FUTURE

Rethinking the Supply Chain

Assembly Show South
April 5, 2023

Smart Factory Lexington KY, USA
World Economic Forum Sustainability & Advanced Lighthouse
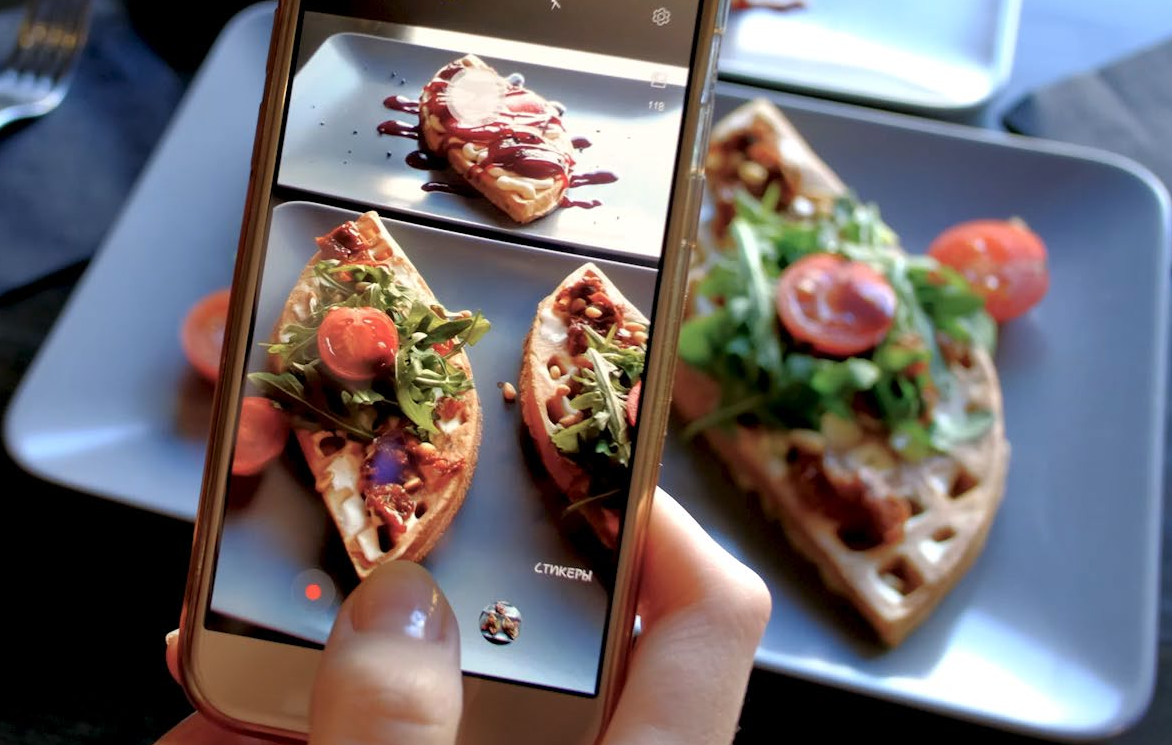
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Schneider Electric leads the digital transformation of Energy Management and Automation

Key figures for 2022

~5% of revenues devoted to R&D

€34 billion
2022 revenues

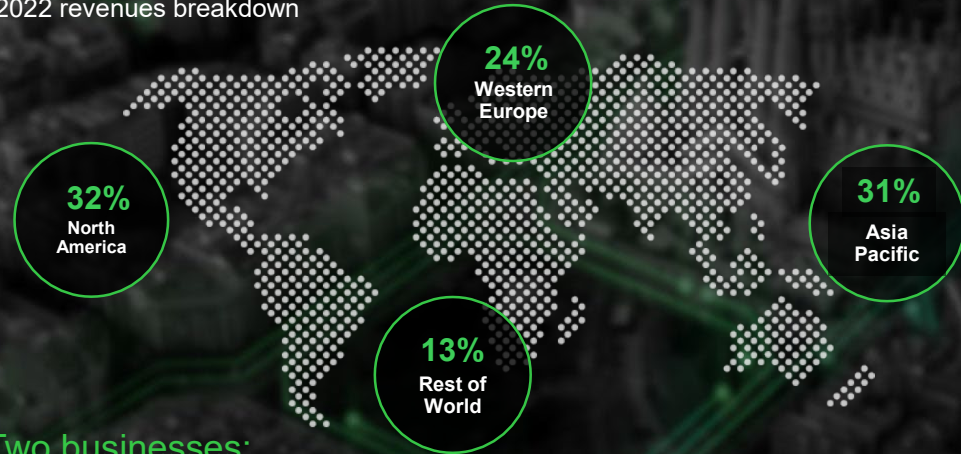**128,000+**
Employees in over 100 countries

€16 billion
2023 procurement spend

200+
Plants and distribution centers

A well-balanced global presence
2022 revenues breakdown
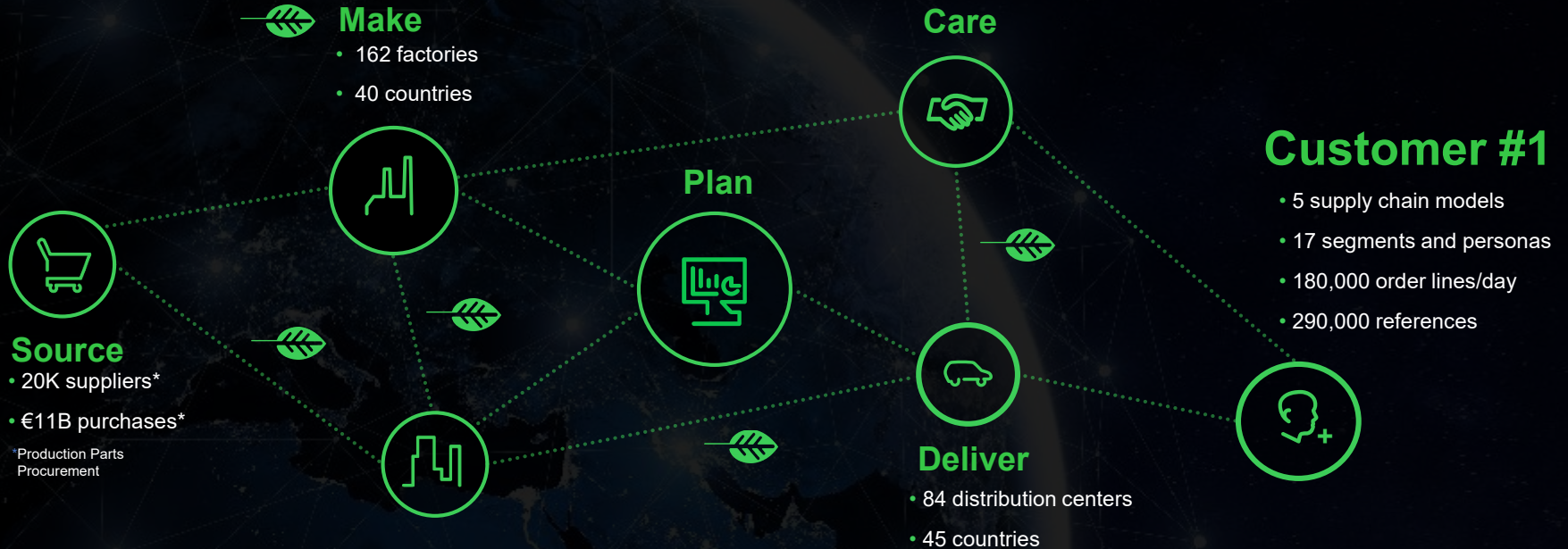
24% Western Europe

32% North America

31% Asia Pacific

13% Rest of World

Two businesses:

23% €7.7 billion	77% €26.5 billion
Industrial Automation	Energy Management

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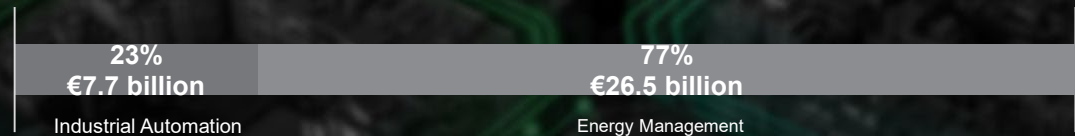
Digitally connected to delight our customers

A vast global network of networks covering the end-to-end value chain

Make
- 162 factories
- 40 countries

Care

Plan

Customer #1
- 5 supply chain models
- 17 segments and personas
- 180,000 order lines/day
- 290,000 references

Source
- 20K suppliers*
- €11B purchases*

*Production Parts Procurement

Deliver
- 84 distribution centers
- 45 countries

+80,000 employees in Supply Chain

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Market trends impacting supply chain in North America

Energy Security & Electrification

A record $141 billion in energy transition financing was deployed in the U.S. in 2022 for clean energy, including renewables, electric vehicles and other technologies

Source: Utility Dive
March 7, 2023

Reshoring & Nearshoring

62% of manufacturers with revenues between $550 M and $50 B are reshoring their production facilities

Source: Palm Beach Research Group February 16, 2023

US Companies reshored 364,000 jobs last year

Source: Wall Street Journal March 23, 2023

Impacts from Government Incentives

Since IIJA was enacted, over $10B was released in 2022 to projects across segments we serve, with$200B over the next 5 years.

The Inflation Reduction Act will offer tax credits to our customers with additional rebates for household electrification updates.

Labor Shortages

3.6% unemployment rate February 2023

Source: US Bureau of Labor Statistics

Inflation & Cost of Capital

6.0% annual inflation rate through February 2023

Source: US Bureau of Labor Statistics

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The world has had to reset, and so must we

our Market

our Society

All Electric World
Electricity is the most efficient energy for operations

More Multi-local World
Geo-political differences more visible Solutions tailored to local needs

New Workforce
Diverse, digital and an open talent ecosystem

All Digital World
Automated, digitized & connected operations, end to end

More Sustainability Focused
Social activism and aspirations on the rise; Greater focus on climate change and equity

New Ways of Working
Flexibility and empowerment guide where and when work happens. Rising importance of well being

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STRIVE for the best together

We strive to be the most agile, innovative, planet- and customer-centric supply chain

Trusted

Sustainable

Resilient

Velocity & Efficiency

Intelligent

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Resilient

Our customers trust us for our resilience and agility

Cybersecure

- Cybersecure **offers, sites, and suppliers**

- Invest in solutions (both IT and OT) to be **cyber resilient**

- **Increase awareness of the people:** act with cybersecurity in mind at all times, everywhere.

Power of two

- **Power of two** for critical ranges

- Increase **time to survive** with tactical buffer capacity

- **Double sourcing** for high business impact parts

Professional **business continuity** plan

- Professional business continuity plans **in core factories and distribution centers**

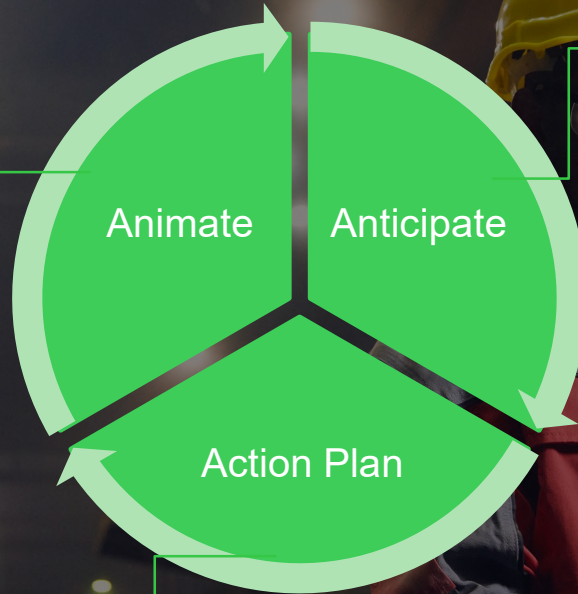- Grow our **modeling capabilities** embedded risk identification and mitigation

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Capacity Management – Be Future Ready

Animate: CAMA Guideline
- **30%** buffer capacity over peak month demand
- CAMA Green
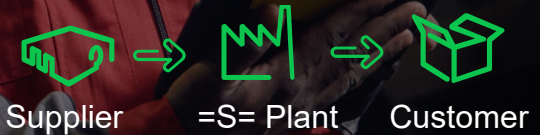 - 4000 hours/year (Manual)
  - 6000 hours/year (Auto)

Anticipate
- Understand **right mix, seasonality & growth** – Supply Chain Planning
- Interlock with Business Unit for **market trend**

Animate

Anticipate

Action Plan

Action Plan: CAMA **Green**
- LEAN & Continuous Improvement
- CAPEX • Rebalance • Outsourcing

Supplier → =S= Plant → Customer

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Suppliers Partners are part of our Supply Chain

Ethics & Sustainability

- Responsible **Sourcing**
- The **Zero Carbon Project**
- Schneider Electric is **ready to help**

Quality

- Aim for outstanding **Supply Quality**
- Secure **material buffers** before interruptions
- Apply Supplier Quality **Golden Rules**

Resilience

- Support **Growth**, Just In Time to **Just In Case**
- **Capacity** Planning & Management
- Transparent & Collaborative **Planning**

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Investing in Upstream Performance to Drive Supply Reliability

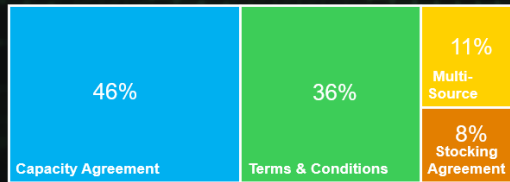Dedicated Resources, Enhanced Material Planning, and Supplier Performance Assessment

A new normal requires a new approach:
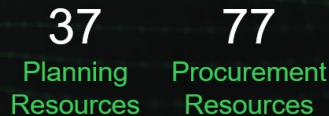## Time to Recover vs Time to Survive

Plan for Every Part

Timely Resolution of Upstream Constraints Critical to Unlock NAMs Growth Potential

2022   2023+

2022 Action Plan addressed 37,000 critical parts covering 70% spend

0   5,000   10,000   15,000   20,000   25,000   30,000   35,000   40,000   45,000

630 Actions Identified

46% Capacity Agreement	36% Terms & Conditions	11% Multi-Source
		8% Stocking Agreement

Resources to Drive Resolution

37 Planning Resources   **77** Procurement Resources

Evaluated Supplier Performance

- On-Time Delivery
- Supplier Health
- Time to Recover
- Capacity Assessment
- Labor Availability
- Raw Material

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EcoStruxure™ Smart Factory & Distribution Centers enables not only Optimization but more Resilience

EcoStruxure's integrated architecture serves four end markets with its six domains of expertise

- Remote functionalities play a key role to keep factory running effectively during COVID crisis:
  - E-FAT: remote Factory Acceptance Test
  - Lean Digitization System: remote SIM meeting
  - EcoStruxure Machine Advisor: remote maintenance
  - …

- Optimize end-to-end efficiency, energy efficiency, asset reliability and deliver customer value.

- "Standard at the core – Tailored at the edge" approach to deploy at 200 factories & 100 Distribution Centers.

NAM Digital Transformation Journey

From Smart Factory to Smart Operations and beyond

SMART Factory (2018 - 2020)

- 2 Showcase SMART Factories
- 20 SMART Factory sites

Tools Deployed *(Powered by EcoStruxure ™)*

- Apps and Analytics
- Edge
- Connected Products

Key Achievements

- World Economic Forum Advanced Manufacturing Lighthouse – Lexington, KY
- 1500+ Customer Visits

SMART Operations (2021 - 2023)

Smart Operations *Powered by EcoStruxure*

- Scaling Connected Machines
- Predictive Analytics
- Machine Learning

End-to-End Digitization

- End to End Data Visualization
- Smart/Autonomous Planning

Autonomous Supply Chain

- Robotic Process Automation
- Data Analytics
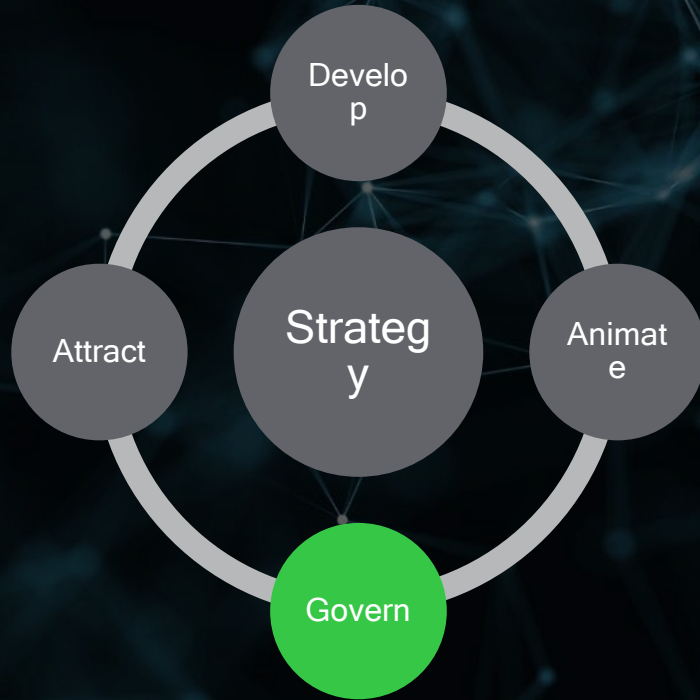- Innovation (Artificial Intelligence / 5G)

Connect / Descriptive Analytics Diagnostic Analytics Predictive Analytics Prescriptive/Cognitive Analytics

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NAM Digital Transformation Competency Plan

Upskilling for All

Develop

Attract

Strategy

Animate

Govern

Global

Central
(Regional Level)

Club
(Technology Level)

Cell
(Plant Level)

Collaboration

Develop
Standardize
Govern

Identify Use Case
Deploy/Adoption

Awareness
Usage

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Digitization accelerates procurement and supplier visibility & resilience

The digital platform is pivotal during COVID crisis to provide real-time visibility

Schneider Supplier Portal

Procurement analytics

Cloud e-procurement for indirect procurement
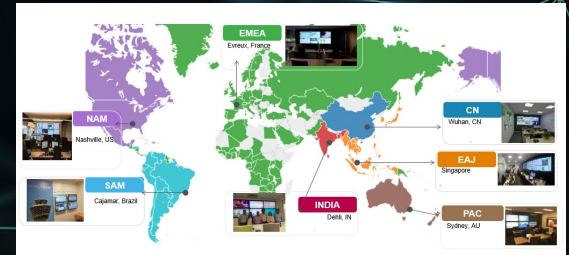
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End to End Control Tower – "Connecting all the dots"

Building End-to-End (E2E) Visibility

Capabilities & Customer benefits

- End to End real time visibility & orchestration of all supply chain nodes and flows
- Increases efficiency & resilience & agility of the E2E Supply Chain
- Improves **perfect order:** seamless order-to-delivery experience for our customers
- Better **response to supply chain disruptions & risk Management:** +100 events managed per year (strikes, cyber attacks, natural disasters, regulation change etc)

7 control towers fully operational

EMEA — Evreux, France
NAM — Nashville, US
SAM — Cajamar, Brazil
CN — Wuhan, CN
EAJ — Singapore
INDIA — Delhi, IN
PAC — Sydney, AU

End to End

Source > Make > Deliver > Plan

Suppliers
(Digital supplier interaction)

Smart factories
(Smart factories)

Smart Distribution Centers
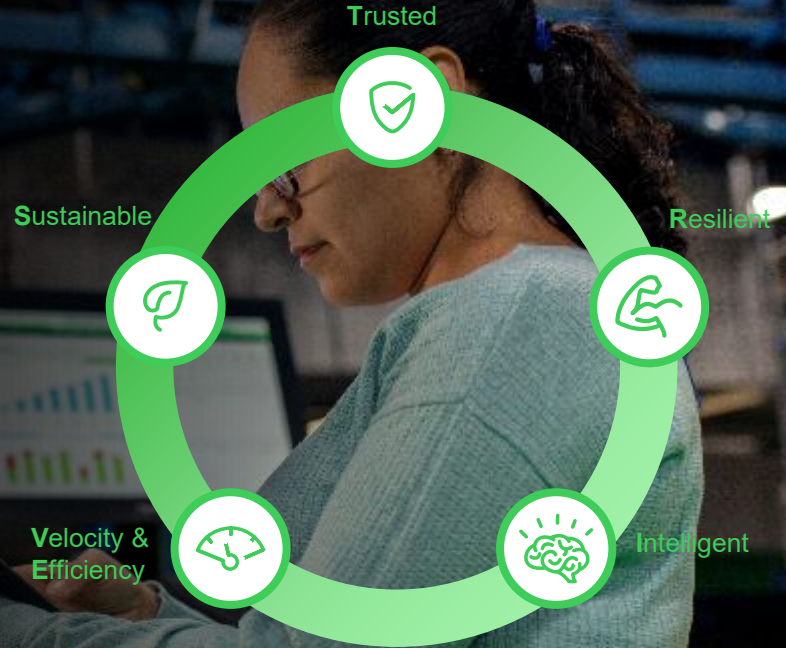(Global transportation control towers)

Customer

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Some self reflections…

- **Multi local** empowerment and more **regional** approach

- **Ecosystem partnership** with business partner **C-level** engagement

- **From Cost efficiency focus to Resiliency focus**

- **From Just in Time to Just in Case**

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Resilient

Velocity & Efficiency

Intelligent

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Some open questions…

- **If given a clean sheet of paper with no constraints, what aspects of your value chain would you redesign?**

- **How can we collaborate across businesses and together with the public sector to foster resilience?**

- **How to win the Supply Chain Talent Wars?**

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Sustainable

Resilient

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Q & A

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Kenneth Engel

Senior Vice President | Global Supply Chain
Web Giant Supply Chain & Business Development

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