Schneider Electric S.E.

Statutory Auditors' report
on the consolidated financial statements

(For the year ended December 31, 2023)

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France

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(For the year ended December 31, 2023)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Schneider Electric S.E.,

Schneider Electric SE
35, rue Joseph Monier
92500 Rueil Malmaison

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Schneider Electric SE for the year ended December 31, 2023.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2023 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Risks Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors for the period from January 1, 2023 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L. 821-53 and R. 821-180 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of goodwill and trademarks with indefinite useful lives

Notes 1.3, 1.8, 1.11, 5 and 9 to the consolidated financial statements

Description of risk	As of December 31, 2023, the carrying amount of goodwill and trademarks with indefinite useful lives was €24,664 million and €2,297 million respectively, representing 46% of the Group's total assets. As described in Notes 1.8 "Intangible assets" and 1.11 "Impairment of assets" to the consolidated financial statements, trademarks with indefinite useful lives and Cash Generating Units (CGUs) to which goodwill has been allocated are tested for impairment at least once a year and whenever there is an indication of impairment. In line with the Group's strategy of sustainable development and digital transformation, the Group has redefined its CGU groups. Goodwill is tested at CGU group level, as described in note 1.11 "Impairment of assets" to the consolidated financial statements: Low Voltage, Medium Voltage, Secure Power, Industrial Automation, Industrial Automation Software, Energy Management Software and Sustainability. The recoverable amount of a CGU is defined as the higher between its value in use and its fair value less costs to sell. The value in use of a CGU is determined by discounting future cash flows that will be generated by its underlying assets and which are based on the Group management's economic assumptions and operating forecasts. The recoverable amount of trademarks with an indefinite useful life is measured using the royalty method.

	An impairment loss is recognized whenever the recoverable amount of a CGU or a trademark is less than its carrying amount, to the extent that its carrying amount exceeds its recoverable amount. When the tested CGU comprises goodwill, the impairment loss is primarily deducted therefrom. The valuation of goodwill and trademarks with indefinite useful lives is a key audit matter due to their significance in the Group's consolidated balance sheet and the level of judgment required by management to: • define the CGUs, as improper mapping could lead the Group to not recognize, or to underestimate, the impairment of goodwill; • determine the assumptions used for the impairment tests of goodwill, particularly the discount rate, perpetuity growth rate and the expected margin rates, the consideration of climate risks and, for trademarks with indefinite useful lives, royalty rates.
How our audit addressed this risk	Our audit work consisted in: • reviewing the methods used to determine the level of goodwill impairment testing, particularly regarding changes made during the year; • comparing the carrying amount of assets tested with the accounting data; • assessing the procedures implemented by the Group to evaluate the discounted future cash flows underlying the determination of the value in use of each CGU and checking their consistency with the business plans/cash flow projections approved by the Group's Board of Directors; • assessing the procedures implemented by the Group to evaluate the impact of climate risks in determining the value in use of each group of CGUs; • for the main trademarks with indefinite useful lives, assessing the procedures implemented to model the revenue projections attached to the trademarks; • assessing the reasonableness of the business forecasts underlying the future cash flows, in particular with respect to past performance; • with the assistance of our valuation experts, assessing the assumptions used such as the discount rate, perpetuity growth rate and expected margin rates, as well as the sensitivity of impairment test results to changes in these key assumptions; • corroborate the royalty rates used with respect to (i) the theoretical royalty rates determined at the acquisition date of the trademark and (ii) the performance achieved;

	• reconciling the sensitivity analyses performed by the Group with our sensitivity calculations, and, to this end, verifying in particular that no impairment would have been recognized if the Group had maintained 2022's organization; • verifying the arithmetical accuracy of the impairment tests. Lastly, we assessed the appropriateness of the disclosures provided in the notes to the consolidated financial statements.

Uncertain tax positions and recognition and recoverability of deferred tax assets recognized for tax loss carryforwards

Notes 1.3, 1.16, 1.21 and 14 to the consolidated financial statements

Description of risk	The Group operates in several different tax jurisdictions around the world. As a result, the company and its subsidiaries may be subject to audits or questions from local tax authorities. Situations where cash outflows are considered probable give rise to liabilities, measured on the basis of the known facts in the jurisdiction concerned. In accordance with IFRIC 23 – Uncertainty over Income Tax Treatments, provisions covering uncertainties over tax treatments are presented under "Accrued taxes and payroll costs", as specified in Note 1.21 to the consolidated financial statements. In addition, the Group recognizes deferred tax assets in several countries based on its ability to recover them in future years. As of December 31, 2023, deferred tax assets in respect of tax loss carryforwards recognized in the consolidated balance sheet amounted to €629 million, mainly in France for an amount of €420 million. As described in Note 1.16 to the consolidated financial statements, the Group only recognizes future tax relief arising from the use of tax loss carryforwards when it can be reasonably anticipated that such relief will be granted, including when such amounts can be carried forward indefinitely. The Group's ability to recover deferred tax assets on tax loss carryforwards is assessed by management at the end of each reporting period. The recognition and correct valuation of these deferred tax assets are subject to the quality of the forecasts made by the Group.

	The recognition and recoverability of deferred tax assets relating to tax loss carryforwards and the recognition of liabilities for uncertain tax positions are key audit matters, given the judgment required from the Group to (i) assess the recoverability of the deferred taxes and (ii) estimate the likely outflow of resources in a constantly changing international environment.
How our audit assessed this risk	We held meetings with management, gained an understanding of the internal control procedures implemented by the Group to identify tax risks, and, where appropriate, to recognize any tax loss. With the assistance of our tax specialists, we also assessed the judgments made by management as part of our estimate of the income tax likely to be payable and the amount of any potential exposure, and, by extension, the reasonableness of the estimates as regards tax liabilities. With regard to the recognition and recoverability of deferred tax assets relating to tax loss carryforwards, our audit approach consisted in assessing the Group's likelihood of benefiting from future tax relief arising from the use of tax loss carryforwards, in particular with regard to: • plans for the consumption of the tax loss carryforwards of the subsidiaries or tax consolidation groups concerned; • the main data and assumptions underlying the plans for the consumption of tax loss carryforwards underlying the recognition and measurement of the corresponding deferred tax assets by the Group. We also verified the appropriateness of the disclosures provided in the notes to the consolidated financial statements.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also performed the specific verifications on the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the information pertaining to the Group presented in the management report includes the consolidated non-financial performance statement required under Article L. 225-102-1 of the French Commercial Code. However, in accordance with Article L. 823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Other verifications and information pursuant to legal and regulatory requirements

Presentation of the consolidated financial statements to be included in the annual financial report

In accordance with professional standards applicable to the Statutory Auditors' procedures for annual and consolidated financial statements presented according to the single European electronic reporting format, we have verified that the presentation of the consolidated financial statements to be included in the annual financial report referred to in paragraph I of Article L. 451-1-2 of the French Monetary and Financial Code (Code monétaire et financier) and prepared under the Chief Executive Officer's responsibility, complies with this format, as defined by European Delegated Regulation No. 2019/815 of December 17, 2018. As it relates to the consolidated financial statements, our work included verifying that the markups in the financial statements comply with the format defined by the aforementioned Regulation.

On the basis of our work, we conclude that the presentation of the consolidated financial statements to be included in the annual financial report complies, in all material respects, with the single European electronic reporting format.

Due to the technical limitations inherent in the macro-tagging of the consolidated financial statements in accordance with the European single electronic reporting format, the content of certain tags in the notes to the financial statements may not be rendered identically to the consolidated financial statements attached to this report.

In addition, it is not our responsibility to ensure that the consolidated financial statements to be included by the Company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Schneider Electric SE by the Annual General Meetings held on May 6, 2004 for Mazars and on May 5, 2022 for PricewaterhouseCoopers Audit.

As of December 31, 2023, Mazars was in the twentieth consecutive year of their engagement and PricewaterhouseCoopers in their second year.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit and Risks Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L. 821-55 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit.
They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;

- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit and Risks Committee

We submit a report to the Audit and Risks Committee which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit and Risks Committee includes the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit and Risks Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L. 821-27 to L. 821-34 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit and Risks Committee.

February 29, 2024

The Statutory Auditors

PricewaterhouseCoopers Audit — Mazars

Séverine Scheer — Jean-Christophe Georghiou — Juliette Decoux Guillemot — Mathieu Mougard