflationary effects, since inflation itself does not directly contribute to additional indirect emissions.

Product emissions data directly from suppliers is what the Group is striving to receive at scale, but most suppliers are not able to calculate a PCF, nor a broader environmental lifecycle assessment (LCA) today. While Schneider Electric captures some PCFs, specifically from some plastics suppliers and will work to expand the number of PCFs that are received.

Yet capturing product-level emissions data for most of the procurement is pivotal to addressing Scope 3 upstream emissions. To support this endeavor, Schneider Electric joined a pilot from the World Business Council for Sustainable Development (WBCSD) to partner with select suppliers, understand their challenges in providing product data, and accelerate carbon reduction efforts. The pilot involved creating a partnership with select suppliers, selecting an IT tool for data exchange, getting PCF data aligned with the WBCSD Pathfinder Framework from the suppliers and learning about a variety of issues that inhibit the scaling of data exchange. The first phase of the pilot is in its final stages, and it is anticipated to receive the first batch of supplier data in early 2024. Phase two of the pilot will involve even deeper collaboration with suppliers and exploring ways to support them in capturing primary data from their own suppliers.

The pilot program has provided valuable insights. Key areas on which valuable experience was gained include:

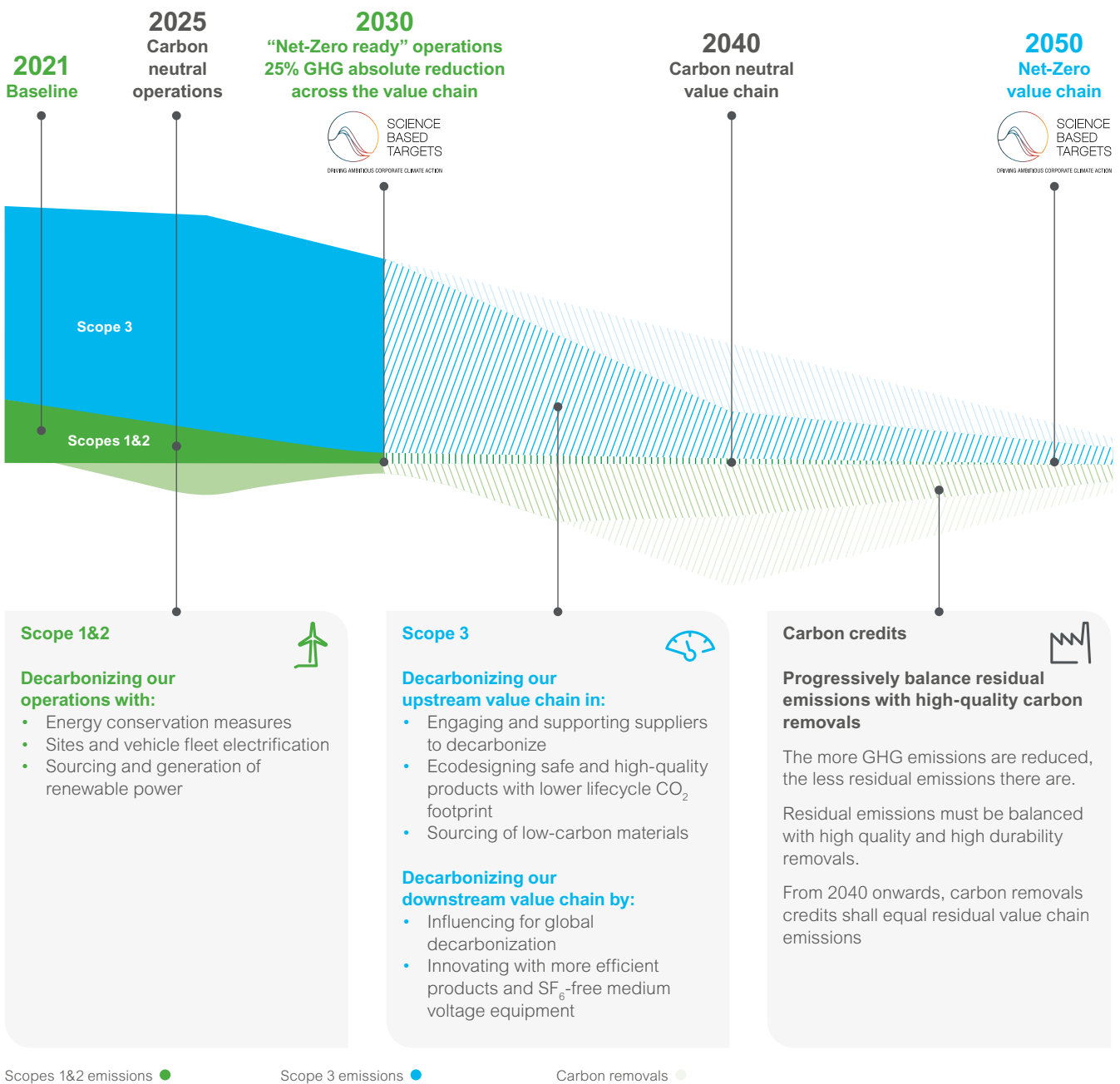
- Understanding the challenges faced by suppliers in computing and providing product environmental data. Not all suppliers currently calculate product emissions, emphasizing the significance of this collaboration.
- Gaining further insight on confidentiality and data utilization, which can present significant barriers to widespread data exchange. Through the pilot, the Group have undertaken the necessary due diligence and familiarized itself with the technological underpinnings facilitating this exchange, including insights from WBCSD's Pathfinder Framework.
- Deepening partnerships with suppliers. The exchanges Schneider is engaged in are opening other sustainability opportunities to collaborate and enabling peer-to-peer discussions to accelerate progress together.

The need for product environmental data from suppliers continues to increase due to accelerating needs to decarbonize along with regulatory and customer demand. The widespread calculation and sharing of PCFs is an important step towards the eventual calculation and sharing of LCAs and Schneider Electric is proud to be a leading company exploring how to achieve scale. More about our efforts can be read about on the [WEF webpage](#).

### 3 Schneider Electric’s Net-Zero commitment

In August 2022, Schneider Electric was one of the first companies to see its GHG reduction targets validated by the Science Based Targets initiative (SBTi), aligned with its “Corporate Net-Zero Standard” published in October 2021. As part of its Net-Zero commitment, the Group has defined mid- and long-term targets. Ultimately, the Group is committed to be Net-Zero across its entire value chain by 2050, which means that the Group aims to reduce its 2021 footprint by an absolute 90% by 2050 and balance residual emissions with high-quality and high-durability carbon removal credits.

The four milestones towards Schneider’s Net-Zero commitment are presented below together with the key decarbonization levers, and are detailed in the subsequent sections of this chapter. Please note that this graph is intended to provide a simple visualization of the Group’s roadmap, so the proportions between Scopes 1, 2, and 3 have been adjusted to facilitate readability. It is not representative of year over year targets. Yet, what is important to note is that between 2040 and 2050, the areas above and below the horizontal line are symmetrical, meaning the emissions that are not reduced are to be balanced with an equivalent amount of carbon removals credits of high-quality and high-durability by 2050 at the latest.



The diagram above is for illustrative purposes.

## By 2030, reduce value chain emissions by 25% and be “Net-Zero ready” in operations

Schneider Electric commits to reduce its absolute Scope 3 GHG emissions across its entire value chain by 25% from a 2021 base year. This encompasses all Scope 3 emissions, in particular upstream emissions from purchased goods and services, as well as downstream emissions from the use of electricity by its sold products.

Schneider is already carrying out concrete actions to engage its value chain in decarbonization under its Climate and Resources commitments:

- engage 1,000 top suppliers to reduce their operational CO<sub>2</sub> emissions by 50% with The Zero Carbon Project (SSI #3);
- increase green material content in products to 50% (steel, aluminum, and plastics) by 2025, favoring bio-sourced, recycled, and sustainable options (SSI #4), and improve the end-to-end lifecycle environmental footprint of its offers with EcoDesign Way™;
- have 100% of primary and secondary packaging free from single-use plastic and made from recycled cardboard (SSI #5);
- propose SF<sub>6</sub>-free alternatives for all medium voltage technologies by 2025 (SSE #2);
- increase CO<sub>2</sub> efficiency in transportation of goods by 15% by 2025 (SSE #4), and replace at least 5% of conventional jet fuel use with SAF by 2030 (WEF First Movers Coalition), and
- reduce CO<sub>2</sub> emissions from waste management and reach 200 “Waste-to-Resource” sites (SSE #9).

Having “Net-Zero ready” operations means the Group plans to reduce absolute emissions from Scopes 1 and 2 by 76% from a 2021 base year (equivalent to a 90% reduction compared to 2017) and balance residual emissions from its operations with carbon removal credits of growing quality and durability (see details thereafter).

To deliver on this operational target, the Group has launched several transformations:

- reach 150 Zero-CO<sub>2</sub> sites by 2025 (SSE #1);
- source 90% of electricity from renewables by 2025 (SSE #3), and 100% by 2030 (RE100);
- increase energy efficiency in its sites by 15% by 2025 (SSE #5), and double energy productivity by 2030 compared to 2005 (EP100), and
- shift one-third of corporate vehicle fleet to EVs by 2025 (SSE #7), and 100% by 2030 (EV100).

## By 2050, reach Net-Zero CO<sub>2</sub> emissions across the entire value chain

To reach its Net-Zero Commitment, the Group will reduce its absolute Scopes 1, 2, and 3 GHG emissions by at least 90% from a 2021 base year, and balance its residual emissions with high quality carbon removal, in line with the SBTi “Corporate Net-Zero Standard”.

Schneider Electric has already implemented a solid foundation of initiatives, which will be reinforced and completed by additional actions. Considering the company profile in terms of GHG emissions, meeting the targets will require to engage even more with customers and suppliers on decarbonization, leveraging the Group’s portfolio of solutions to grow the energy efficiency of the global economy, the electrification of the energy mix, and the sourcing of renewable electricity.

In addition to that, the growing share of circularity services in the revenue of the company, along with the greater environmental value added by the Group’s Green Premium™ offers, are enablers to lead to the decoupling of company activity from absolute emissions.

## Reach carbon-neutral operations and a carbon-neutral value chain in 2025 and 2040 respectively

To achieve carbon neutral operations by 2025, Schneider Electric will balance residual Scopes 1 and 2 GHG emissions which have not been reduced with high-quality carbon removal credits, aiming for like for like balancing in terms of both origin and gas lifetime, in which only high-durability carbon removal can be used to balance residual fossil fuel emissions. Similarly, by 2040, the Group aims to balance its residual emissions with high quality removals. High quality removals will be determined by regulation, as the concept of like for like is emerging in the EU.

Since 2011, Schneider has invested in the Livelihoods Carbon Fund (LCF) and renewed its engagement with the LCF2 and LCF3 funds. These funds invest into three kinds of projects generating both avoidance and removal credits and combining climate change resilience with strong social and economic impact:

1. Agroforestry and regenerative agriculture (which combines productivity and biodiversity restoration).
2. Reforestation and restoration of key natural ecosystems, including mangrove restoration (mangroves are powerful carbon sequestration agents and natural barriers to coastal areas).
3. Rural energy (the fuel-efficient cookstoves distributed by Livelihoods decreases wood consumption by half, preserves forests, and mitigates climate change).

The return of the fund is measured in carbon credits from the highest available standards (VERRA and Gold Standard). To date, those credits have not been used to balance the Group’s GHG emissions, but some reflected contribution investments connected to the Schneider Electric Paris Marathon.

To fulfill Schneider’s Net-Zero targets, solely carbon removal will be used to balance the Company’s residual emissions. Any avoidance credits are part of Schneider beyond the value chain contribution.

The past year has seen important developments related to policies clarifying standard definitions regarding high-quality criteria for carbon removal (e.g. EU Carbon Removal Certification Framework), guidance related to the use of credits for balancing residual emissions (proposed Green Claims Directive), as well as updates to voluntary guidelines from SBTi and Oxford Principles on Beyond the Value Chain Mitigation and scaling carbon removal in line with the latest science, all of which will help guide and advance our work to define the nature and composition of the Company’s carbon removal portfolio.

## 4 Investing to achieve the Group's climate strategy and vision

Schneider Electric has defined short and medium-term financial investments priorities in order to set the course towards its SBTi validated Net-Zero commitment, and more broadly to meet its long-term commitments for climate, and to preserve natural resources.

These investments mainly relate to the following areas:

1. The evolution of the Group's portfolio towards a greater proportion of Digital and Services: expanding the Group's portfolio of connected solutions for efficiency and sustainability. Those investments typically vary year on year. It is noteworthy to mention that emissions from use phase of software are not modeled specifically in the Group's GHG inventory.
2. R&D to design products that use fewer virgin resources, bring additional CO<sub>2</sub> or resource efficiency for customers, have longer lifespans, and lower end-of-life impacts, such as SF<sub>6</sub>-free products. 5.6% of turnover (about EUR 2.0 billion) was invested in 2023, and the Group announced a step-up in strategic R&D investments in the coming years up to 7%, as communicated to the capital markets.
3. The decarbonization of the Group's own operations, by investing progressively in energy efficiency, site electrification, renewable energies, and electric chargers for company vehicles. In 2023, the Group has communicated to the capital markets that the remaining cumulative investments needed until 2030 would be about EUR 400 million.
4. The decarbonization of the Group's upstream supply chain: during 2023, long-term capital expenditures have been assessed for the main transformation programs on Climate (SSI #3) and Resources (SSI #4 and #5). As a result of this assessment, no significant capital expenditures are foreseen on these areas.

### Mergers and acquisitions

In 2023, Schneider Electric acquired EcoAct. This acquisition is in line with the Company's ambition to bring digitization and sustainability together. EcoAct's portfolio of net-zero and nature-based products and services, including consulting, climate data tools, and carbon offset project development, will expand and accelerate Schneider Electric's capabilities to provide end-to-end solutions that lead organizations through the net-zero transformation and beyond.

### Redesigned investment tools and processes to embed low-carbon and resource criteria

In order to track and steer its low-carbon investments, the Group's investment monitoring and approval tool was redesigned in 2022 in order to:

- prioritize low-carbon investments, with a dedicated validation workflow, and
- monitor investments to decarbonize its own operations, notably for Zero-CO<sub>2</sub> sites (SSE #1).

This process has improved both qualitative and quantitative information on individual low-carbon investments, thereby facilitating decision-making.

### Investments in R&D

About 99% of the Group's carbon footprint is either related to upstream emissions from the transportation and transformation of raw materials by its suppliers, or to downstream emissions from product use or end-of-life that all depend on product design and R&D investments.

Schneider has been embedding environmental considerations into product design for more than 16 years, since the creation of its internal Green Premium™ label. In 2023, the Group continued to revamp its EcoDesign Way™ process to better manage the environmental impact throughout the lifecycle of products, and to co-ordinate efforts across the value chain. In addition to that, Schneider is reinforcing its process at an early stage of product development, so that all future generations of products achieve substantial carbon footprint savings, meaning that any new product developed by the Group will result less greenhouse gases than the previous generation.

Schneider has been stepping up its investment in R&D, both in value and as a percentage of Group revenues, investing about 4.8% of its turnover in R&D between 2012 and 2016, 5.1% between 2017 and 2021, 5.4% in 2022, 5.6% in 2023 and, as outlined during its 2023 Capital Markets Day, expects a step-up in strategic R&D investments over the coming years towards 7% of turnover in R&D. In 2023, this represented an investment in R&D of approximately EUR 2.0 billion. The Group estimates that about 90% of its innovation is either contributing to climate change mitigation or neutral in its contribution to climate change mitigation, according to its Impact revenues methodology. More details on Schneider's Impact revenues are provided in section 2.1.10 on page 97 of the 2023 Universal Registration Document.

An example of investment priority is on SF<sub>6</sub>-free products, in line with Schneider Electric's target to substitute 100% of relevant offers with SF<sub>6</sub>-free medium voltage technologies by 2025 (SSE #2). For SF<sub>6</sub>-free products, more than EUR 170M have already been invested in both R&D and CapEx in factories, and a total future spend (2024 - 2027) close to EUR 60M more is already planned.

### Decarbonizing operations

For the past years, the Group has invested between EUR 5 million and EUR 15 million each year in energy efficiency, deploying its own solutions in its sites, which enabled equivalent savings on energy costs, and for the purchase of renewable energy certificates, to a reduction of 71% of Scopes 1 and 2 CO<sub>2</sub> emissions compared to 2017. The last miles in Schneider's journey to be "Net-Zero ready" in 2030, achieving 90% CO<sub>2</sub> reductions vs. 2017, will be the hardest.

To support this objective, it is estimated that around EUR 400 million will be invested by 2030, in technologies such as heat pumps to substitute comfort gas or such as EV chargers. Such investments are usually not linear year-on-year as large projects may take a few years to design and implement, and opportunities at a given time depend on the local economic and regulatory context.



## 5 Decarbonizing the Group's operations by 2030

### 5.1 Schneider Electric's GHG emissions from operations

Emissions from operations are the Scopes 1 and 2 of the Group's carbon footprint, representing 202,232 tonnes of CO<sub>2</sub>e in 2023, and 0.4% of the Company's GHG footprint. Direct Scope 1 emissions result mostly from the natural gas consumption of sites that are not yet electrified, from the fuel used by company cars as well as a small amount from SF<sub>6</sub> leakages in a limited number of manufacturing plants. Indirect Scope 2 emissions result primarily from the electricity consumption of sites (manufacturing and offices).

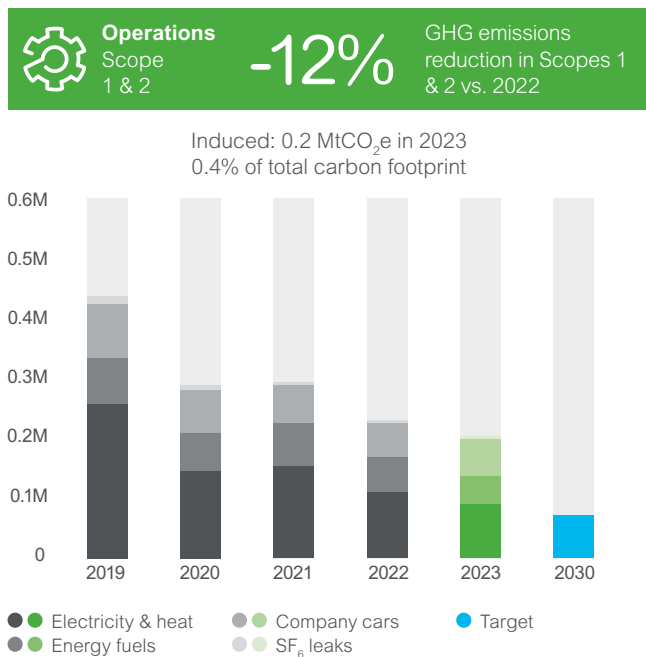
To deliver its "Net-Zero ready" target on these emissions by 2030, the Group leverages its Power and Building EcoStruxure™ IoT architectures, to monitor and optimize energy consumption, manage assets and grid infrastructure, manage distributed renewable energy resources and electricity load, and power EVs.

Schneider set best-in-class operational ambitions engaging with the Climate Group on their EP100, EV100, and RE100 programs. The Group's approach has three pillars:

- Save: foster energy conservation and avoid SF<sub>6</sub> leakages.
- Electrify: switch from gas or car fuel to electricity.
- Decarbonize electricity: use renewable energy, either from onsite generation, or through external procurement of renewable power.

This strategy has delivered an absolute reduction of 496,361 tonnes of CO<sub>2</sub>e emissions on Scopes 1 and 2 (compared to 2017), which is a 71% decrease, as presented in the chart below, and a 26,945 tonnes CO<sub>2</sub> reduction vs. 2022.

#### Schneider's operations Scopes 1 and 2 annual GHG emissions (Mt CO<sub>2</sub>e)



### 5.2 Group Energy policy and management system

#### Group Energy Policy

The Group's Energy Policy requires sites to implement the following actions:

- improve energy efficiency, sustainably decoupling energy consumption from activity growth;
- decarbonize energy consumption, and
- adopt Schneider's own Energy Management and Automation EcoStruxure™ solutions, wherever feasible, to help the Group's customers and partners to embark on an energy excellence journey, showcasing the Schneider Electric's solutions.

Progress against these goals is tracked in the Group's Schneider Sustainability Impact (SSI) and Schneider Sustainability Essentials (SSE) programs. Relevant SSI and SSE targets are SSE #1, SSE #3, SSE #4, SSE #5, and SSE #7.

#### ISO 50001 Energy Management System

The Group certifies all sites consuming over 5GWh with ISO 50001. As of end 2023, 128 Schneider Electric sites are ISO 50001 certified as part of the Group's Integrated Management System to drive energy excellence, focusing on the highest energy-consuming sites. ISO 50001 certification is complementary to ISO 14001 certification and enables the company to define and sustain robust energy governance. With the support of this certification, sites are able to understand and reduce their energy footprint.

#### Resource Advisor data management system

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

Leading on decarbonization

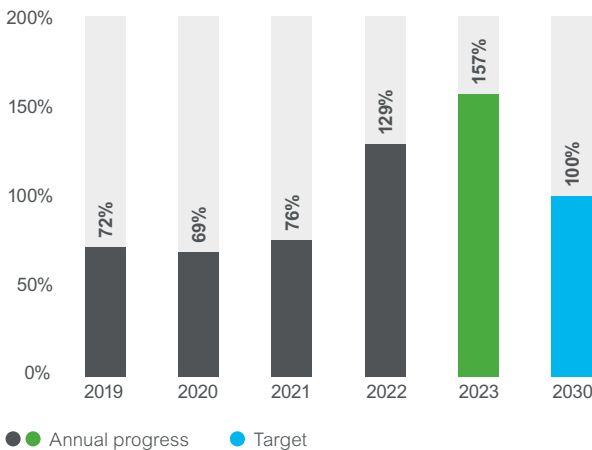
5.3 EP100: deliver efficiency from the inside out

Schneider Electric measures its Energy program in a variety of ways. Two such ways are energy productivity and energy efficiency. On the one hand, energy productivity is the amount of output the Group produces vs. the amount of energy consumed (turnover/MWh), and the goal is to increase this value by both increasing the Group's business performance while simultaneously reducing the energy consumed in its operations. Energy efficiency, on the other hand, uses linear regression models to predict how much energy the Group would consume based on various inputs (production, weather, worked hours, etc.) vs. the actual energy consumed. The goal here is to reduce energy consumption compared to predicted value by driving energy efficiency in its operations.

CLIMATE GROUP EP100

Schneider Electric has been a member of Energy Productivity 100 (EP100), a Climate Group initiative, since 2017. Schneider's target is to double energy productivity by 2030 against the 2005 baseline, which means doubling the economic output from every unit of energy consumed within 25 years. In 2023, the Group achieved 157% energy productivity compared to 2005 (against a 2030 target of 100%). This improved success compared to 2022 performance (129%) is a result of continually strong business performance and ongoing energy savings efforts. By achieving its EP100 commitment 8 years early (in 2022), Schneider demonstrates the feasibility of decoupling business growth from energy consumption. Simultaneously it tangibly illustrates Schneider products, solutions, and services are a core foundation to energy saving opportunities.

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



CLIMATE SSE #5



Our 2025 Commitment 15% energy efficiency in our sites

SEIP Bukowno is a Schneider Electric factory in Poland.

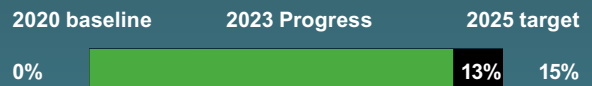
In order to reduce their energy usage, improve energy efficiency, reduce CO<sub>2</sub> emissions and deploy intelligent/smart solutions, SEIP Bukowno has deployed energy usage monitoring system, building management system, lighting control, and infrastructure monitoring on-site as a comprehensive package.

Energy monitoring system:

- 37 metering points installed
- 7 communication gateways pushing real-time energy data
- EcoStruxure™ Power Monitoring Expert
- Building management system
- EcoStruxure™ Building Operation as a BMS platform
- Heating control system implemented with over 30 temperature sensors and 28 automatic valves
- Ventilation centrals monitoring
- Environmental conditions monitoring (humidity, CO<sub>2</sub>)
- Lighting control
- Infrastructure monitoring
- Compressors, water usage, etc.

With all of these measures implemented, since the beginning of 2023, SEIP Bukowno has gained EUR 35.6k in electricity savings and EUR 8.6k in heating oil savings: energy efficiency factor increased from 1.5% in 2021 to 9.0% in 2023.

Our progress



Despite being low consumers of energy compared with other industries, due to its discrete and assembly-based industrial processes, Schneider has had a clear obsession with efficiency since long before its EP100 commitment. The Schneider Energy Action program uses site energy experts along with Schneider's Sustainability Business consulting team to report and analyze energy consumption, identify energy saving opportunities, and deploy actions. Since 2005, the Group has fixed annual objectives for energy efficiency each year. Schneider met or exceeded its energy efficiency goals during the previous four Company programs (2009 – 2011, 2012 – 2014, 2015 – 2017, and 2018 – 2020), by achieving 10%, 13%, 10%, and 10%, respectively. In 2021, the Group renewed its commitment to improve energy efficiency by another 15% between 2019 and 2025, tracked under SSE #5. 13.2% were achieved in 2023, totaling over 50% reductions between 2009 and 2023.

The Group measures energy efficiency in its 200+ largest energy-consuming sites, which account for over 90% of the total measured energy consumption of the Group. At the end of 2023, this program enabled the following achievements:

- Around EUR 6.0 million and 133.7 million kWh were saved in 2023 compared to the 2019 baseline.
- Around EUR 5.8 million were invested, of which EUR 5.5 million were capital expenses and EUR 0.3 million were operating expenses.

Schneider Electric leverages the power of its EcoStruxure™ architecture to deliver energy savings, and uses its own sites as showcases for customers and business partners. In its smart factories and distribution centers, the Group implements the three-layer EcoStruxure™ architecture, with connected meters and sensors to monitor energy consumption and quality, Edge Control Power Monitoring software to optimize daily operations, and analytics and services to benchmark performance and optimize energy and maintenance. Asset Performance Management also enables the Group to optimize operations and maintenance, for maximum uptime and longevity.

Five of Schneider's Smart Factories have been designated as 4<sup>th</sup> Industrial Revolution (4IR) Advanced Lighthouses by the WEF, located in India, China, France, the US, and Indonesia. Additionally, the Le Vaudreuil plant in France and the Lexington facility in the US are two of only 13 Sustainability Lighthouse designated by the WEF. With its Smart Factory and Distribution Center (DC) programs, the Group has deployed advanced manufacturing technologies in over 120 smart factories and distribution centers in the past 6 years.

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

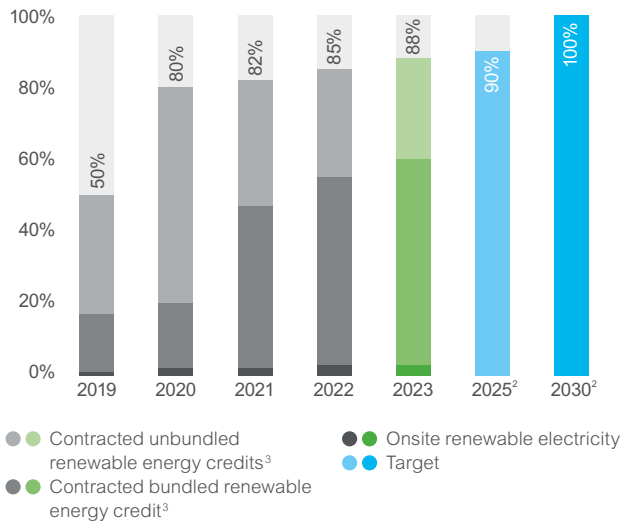
Leading on decarbonization

5.4 RE100: switch to 100% renewable electricity by 2030

In 2023, electricity consumption in Schneider Electric’s sites generated 81,499 tonnes of CO<sub>2</sub>e emissions, i.e. 61% of emissions from energy consumption at sites. In 2017, Schneider joined Renewable Energy 100 (RE100) and committed to sourcing 100% of its electricity from renewables by 2030, with an intermediary target of 90% by 2025 (SSE #3).



SSE #3: Annual share of global renewable electricity<sup>(1)</sup> (in %)



1 Data represents renewable electricity consumption for ISO 14001 sites, in alignment with the scope of SSE #3.  
 2 Specific targets are not defined for the split between on-site renewable, bundled renewable, and unbundled renewable for 2025 or 2030. However, the Group is committed to reducing the amount of unbundled certificates and increasing the amount of on-site renewables and bundled certificates as it moves towards 2030.  
 3 Contracted unbundled renewable energy credits include options such as Energy Attribute Certificates (EACs) and unbundled Renewable Energy Certificates (RECs). Contracted bundled renewable energy credits include options such as "green tariffs", power purchase agreements (PPAs), virtual PPAs (VPPAs), bundled RECs, etc.

Since 2017, Schneider Electric has accelerated renewable electricity sourcing and the installation of on-site solar panels, coupled with EcoStruxure™ metering and power architectures. As its program has progressed, the Group has progressively increased the share of renewable electricity coming from on-site renewable generation and bundled renewable electricity sourcing.

The Group will continue to focus on additionality where feasible and prioritize on-site sourcing of renewables or bundled renewable electricity opportunities. It will progressively reduce the reliance on unbundled certificates as it moves towards its 2030 goal of 100% renewable electricity. Critical to the success of this program is leveraging Schneider Electric’s Sustainability Business, an expert in sourcing renewable electricity with additionality benefits. The Sustainability Business helps Schneider and many customers source renewable electricity. Their expertise on renewable electricity markets around the world is key to finding solutions in less mature renewable markets as well as monitoring the evolution of marketing offerings, funding mechanisms, and sourcing requirements (e.g., RE100 2022 revised technical criteria).

CLIMATE SSE #3



Our 2025 Commitment  
 90% of electricity sourced from renewables

Since 2019 SEEE in China deployed on-site solar project and solar power generation which accounts for 30% of total electricity consumption every year.

In 2022, SEEE was the first batch of power users in Shaanxi Province in China to purchase renewable electricity. Total purchase of green electricity is 159,000 kWh.

In 2023, total renewable electricity rate reached more than 98.3%. It is expected to reduce carbon dioxide emissions by 1,600 tons at the end of 2023.

SEEE will continue to increase the share of renewable electricity to 100%.



Our progress



## 5.5 EV100: shift 100% of company fleet to electric vehicles

Company cars generated 63,642 tonnes of CO<sub>2</sub>e emissions in 2023, 31% of Schneider Electric's Scope 1 and 2 emissions.

To reduce these emissions, Schneider looks at opportunities to limit the use of cars for travel by improving the accessibility of sites, with commuting shuttles, secure bicycle storage, personal lockers and changing areas, as well as pedestrian-friendly access paths connecting to local routes. The Group also promotes flexible working arrangements to avoid unnecessary or avoidable trips thereby reducing travel-induced emissions by enabling employees to connect remotely, to work from home, and at customer sites.

Additionally, Schneider began its journey towards 100% electric cars by 2030 in 2019, with an intermediary target of one-third by 2025 (SSE #7). The Group demonstrates this commitment by being a member of Electric Vehicles 100 (EV100), a Climate Group initiative bringing together forward-looking companies committed to accelerating the transition to EVs and making electric transport the new normal by 2030. At the end of 2023, EVs represented 24% of the Group's corporate car fleet.

# CLIMATE GROUP EV100

CLIMATE  
SSE #7



Our 2025 Commitment

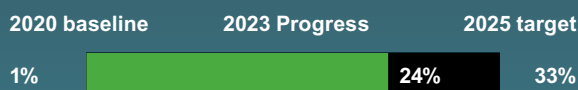
## One-third of corporate vehicle fleet comprised of electric vehicles (100% by 2030)

Schneider Electric in France embarked on an exciting journey towards a greener future by initiating the green fleet transition in late 2021. Despite challenges posed by the current market situation, including supply chain shortages and cost increases, encouraging progress was made, knowing that commitment to sustainability will ultimately lead the company to success.

The introduction of a 100% EV car list for benefit vehicles and specific actions aimed at leasing companies and carmakers made possible to accelerate the transition. The change was also supported by important investments of 280 charging stations in 41 sites, the company contribution to the employees to install chargers in their premises, as well as agreements with two operators to guarantee a digitalized energy charging throughout the national territory and neighboring countries.

In parallel, the Mobility Budget project was also launched, with the target to satisfy the flexible mobility needs, the expectations of the young generations, and reduce carbon emissions.

### Our progress



## Leading on decarbonization

### 5.6 Going further with Zero-CO<sub>2</sub> sites

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

In 2023, emissions from energy consumption at sites accounted for 134,536 tonnes of CO<sub>2</sub>e, which is 67% of Scopes 1 and 2 emissions, of which 43,104 tonnes from natural gas consumption. The path towards “Net-Zero ready” operations by 2030 will require more than just powering sites with renewable electricity. While many applications can be electrified, some applications from industrial sites are more challenging to electrify with current technologies. As such, Schneider Electric has begun identifying applications at sites that currently have electrification alternatives as well as those which will require the use of fossil-free fuel solutions under the current circumstances.

In 2023, the Group achieved 101 Zero CO<sub>2</sub> sites. As a general rule, a Zero-CO<sub>2</sub> site emits no greenhouse gases related to energy and monitors energy digitally, meaning:

- no fossil fuels from energy consumption (exceptionally up to 3% of a site’s total energy can be exempted from the fossil-free requirement, on a case-by-case basis, if the application does not have a feasible fossil-free alternative on the market; in 2023, 10 out of 101 Schneider’s Zero-CO<sub>2</sub> sites qualified for this exception);
- digital energy monitoring;
- no SF<sub>6</sub> leaks, and
- no CO<sub>2</sub> offsets.

Beyond using renewable electricity and fuels, it remains critical to continuously improve energy efficiency. That is why the program also requires digital energy monitoring. For large sites, this means installing meters to monitor the site’s significant energy uses and connecting them to systems like EcoStruxure™ Power Monitoring Expert, EcoStruxure™ Resource Advisor, or EcoStruxure™ Building Operation to ensure real-time monitoring of energy consumption, which allows for active energy management and efficiency improvement.

In 2023, thanks to the Zero-CO<sub>2</sub> sites, Schneider reduced its CO<sub>2</sub> emissions by 102,000 tonnes.

CLIMATE  
SSE #1



#### Our 2025 Commitment 150 Zero-CO<sub>2</sub> sites

In November 2023, Schneider Electric China’s Distribution Center Beijing (DCBJ) achieved the status of a Zero-CO<sub>2</sub> site.

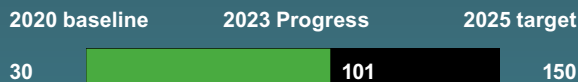
DCBJ serves as the second major distribution hub in China, focusing on deliveries across Northern China. On May 1, 2023, DCBJ moved to the New Beijing Industrial Park, merging its operations with two critical Schneider Electric facilities: Schneider Beijing Medium Voltage and Schneider Beijing Low Voltage. This strategic consolidation on the same campus has created significant supply chain efficiencies, customer satisfaction, and enhanced sustainability.

To realize its sustainability goals, DCBJ has implemented a blend of digital solutions and innovations, which can reduce carbon emissions and balance productivity at the same time, including deploying EcoStruxure™ Power Operation and EcoStruxure™ Building Operation, digitalization of energy monitoring, technical innovations, and process optimizations. In DCBJ’s new warehouse, intelligent sensor-based lighting systems have been installed to improve efficiency and save CO<sub>2</sub>. Additionally, eco-friendly practices such as replacing plastics with paper tape, paper envelopes, and recycled plastic cartons have been introduced.

Lastly, DCBJ is also supplied with 100% renewable electricity to meet its power load through mid-to-long-term power purchase agreement in China.



#### Our progress



## 5.7 Reduce SF<sub>6</sub> leakage on sites

SF<sub>6</sub> is an excellent gas in terms of insulating properties, which is why it is commonly used in the electric power industry. Yet, SF<sub>6</sub> is a harmful GHG with a global warming potential 24,300 times higher than CO<sub>2</sub> over 100 years. While Schneider Electric's product portfolio is progressively moving away from SF<sub>6</sub> (see additional information in section 2.3.7.1 on page 179 of the 2023 Universal Registration Document), SF<sub>6</sub> is used in 13 of the Group's manufacturing sites. Handling this GHG can result in leakages despite having good practices in place. Converted into CO<sub>2</sub>-equivalent, these leakages represented 4,054 tonnes of CO<sub>2</sub>e in 2023, which is 2% of emissions from Scopes 1 and 2. The GHG emissions from SF<sub>6</sub> at end-of-life is 4,157,353 tonnes of CO<sub>2</sub>e, which is 7.3% of total GHG emissions of 2023.

All the Group's manufacturing sites handling SF<sub>6</sub> gas in their processes are working hard to actively reduce SF<sub>6</sub> leaks and emissions during the different phases of their activities. A worldwide community of SF<sub>6</sub> experts shares best practices for processes, including procedures, equipment, and training.

In 2022 and 2023, an advanced and digital system of emission monitoring has been designed, to be deployed at the Group's biggest manufacturing sites in 2024. This technology allows for continuous measurement of SF<sub>6</sub> concentration in enclosures around devices and piping networks. In the event of any deviations, an alarm notification is automatically sent to maintenance teams. Additionally, the seal testing processes of the products are mainly carried out with helium instead of SF<sub>6</sub>. This method ensures that no emissions come from non-compliant enclosures during production.

Thanks to this global activity and to the commissioning of efficient equipment, the Group achieved 0.08% leakage rate globally in 2023, exceeding the 0.11% target set for 2023 and systematically decreasing from 0.26% since 2018. This SF<sub>6</sub> leakage reduction enabled the avoidance of 900 tonnes of CO<sub>2</sub>e in 2023 vs. 2022.

## 5.8 Energy sufficiency plan in Europe

In 2022, Europe faced an unprecedented energy crisis; risks on energy supply (mainly electricity and gas), along with escalating prices placed pressure on businesses and households. On companies especially, this had an impact on costs, profits, and – in some cases – business continuity. This crisis had repercussions, to a lesser extent, during 2023.

Tackling Europe's energy security problem and the climate crisis are two sides of the same coin. Reducing both our use and dependence on fossil fuels, increasing electrification and the transition to renewable energy are now essential to tackling both the current energy crisis and reducing Europe's GHG emissions.

In this context, Schneider Electric implemented in 2022 an energy sufficiency plan to adapt quickly to the fast-changing energy situation. During first year of implementation, great achievements were delivered: from August to December 2022, Schneider Electric succeeded in reducing gas consumption by more than 32% and electricity consumption by more than 10% for its operations across Europe, as compared to the same period in 2021, and with no disruption to operations or service to customers. In the second year of this plan, not only the previous savings were maintained by continuous discipline, but even more energy savings were achieved, with a reduction of 13% on gas and 5% on electricity consumption in 2023 versus 2022.

### Spotlight: sufficiency actions at “The Hive”, Schneider Electric's Paris headquarters

Schneider Electric responded to the energy crisis with a plan that supports France's EcoWatt charter, an initiative from French national network operator RTE. The purpose is two-fold:

- Sufficiency plan: reduce energy consumption at any time.
- Flexibility plan: consume at the right time by shifting loads to avoid demand peaks when required.

For the second year in a row, measures have been implemented, leveraging integrated EcoStruxure™ solutions. For instance, the indoor temperature at this Schneider building has been reduced a few degrees, with ventilation and heating start times adjusted. In addition, hot water to washroom taps has been cut all year long, the kitchen lighting and ventilation schedule is optimized, corridor lighting is reduced from 100% to between 40% and 70%, and car park lighting hours are reduced. The facility can also automate responses to EcoWatt peak period alerts by controlling heating and ventilation, and limiting or shifting EV charging. And all employees have been encouraged to take additional steps.

As a result, electricity consumption has been reduced by 13% in the first four months of 2023, which represents 130 MWh in absolute terms. More specifically, when simulating four EcoWatt peak period alerts, the site is able to reduce power demand by more than 50%.



“The Hive”, Schneider Electric's Paris headquarters

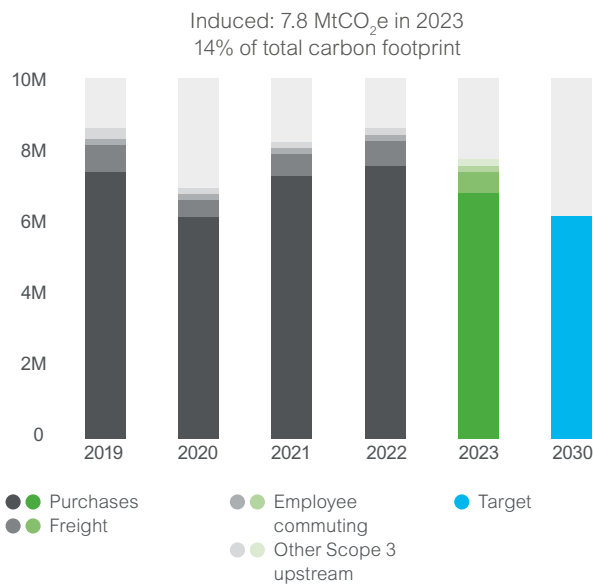
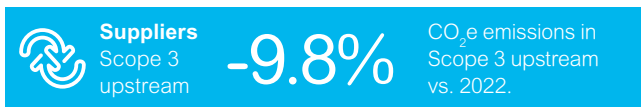
Leading on decarbonization

# 6 Decarbonizing the Group's supply chain by 2050

In 2023, upstream emissions in Scope 3 accounted for 7.8 million tonnes of CO<sub>2</sub>e, which is 14% of the total carbon footprint of the Company. Purchases are the predominant source of emissions, and transportation of goods make a significant contribution as well.

Decarbonizing the world at scale requires immediate collective action. Schneider Electric is already taking concrete actions to meet its absolute 25% reduction across its value chain by 2030 and to be on track for its Net-Zero emissions by 2050. This includes:

- The Zero Carbon Project (SSI #3), which aims at halving emissions intensity from operations of the top 1,000 suppliers. This intensity corresponds to the overall Scopes 1 and 2 emissions of the supplier, divided by the overall revenue.
- Sourcing 50% of green materials, including materials such as steel and plastics with lower carbon footprints (SSI #4), and
- increasing the CO<sub>2</sub> efficiency of transportation of goods (SSE #4).



## 6.1 The Zero Carbon Project

Carbon emissions from Schneider Electric's procurement of goods and services (emissions from its suppliers up to the last tier) represented 6.8 million tonnes of CO<sub>2</sub>e in 2023, which is 12% of its cradle-to-grave carbon footprint, and 88% of its cradle-to-gate industrial footprint. This is the largest contributor to the Group's Scope 3 upstream emissions. The Zero Carbon Project, launched in April 2021, is the first step of a journey to reduce the GHG emissions from Schneider Electric's suppliers.

The ambition of The Zero Carbon Project is to collaborate with 1,000 suppliers and reduce their operational (Scopes 1 and 2) GHG emissions intensity by 50% by 2025 (SSI #3).

The participating suppliers are required to quantify their operational carbon footprint (Scopes 1 and 2; Scope 3 is optional), make public commitments for their reduction targets, implement action to achieve reduction, and share the emission reduction progress with Schneider Electric. The participating companies in the program are based in more than 50 countries, cover more than 65 procurement categories and vary in terms of carbon maturity and size. To adapt to this diversity, the participating suppliers are allowed flexibility to customize their reduction plans by defining their own base year and baseline and adopting relevant reduction targets and time frames.

The fundamental actions that need to be implemented by suppliers, as part of this program include:

- quantifying their GHG emissions (Scopes 1 and 2 are mandatory and Scope 3 is optional for now);
- establishing an ambitious emission reduction target, and
- implementing an action plan to achieve the target.

As of 2023, more than 1,000 suppliers are participating in the program, achieving an overall operational emission (Scopes 1 and 2) reduction of 27%.

The GHG emission reduction reported in SSI #3, is measured as the average supplier carbon intensity reduction for the proportion of the reporting suppliers out of 1,000 suppliers. This normalization helps achieve a more reliable picture of the overall progress of all participating suppliers.

The extensive capacity building efforts towards the quantification of carbon footprint and decarbonization actions have resulted in:

- Increased participation and quality of carbon accounting response from suppliers. As of December 2023, 993 suppliers out of 1,015 participating suppliers have calculated their CO<sub>2</sub>e emissions.
- Strong supplier actions, resulting in 27% GHG reduction for 1,000 suppliers vs. 10% reduction at the end of 2022. Schneider Electric remains committed to working together with its partners to strengthen their efforts for stronger decarbonization. The Group will continue to record its suppliers' GHG declarations on an annual basis to ensure the most accurate and updated information is available for reporting performance.



Climate  
SSI #3



Our 2025 Commitment

**Reduce CO<sub>2</sub> emissions from top 1,000 suppliers' operations by 50%**

Schneider Electric launched a case study series to consolidate successful decarbonization actions of the participating suppliers. The purpose of this series is to spread awareness on the actions that companies can take to achieve emission reduction, celebrate early adopters of decarbonization, and encourage other companies to emulate the experience.

Shubhada Polymers Products Pvt. Ltd., achieved 58% reduction in their operational carbon intensity compared to the base year of 2019.

The company achieved this by implementing below levers:

- On-site solar installation replaces over 10% of groups electricity requirements.
- Power factor improvement using fine range capacitors.
- Upgrading old underground air compressor system to overhead Pneumatic Piping for Compressed air Handling airline, reducing 10% of energy consumption.
- Replacing conventional lighting with energy efficient LEDs lighting; enhanced use of natural lights to eliminate the use of electrical lighting during day time.
- Operational efficiency improvement by installing variable frequency drives, motion sensors, and other operational measures.



Watch the video "The Zero Carbon Project in Action: Shubhada Polymers Products Pvt Ltd." on YouTube

Our progress



Capacity building and on-site support

The intensive capacity building efforts implemented in 2021 and 2022 ensured the suppliers gained maturity on decarbonization. They are now familiar with the process of quantifying their carbon footprints and identifying the major sources of emissions. However, as most of the suppliers are just starting on their decarbonization journey, they are learning the approaches and possible actions. As a result, Schneider Electric has extended support and collaboration beyond the quantification of the GHG emissions to the implementation of decarbonization actions as well. As part of this support, Schneider Electric works closely with suppliers to assess the most promising emissions reduction levers specific to the supplier's products and manufacturing approach. Then there is additional support to define the actions the supplier could take and the resulting impact of those actions.

Additionally, 4 sustainable procurement experts were deployed in major regions China, East Asia, Europe, and North America to provide locally relevant, customized, and on-time support to the suppliers. These experts conducted close to 100 on-site visits to the supplier premises across regions to advise on the decarbonization implementation, often conducting walk through assessments, reviewing the existing energy efficiency measures, providing technical assistance in implementation, and when required, helping identify the local solution providers who can support the suppliers in deployment of these actions.

Accelerate Zero Carbon workshops

To drive and scale up the adoption of emission reduction levers by suppliers, Schneider Electric continued to roll out the innovative "Accelerate Zero Carbon" workshop across regions. Building upon the success of workshops in India, Middle East, Africa, Japan and Asia Pacific, Schneider Electric rolled out new workshops in China, Europe, and North America. These workshops were led by the Sustainable Procurement team in collaboration with local Procurement leadership teams, customizing to the local requirements.

The biggest strength of Accelerate Zero Carbon workshops is the focus on locally relevant approaches, solutions, and partners. Region-specific diagnostic tools are developed and shared with suppliers to analyze their own operations and identify their most relevant actions. These diagnostic tools include:

1. Low-hanging energy efficiency self assessment checklist
2. Solar energy calculator
3. Digital emission calculator

### Leading on decarbonization

In addition to the above material, local subject matter experts are identified from within the Schneider Electric or external ecosystem, including regulatory experts and departments explaining various incentives provided by governments in different regions. The main task of these experts was to demystify and explain to the suppliers in very practical terms, for each action, what needs to be done, how it impacts their in-house processes and what are the overall benefits to the organization. In addition, service/solution providers were identified who can support suppliers in the execution of these actions. The Schneider Electric Procurement team executed an expression of interest to identify the right companies and held screening discussion to ensure they were aligned with the idea and objective. This created a pool of service providers, in case they were needed.

Following this background preparation, the suppliers were engaged in an intensive five-week pre-workshop process to review the GHG emission data, results of diagnostics, and commitment of the leadership to overall decarbonization. During the Accelerate Zero Carbon Day, the supplier teams were able to listen to and understand subject matter experts who explained how individual actions can help their companies, and subsequently were able to visit the roadshow organized by the service/solution providers and engage on implementation modalities.

The purpose of the Accelerate Zero Carbon workshops is to provide an overview of actions and approaches to decarbonize and no commercial interests are associated. The suppliers are free to learn and discuss with the stakeholders, to treat it as an educational experience and then to explore the market to find the most suitable partner to engage for implementing decarbonization measures.

The outcome of the Accelerate Zero Carbon events resulted in the increased awareness and strong acceleration in the decarbonization commitment from the supplier partners.

#### Digital support

To ensure that participating suppliers have access to all the latest knowledge, research, trainings, and tools for decarbonization, Schneider developed a dedicated web portal on decarbonization, which is exclusively available to The Zero Carbon Project member companies. The portal hosts all the key trainings conducted so far. To automate the supplier emission calculation, a digital tool was developed and made available to suppliers. This tool removes the need to identify appropriate emission factors and manual calculations. The suppliers can simply collect and enter the usage data of various energy sources and the tool refers to the appropriate emission sources, standardizing and improving the quality of the data reported by suppliers. Additionally, to support small and medium scale enterprises, Schneider Electric launched Zeigo Activate. This tool helps suppliers create a customized emission reduction roadmap, adjust the timeline to deploy various actions to meet desired reduction targets and also help connect with the solution providers who can help them implement it. 400 suppliers were given complementary access to Zeigo Activate to advance their decarbonization actions.

#### Supply Chain Renewable Initiative

Two-thirds of global suppliers participating in The Zero Carbon Project are small and medium scale enterprises, with lower energy load than the threshold required to access renewable instruments like PPAs, etc. To ensure wider adoption of renewable energy solutions, Schneider developed a new program, which aims to aggregate suppliers with lower energy load to create a cohort that can then qualify for access to renewable energy solutions. The Group launched a series of capacity building programs and sessions to raise supplier awareness and so far more than 20 training sessions were organized (including repeat sessions). These sessions go a long way in building the understanding of suppliers and various departments about the scope and actions required to access renewable experts. The trainings are topical and cover various topics:

- Renewable Electricity 101
- Energy Attribute Certificates 101
- Onsite Solar 101
- Power Purchase Agreements 101
- VPPAs: Financial Considerations
- VPPAs: Treasury Considerations
- VPPAs: Accounting Considerations
- VPPAs: Legal & Risk Considerations
- VPPAs: Executive Debrief (EMEA/APAC)



Learn more about The Zero Carbon Project in the Sustainability section on [www.se.com](http://www.se.com)

## 6.2 Buying more Green Materials

Schneider Electric is committed to increase the volume of green materials in products to 50% by 2025, for about 30% of its procurement volume, and is tracking quarterly progress as part of the Schneider Sustainability Impact program (SSI #4).

While this program does not focus solely on CO<sub>2</sub>, but also mitigates other environmental impacts such as resources, biodiversity, or toxicity, it will contribute to reducing the Group's Scope 3 upstream emissions, in line with its Net-Zero commitment. To achieve this ambition, Schneider is actively participating with industry leaders in dedicated working groups to become a change agent of the low-carbon economy while enhancing the traceability of materials. At the end of 2023, 29% of materials in scope were qualified as "Green".

## 6.3 CO<sub>2</sub> efficiency in the transportation of goods

Schneider Electric uses a robust transport network to connect factories and distribution centers, and to deliver to customers. The related CO<sub>2</sub> emissions are part of the Scope 3 upstream emissions of the Group's carbon footprint, as this activity is performed by external transport suppliers.

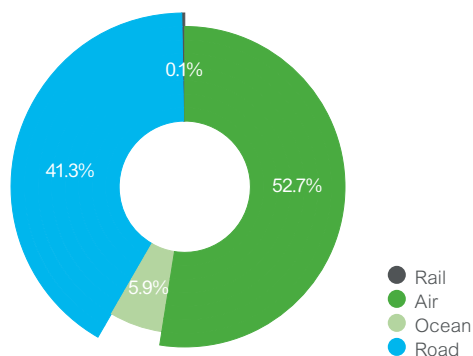
For 2023, the Company replaced its existing CO<sub>2</sub> emissions reporting application with a new solution providing for more robust data collection, emissions calculation, and analytical capabilities. The solution utilizes the industry leading EcoTransIT World emissions calculations solution providing tighter alignment to evolving global reporting standards and allows for greater specificity in the emissions calculations. As part of the migration, the decision was made to also adjust baseline year for reporting from 2020 to 2021 to align to accepted reporting recommendations to avoid 2020 due to the impact on freight transport flows from the global pandemic in 2020.

In 2023, emissions from the transportation of goods represented 1 million tonnes of CO<sub>2</sub>, which is 2% of the Scope 3 emissions Company-wide. The transportation that is directly paid by the Group (about 54% of the freight CO<sub>2</sub> emissions) is closely monitored, with primary data coming from detailed shipment information from the top 70% of transport suppliers by spend. The CO<sub>2</sub> emissions are then calculated including the emissions from the full lifecycle of fuels, which means upstream emissions in the energy sector and the direct emissions at point of use.

From 2015 to 2017, CO<sub>2</sub> emissions intensity from transportation was reduced by 10%, and an additional decrease of 8.4% was achieved between 2018 and 2020. With its SSE 2021 - 2025, the Group aims to further reduce CO<sub>2</sub> intensity in transportation by 15% compared to 2021 (SSE #4).

In 2023, the Company saw a return to a more normalized operating environment resulting in a reduction in the use of expedited modes of transport. As well, there was continued move towards regionalization of manufacturing and optimization of the associated supporting freight transport. A specific area of focus was on reduction of air freight resulting in a 9% reduction in tonnage shipped by air through mode conversion as well as expanded use of multi-modal solutions. Together, these initiatives resulted in a 1.6% decrease in the freight transport emissions intensity compared to 2021.

2023 freight CO<sub>2</sub>e emissions by mode (%)



Leading on decarbonization

## CLIMATE SSE #4








**Our 2025 Commitment**  
**15% CO<sub>2</sub> efficiency in transportation**

As part of its efforts to reduce the CO<sub>2</sub> intensity of transportation, Schneider Electric is focusing on both the optimization of its transport networks, modes, and utilization, and on piloting low-carbon transportation technologies.

Globally in 2023, the Group set an aggressive target to reduce the total tonnage of air freight shipped for the year. Through cross-functional engagement internally, and in collaboration with key transport providers, the Company was able to realize a 9% reduction in tonnage shipped by airfreight with a continuing ambitious target set for 2024.

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**Our progress**

2020 baseline	2023 Progress	2025 target
0%	<div style="width: 16%; height: 15px; background-color: #4CAF50; margin: 0 auto;"></div> <b>1.6%</b>	15%

In 2023, Schneider continued its engagement with the WEF First Movers Coalition, a global initiative harnessing the purchasing power of companies to decarbonize seven "hard to abate" industrial sectors that currently account for 30% of global emissions: aluminum, aviation, chemicals, concrete, shipping, steel, and trucking; along with innovative carbon removal technologies.

The 50+ companies who make up the coalition seek to send a powerful market signal to commercialize zero-carbon technologies. To jump-start the market, the coalition's members commit in advance to purchasing a proportion of the industrial materials and long-distance transportation they need from suppliers using near-zero or zero-carbon solutions, despite the premium cost.

 More about the First Movers Coalition of the WEF can be found on the [organization's website](#)



Schneider made an initial commitment to the aviation working group to replace at least 5% of conventional jet fuel use with Sustainable Aviation Fuel (SAF) by 2030. This commitment to the use of SAF, in conjunction with a focus on reducing Company use of air freight, will have a significant impact on Schneider's carbon footprint from the hard-to-abate aviation sector. In 2023, Schneider partnered with one of its air freight providers to make its first purchases of SAF in support of this commitment. While SAF are critical to decarbonizing transportation, their conformance in carbon accounting methods from the Greenhouse Gas Protocol is still uncertain. Hence the emissions savings are not incorporated into the Group's GHG inventory at the moment. The Group is investigating how to incorporate decarbonization from SAF in the future GHG inventories, and is seeking guidance from carbon accounting bodies, especially in the context of the ongoing update of GHG Protocol standards.

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

Evidence of Schneider's initiatives to mitigate the impact of transport-related CO<sub>2</sub> emissions include:

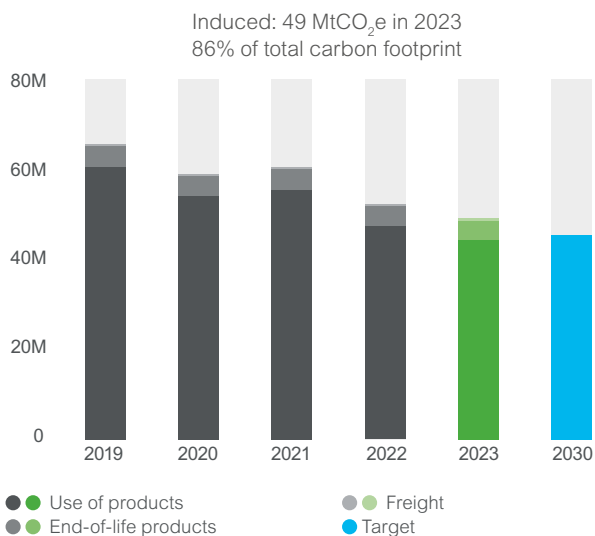
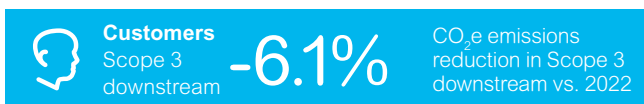
- in several regions, analysis of customer delivery routes and the introduction of milk runs to optimize delivery distances traveled;
- in Europe and Middle East, introduction of multi-modal solutions based on rail for intra-company shipments;
- in all regions, ongoing pilots, and implementation of EVs for final mile customer deliveries;
- continued global focus on optimization of ocean freight from FCL (Full Container Load) to LCL (Less than Container Load) and increases in container utilization rates, and
- with the Group's key transport providers, identifying and piloting opportunities to use sustainable fuel options where zero-emission options are not available.

## 7 Decarbonizing the Group's downstream emissions

Downstream emissions are by far the largest category of emissions. They represent 86% of Schneider Electric's footprint, and largely come from the electricity consumption by the Group's customers during the use phase of the products.

Schneider's strategy to decarbonize its downstream emissions is articulated around 4 main pillars:

- Innovating and ecodesigning in product development: ecodesign principles aim at reducing the environmental impact of products, including the product carbon footprint, for instance by increasing the energy efficiency of products in use phase.
- Substituting all relevant offers with SF<sub>6</sub>-free medium voltage technologies by 2025: since end-of-life emissions from sold products are predominantly due to their SF<sub>6</sub> content, this substitution will result in a significant drop in the downstream carbon footprint.
- Using the Group's voice for influencing the transition towards a more electric, digital, and decarbonized world.
- Supporting customers in their own decarbonization journey by providing products and services that drive significant decarbonization of their operations.



### 7.1 Developing SF<sub>6</sub>-free offers and SF<sub>6</sub> recovery services

SF<sub>6</sub> gas has excellent insulating properties and has therefore been widely used for building switchgear – especially medium voltage gear – for the past 30 years, as it allows a reduction in the size of the electrical equipment. The electric power industry uses roughly 80% of all SF<sub>6</sub> produced worldwide, and the global installed base is still expected to grow by 75% by 2030.

### SF<sub>6</sub>-free AirSeT, a suite of award-winning medium voltage innovations

While helping ensure the safety and quality of certain medium voltage equipment, SF<sub>6</sub> gas has a Global Warming Potential (GWP) 24,300 times higher than CO<sub>2</sub>, making it one of the most potent GHGs. Schneider is therefore innovating its offers to move away from SF<sub>6</sub> gas, as part of SSE #2: 100% substitution with SF<sub>6</sub>-free medium voltage technologies. In 2021, Schneider's promises to deliver new SF<sub>6</sub>-free medium voltage switchgear became a reality with the installation of innovative products at several customer sites. 2021 was the year of the industrialization of several new product lines, free of SF<sub>6</sub>, fluorinated gases (F-gas), and operating on a cutting-edge combination of pure air and vacuum technology, to prepare for the full commercial launch of this new generation of products. In 2022, Schneider unveiled the latest equipment in the SF<sub>6</sub>-free medium voltage solutions contributing to the global fight against climate change, with GM AirSeT, a breakthrough primary gas-insulated technology for electrical networks and demanding applications in industrial buildings and critical infrastructure. In 2023, new functions for SM AirSeT and RM AirSeT were launched, thus opening options for new markets and applications.

Schneider's technology has been piloted at numerous electric utilities, infrastructure, and buildings, by customers such as GreenAlp in France, EEC Engie in New Caledonia, Renault Group in France, and Azienda Trasporti Milanesi in Italy. AirSeT has also received multiple recognitions, most recently at the Greek Energy Mastering Awards 2022 and by the International Carbon Handprint Award at Climate Week NYC.

The average RM AirSeT switchgear installation removes the need for up to 3 kg of SF<sub>6</sub> gas and any other F-gas, the equivalent of over 72 tonnes of CO<sub>2</sub>.

In view of the regulation recently adopted by the European Union on F-gas (fluorinated gases), the transition to SF<sub>6</sub>-free and F-gas free electrical distribution in grids and buildings will accelerate. The new regulation dictates a detailed timeline (starting January 1, 2026) and conditions to move the electricity industry away from the use of fluorinated greenhouse gases like SF<sub>6</sub>. It acknowledges the crucial role of eliminating F-gases as a fundamental and time-sensitive step towards achieving truly green electricity.


### SF<sub>6</sub> recovery services

In 2013, Schneider Electric started offering its customers a seamless service for the removal and/or recycling of obsolete equipment called "SF<sub>6</sub> recovery services". The recovery service allows the Group's customers to dispose correctly of their machinery, against a green disposal certificate, thus granting them peace of mind. The service consists in collecting the equipment and, together with our partners, dismantling and reusing, recycling, or disposing of all the components (such as metals or thermoplastics) appropriately. Specifically, SF<sub>6</sub> is extracted from machines and sent to a specialist company for regeneration and destruction.

Leading on decarbonization

## CLIMATE

# SSE #2






**Our 2025 Commitment**  
**100% substitution with SF<sub>6</sub>-free medium voltage technologies**

As part of its sustainability strategy, Renault Group is transforming its factory in Flins, France, into a Refactory: Europe's first circular economy factory dedicated to mobility.

Electrical distribution was identified as an area to deploy an innovative solution that reduces greenhouse gases; therefore Renault Group chose AirSeT MV switchgear that eliminates SF6 and offers lower total cost of ownership.

AirSeT switchgear also addresses the Group's concern to maximize reliability, since the integrated smart sensors will allow Refactory to remotely monitor all operating parameters.

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**Our progress**

2020 baseline	2023 Progress	2025 target
26%	<div style="width: 60%; height: 15px; background-color: #4CAF50; margin: 0 auto;"></div> <b>60%</b>	100%

## 7.2 Using the Group's voice to drive collective action

Getting to net-zero is going to take more than commitments, and technologies. Policies underpin the pace and the progress that the world will be able to make towards decarbonization. The Group will use its voice to speak out on public policy issues that Schneider Electric thinks can advance the world's carbon efforts:

- Public policy initiatives that accelerate the electrification, digitization, and decarbonization of the economy.
- The removal of regulatory barriers to help catalyze markets to enable carbon-reduction and carbon removal technologies to scale more quickly.
- The use of market and pricing mechanisms so people and businesses can make more informed carbon decisions.
- The empowerment of consumers through transparency based on universal standards to inform purchasers about the carbon content of goods and services.

In 2022, Schneider Electric signed Corporate Knights' Action Declaration on Climate Policy Engagement together with more than 50 other companies to support climate action aligned with the Paris Agreement, when engaging with policymakers, work with trade associations to advance alignment with the Paris Agreement and monitor and disclose climate policy alignment.

Schneider is engaged in sectoral and multi-stakeholder organizations that drive ecosystem change.

### Electrification policies

Schneider advocates for strong climate and clean energy policies in many jurisdictions where it operates. The Group supports innovative technologies and projects that reduce and remove carbon dioxide, modernize and digitize the grid, accelerate clean energy, and strengthen resilience to the impacts of a changing climate. In the US, Schneider submitted comments to the U.S. Securities and Exchange Commission's proposal for The Enhancement and Standardization of Climate-Related Disclosures for Investors.

In Europe, Schneider engages actively with the European institutions advocating for a fast-paced digital and sustainable transformation of Europe where electrification would play a critical role. Schneider Electric has contributed to policy discussions around the European green deal through its role in trade associations and business coalitions and by bringing expertise to the EU institutions and national governments.

For instance, Schneider Electric actively contributed to an open letter about the Energy Performance in Building Directive, launched a new forum with Eurelectric aiming to accelerate the electrification rate and the smartness in the building sector, and wrote a paper about the need for the digital transformation of the energy eco-system in Europe in order to achieve Europe's decarbonization objectives together with the association DigitalEurope.

### Carbon policies

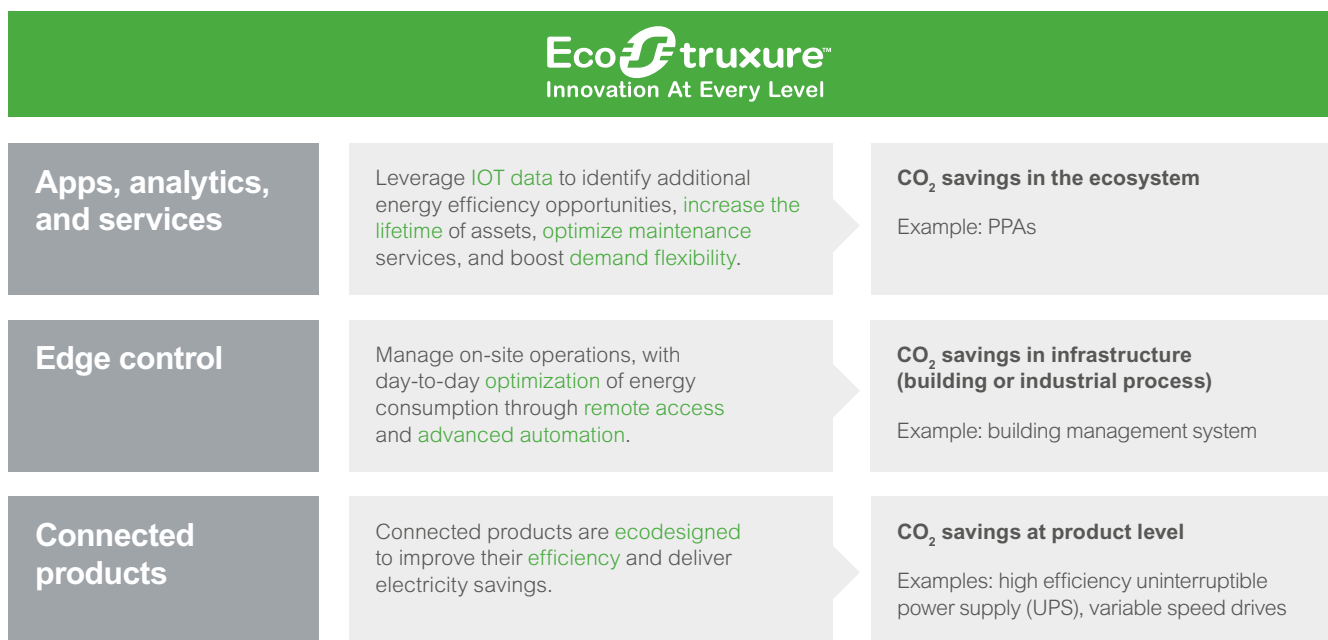
Schneider Electric calls for policymakers to define robust and predictable carbon pricing for companies, enabling companies to integrate collaterals on climate into their strategy. A high and stable price for carbon will strengthen incentives to invest in sustainable technologies and to change behaviors.

Schneider supports the implementation of carbon pricing. Internally, the Group is incorporating an internal or shadow price for carbon to understand the potential impact of external carbon pricing on its portfolio's resilience to climate scenarios. The Group internal shadow price is meant to inform the Group's climate strategy and incentivize low-carbon innovation. Also the Group assesses marginal abatement costs (additional cost per ton of CO<sub>2</sub>) of some specific decarbonization actions or programs, in order to determine what are the most cost-efficient ones. Schneider uses different carbon price scenarios, varying from EUR 50 - 130/ton (depending on time horizons).

The internal carbon price is used to assess the performance and resiliency of operations. The cost of carbon is evaluated for industrial activities, taking into account CO<sub>2</sub> emissions from energy consumption and SF<sub>6</sub> leaks at industrial sites. CO<sub>2</sub> cost is also taken into consideration in industrial network modeling to account for future CO<sub>2</sub> prices in industrial decisions. This enables the measurement of the potential impact of CO<sub>2</sub> pricing on the Group's supply chain.

## 8 Enabling customers to decarbonize through efficiency and digitization

### 8.1 Schneider Electric helps customers decarbonize and aims to avoid 800 million tonnes of CO<sub>2</sub> emissions by 2025



#### What are the climate benefits of Schneider Electric's offers

Schneider Electric products and services can help customers decarbonize and reduce their environmental footprint, thanks to various value propositions that leverage the IoT-enabled architecture EcoStruxure™. Examples include:

- **Energy efficiency:** the Group helps companies become more efficient and reduce their CO<sub>2</sub> emissions, for instance with variable speed drives or energy performance contracting.
- **Renewable power generation:** PPAs or microgrids lead to the consumption of less carbon-intensive electricity.
- **Reduced GHG leakage:** SF<sub>6</sub>-free equipment or SF<sub>6</sub> recovery services lead to reduced emissions.
- **Materials efficiency:** circularity business models (e.g., refurbish) or lead battery recycling lead to reduced emissions for manufacturing virgin materials.

Avoided CO<sub>2</sub> emissions arise from the difference between the induced emissions of using Schneider Electric's offer compared to the induced emissions of the reference situation, which reflects the most realistic market situation in the absence of the use of this, or a similar, offer. For both cases, induced emissions are evaluated on the expected lifetime of the offer and cover the full lifecycle (manufacturing, use, and end-of-life).

Avoided emissions are a complementary indicator to the GHG inventory of the company, meant to illustrate that Schneider's climate strategy is two-fold: reducing company-wide carbon footprint, while increasing our avoided emissions.

In the fight against climate change, companies need to both act on reduction of their carbon footprints, while increasingly contribute to reducing the emissions of the global economy, and this second part can be captured by avoided emissions, since it's not captured in the reporting company's carbon footprint. These two dimensions are equally important and progress on avoided emissions is not meant to divert efforts on reducing the company carbon footprint.

## Leading on decarbonization

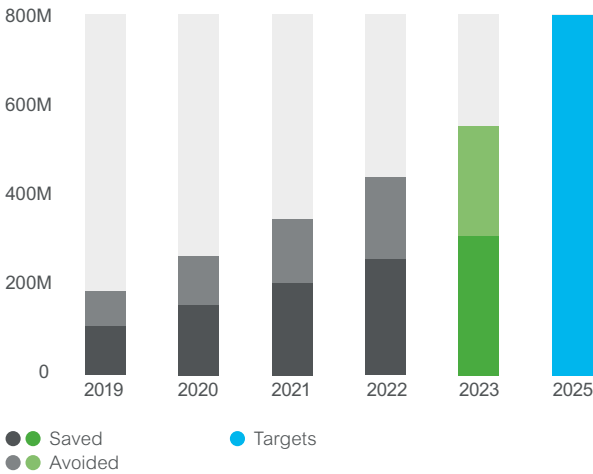
Overall, from 2018 to 2023, Schneider Electric helped customers save and avoid 553 million tonnes of CO<sub>2</sub>e, over the full lifecycle of the products sold during this period of time.

### Cumulative saved and avoided CO<sub>2</sub>e emissions since 2018 (MtCO<sub>2</sub>e)

**Customers' saved & avoided emissions**

+113M

CO<sub>2</sub>e emissions saved and avoided for our customers in 2023



### Schneider Electric reports avoided emissions, with a well-established reporting discipline

To demonstrate the avoided emissions from offers, a new indicator was launched and communicated externally in 2018. Since then, the Group has set a quantified target, aim to reach a cumulated 800 million tonnes of CO<sub>2</sub> of saved and avoided emissions by its customers between 2018 and 2025 (SSI #2). As part of the SSI targets, avoided emissions are quarterly disclosed and independently audited once a year. This commitment is one of the three performance indicators of the first ever convertible sustainability-linked bond launched by the Group at the end of 2020.

To transparently measure these avoided emissions, the Group developed a methodology which is publicly available on the Group's website. It was developed with Carbone 4, an expert CO<sub>2</sub> accounting consulting company. The methodology is designed to become a shared industry standard. Its principles are applicable across the capital goods and consumer durables sectors. Attention was given to defining rigorous calculations, with conservative assumptions. The methodology was first published in July 2019 and was independently reviewed by the audit company EY with regards to its consistency, accuracy, understandability, neutrality, completeness, and relevance. The methodology has been assessed in view of the requirements of ISO 14067, ISO 14021 and the World Business Council for Sustainable Development (WBCSD) guidance.

The reference situations for each and every of the offers in scope of SSI #2 are carefully defined and transparently described in order to reflect the most realistic market situation in the absence of the sale of the offer. In fact, Schneider's methodology makes a distinction between "saved" and "avoided" emissions (but both "saved" and "avoided" emissions are referred to as "avoided" for the sake of simplification in this section). Saved and avoided emissions can be described as follows:

- Saved emissions come from sales in a "brownfield" context of existing assets and infrastructure, e.g., selling a building management system for an existing building, or doing maintenance and repair on existing equipment. Saved emissions represent the actual reduction of global CO<sub>2</sub> emissions compared to emissions in the past.
- Avoided emissions come from sales in a "greenfield" context of new assets and infrastructure, e.g., selling an energy-efficient cooling equipment for a data center that is newly built, or selling a variable speed drive for a new industrial equipment. Avoided emissions represent a limitation of the increase of global emissions (i.e., emissions are "less increasing" as compared to reference situation).

## Climate SSI #2

7 AFFORDABLE CLEAN ENERGY

9 INDUSTRY, BUILDING AND CONSTRUCTION

13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

**Our 2025 Commitment**

### Deliver 800 million tonnes of saved and avoided CO<sub>2</sub> emissions to our customers (cumulated between 2018 and 2025)

Altivar variable speed drives were awarded as "Most Climate-Positive Carbon Handprint Product Award" at Climate Week 2022. By allowing motors to operate at the ideal speed for every load condition, Altivar variable speed drives can generate up to a 30% reduction in energy consumption in industrial processes.

Consequently, it's estimated that over 180 million tonnes of CO<sub>2</sub> emissions could be saved or avoided during the service life of the drives sold by Schneider Electric during the 2018 - 2022 period.

**Our progress**

2020 Baseline	2023 Progress	2025 target
263M	553M	800M

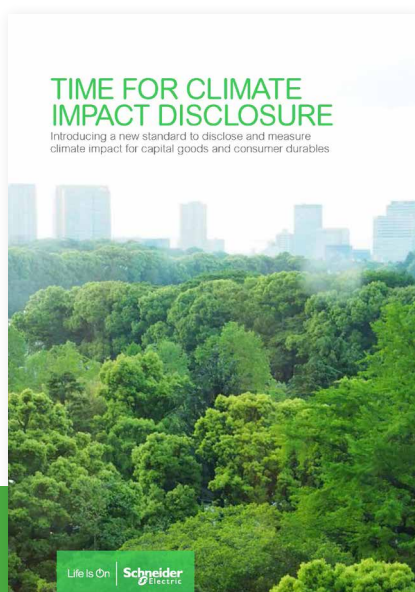


Schneider Electric's saved and avoided methodology, "CO<sub>2</sub> Impact Methodology" is available for download on [se.com](http://se.com). The detailed calculation rules and assumptions for each offer covered by the SSI #2, and the report of the independent review, are also available.

There is currently a big momentum on the topic of avoided emissions, with the initiatives from the WBCSD and standardization bodies. For instance, WBCSD and The Net Zero Initiative released in March 2023 a guidance on avoided emissions. This guidance drives some attention: it has been acknowledged in G7 Climate, Energy and Environment Ministers' Communiqué in April 2023, and promoted later during COP28 in December 2023.

These initiatives are very welcome and needed, to bring harmonization of practices among companies.

During 2023, Schneider Electric has been actively engaged with WBCSD, as part of the practitioners' sprint and practitioners' forum, and as a co-convenor of International Electrotechnical Commission (IEC) standardization work on avoided emissions. This work towards harmonization is important, because it's key to make avoided emissions something more valuable as a metric, well-established and effective for their end-users, especially the financial sector. For instance, sectorial rules on how to calculate avoided emissions will allow to make like-for-like comparisons between companies from the same sector. Also, methodological alignment is key to have guardrails in place for a robust practice of avoided emissions and prevent the corresponding risks of greenwashing criticism: for instance, with key principles such as transparency (as much as data sensitivity and confidentiality can allow), lifecycle thinking, and being rather conservative in the approach than the opposite.



Read more about Schneider's saved and avoided methodology on [www.se.com](http://www.se.com)





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