Vice-Chairman & Lead Independent Director

Rueil-Malmaison, April 13, 2023

Dear Shareholders,

Following the dialogue I had with some of our investors in the past few weeks, I wanted to share with you the Board's point of view on some key elements coming up at our Annual General Meeting planned for May 4, 2023.

During this engagement, we were pleased with the unanimous positive response to the upcoming evolution of the governance of the Company. The success of this transition is the Board's priority. The changes to the compensation policy for the new Chief Executive Officer, Mr. Peter Herweck, were also welcomed notably (i) the review of the targeted amounts for the different components of the compensation which will lead to a decrease of the on-target global remuneration by 23% compared to the previous Chairman & CEO remuneration policy, (ii) the strengthening of the performance targets linked to the involuntary severance indemnity, and (iii) the inclusion of a clawback provision. The Board's decision to use its discretion clause downward for Mr. Jean-Pascal Tricoire's 2022 annual variable compensation due to the impact of inflation was also recognized as it allows a perfect alignment with shareholders' experience and ensures that the Chairman & CEO is being rewarded only for the Company's intrinsic performance.

Some of you raised some concerns regarding the Board's decision to maintain the rights of Mr. Jean-Pascal Tricoire to his previously granted but still unvested Performance Shares (LTIP). I would like to highlight some key elements supporting this approach and decision, which was carefully considered by the Board in view of the AFEP-Medef code which provides that in such case "*continued entitlement to all or part of the long-term compensation benefit and its payment must be evaluated by the Board and the reasons for its decision must be indicated*":

- Out of the 36 months of performance period, the performance shares plans in question represent respectively 8 months (LTIP 2021, vesting in 2024) and 20 months (LTIP 2022, vesting in 2025) of remaining performance from the date of transition. These 2 grants were made by the Board in the spirit of moderation. Since the announcement in 2021 of its intention to separate the functions, the Board of Directors, on recommendation of the Governance & Remunerations Committee, granted Mr. Jean-Pascal Tricoire a significantly reduced number of performance shares, well below the maximum allowed by the remuneration policy; 31,105 shares in March 2022 and 37,903 shares in March 2021 *vs*. 60,000 shares under the 2020, 2019, 2018 grants.
- The 2021 and 2022 compensation policies, under which such grants were made, were supported by more than 81% and 89.5% AGM votes respectively. These policies clearly mentioned that "*In case of retirement or change of assignment within the Group, the Chairman and CEO will keep his right to the unvested Performance Shares granted to him previously, subject to the applicable performance conditions and without any prorate*" (URD 2021, p. 333 and URD 2020, p. 290). This point was not raised as a concern during the prior engagement that I conducted on those years. It was also never mentioned in any proxy advisors' reports. Apart from few exceptions made under different circumstances, this remains market practice in France and in Continental Europe.
- The Board views the allocation of performance shares for executive functions as an incentive to reward the implementation of a strategic plan, whose objective is to ensure the creation of long-term value benefiting all stakeholders. Therefore, it seems entirely appropriate that the top executive who has led the Company in its progress and performance over the previous years and implemented actions to maintain the growth trajectory over the long

term, should also benefit from his already granted performance shares, particularly in view of the fact that he is not leaving the Company. The vesting levels remain at risk and are not guaranteed as they are still subject to challenging performance as well as a presence conditions.

- In addition, with the effective separation of the Chairman and CEO functions scheduled for May 4, 2023, Mr. Jean-Pascal Tricoire will not receive any grant of LTIP in 2023. He will neither receive any severance pay or any non-compete indemnity. At the request of the Board, Mr. Jean-Pascal Tricoire also voluntarily agreed to bind himself to an unpaid non-competition clause, and in the event of termination of his duties as Chairman will abstain for a period of twelve months from working for any entity in direct competition with Schneider Electric. This commitment on his side will not be compensated by the Company.
- Under the management of Mr. Jean-Pascal Tricoire, between 2003 and 2022, Schneider multiplied its turnover by 3.9 (from €8.8 Bn to €34.2 Bn), its net income by 8.8 (from €0.4 Bn to €3.5 Bn) and its market capitalization by 7 (from €12 Bn to €88 Bn). At the request of the Board, Mr. Jean-Pascal Tricoire will continue serve the Company as non-executive Chairman and provide Schneider Electric with his extensive experience and knowledge of the markets. The Board considers that this continued support is essential for Schneider's future and for a successful transition.

For all these reasons, the Board is of the opinion that it would not be justified nor fair to alter the post-mandate vesting rules currently valid and applicable to Mr. Jean-Pascal Tricoire stepping down as CEO. The Board does not support negatively modifying the agreement that exists between the Board and him and has been supported and upheld by our shareholders' votes during the years where such grants were made. I strongly believe it is in the interest of the Company and all its stakeholders that Mr. Jean-Pascal Tricoire retains his rights. He is not leaving the Company, continues to serve its best interest, and will ensure a smooth and productive transition to the new CEO. Mr. Jean-Pascal Tricoire will also continue representing the company in important institutions, in particular in Asia, in coordination with the new CEO.

Nevertheless, the Board acknowledges the preference of some investors for a *prorata* vesting rule in case of departure of the CEO. **It commits to take this feedback into account for the next compensation policy where the post-mandate vesting rules will be modified.** Such a revised policy will be defined in the 2024 compensation policy in order to have a clear situation between the Board and the new CEO.

Lastly, the Board has heard certain concerns regarding the **ESG criteria used in our LTIP**, the Schneider Sustainability External and Relative Index ("SSERI") which is based on external ratings. We understand that some of you consider it as a reward more for disclosure than actual achievement. As already mentioned to a number of shareholders last week, the Board commits to review and further strengthen the structure of LTI plans in line with Schneider's most material CSR topics and strategy. It will be amended in the next policy submitted to your vote at the 2024 Annual Shareholders Meeting.

I sincerely hope that you can accept our rationale and we are able to convince you to vote in favor of the resolution n°6 regarding the say on pay *ex post* of Mr. Jean-Pascal Tricoire. I need to point out that the non-acceptance of resolution n°6 would deprive him of the entirety of his annual variable compensation and variable pension related to 2022, an obviously very negative outcome.

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

I thank you for your support in this matter and your trust in general,

Fred Kindle
Vice-Chairman & Lead Independent Director