European
Works
Council

Opinion of the Core Council of the EWC Schneider on the MV restructuring plans.

February 10, 2021.

Mr. Chairman,

The Employees representatives were unpleasantly surprised by the announcement of a restructuring of the Medium Voltage (MV) activity affecting 2 Hungarian and 3 French sites (with more than 370 jobs eliminated), directly impacting employees who had been invested for years.

Our exchanges and the questions of the Employees representatives, at different levels in the countries, on the MV activities for several months, even years, have been useless. The representatives have regularly alerted management to the economic, industrial and technological management of the business and its lack of vision and strategy.

Considering the concerns of the Employees representatives of the European committee with your restructuring announcements, we had asked for the implementation of an expertise at our level to help us to position themselves on these issues. And in order to facilitate this expertise, we even agreed that it should be done with the French National Core Council experts. **You refused, claiming that it was only a French file**, while you consult the European committee for this topic. There are transfers of production in Hungary and concerns about possible restructuring of production between 2 Hungarian Medium Voltage factories.

The result is very worrying for the future of MV in France and in Europe (all trades combined), knowing that you had been planning these restructurings for several months. Once again Schneider Electric is going to make its employees pay for its management mistakes.

On a global level, the company is doing well, as it has regularly raised its performance targets over the past few years. Therefore, additional time to deal with this heavy restructuring file could be granted without any problem.

Schneider earns billions of euros every year, its profitability has been stable since 2006 (around 15%), and with prospects of 17% by 2022. Moreover, since 2004, dividend growth has outpaced revenue growth, to the detriment of investments (and employee efforts), at a time when the world is undergoing major changes. But shareholders are not complaining about this!

The management of Schneider, Energy Management, and Power System must question their strategic developments and the way they manage employment. Although the R&D/sales ratio has risen by 0.8% since 2010, the R&D percentage of our main competitors is growing faster than that of Schneider. Since 2014, R&D and industrial investment efforts have been lower than those of our main competitors.

Past, current and future GPECs* and Social Plans must not become the group's norm to accompany economic and social regression. Over the past 10 years Schneider has closed 13 sites, sold 2, and nearly 7,000 jobs have disappeared from the Group in France. The lack of ambition in training its staff to keep up with technological change is unfortunately flagrant.

** GPEC : Forecast management of jobs and skills*

<u>You tried to argue your social plans in Medium Voltage from two angles:</u>

<u>1°) By comparing us to our competitors ABB and Siemens.</u>

You explained that they had 3 large MV cell production plants in Europe:

- Portugal, Turkey, the Netherlands for ABB, and
- Germany Turkey Italy for Siemens.

The example of our competitors would be a 1st reason why you rationalize MV in France. But what about Schneider's MV cells factories in Italy, Spain, Hungary, UK, Sweden, Germany, Turkey and also France with SCFME? Our European colleagues may have something to worry about.

In 2016 you said that the group's offer was considered complicated, with different technologies (vacuum, gas) from Areva, whose two ranges have been added to the group's historical range. This led to costs in terms of range management and industrial flows, which penalized the BU against single-range competitors such as ABB.

<u>More than 10 years after the acquisition of Areva, what are the results?</u>

You felt that you had streamlined the MC500 and Fluokit M24 offers, which were redundant with the NS500 and SM6.

But nothing has been done about the range rationalizations.

- MCSet / Pix, with orders and counter orders on strategy, which made us lose a lot of time and money.
- Sepam - Micom with the merger project: there were such technological errors on Easergy, that it led to delays and significant costs for Schneider.
- For the SM6, Schneider did not want to meet the HN standard released 10 years ago, thinking that with its notoriety we would ignore it, still hoping for an evolution of the standard to pass 2 technical levels. But this did not happen. Schneider waited too long to develop his product and found himself forbidden to install his SM6 on the Enedis Network.
  Are we now waiting for the SM6 Free to perhaps be able to return to the market of private customers connected to the Enedis network?
- For the RM6 / FBX ranges nothing has been done yet.
- The technical management of the MCSet which was done by the Business Unit in Grenoble went to Germany (in Regensburg) in the teams managing the PIX. Today all the technical management of these 2 ranges has left Europe for India.

2°) The economic argument is also based on the construction of a Franco-French problematic

This is unrelated to the organizational and management processes prevailing within the group. This is not the case! The economic record shows that the profitability of Medium Voltage in France, is at the same level as that of the Power System* worldwide. You said that it is only thanks to Services that this profitability is at the level of the rest of the group. Aren't Services also included in the figures for Power System in the rest of the world? There is also a lot to be said about Medium Voltage Services (due to the work organizations of the different entities).

** Power System: Schneider Medium Voltage Business Unit*

Since 2015, you have implemented various measures that have gradually degraded the profitability and load of the French plants to the benefit of other plants in the Group (Turkey, Indonesia, Egypt and other countries) to arrive at these 3 PSEs on the plants of SEEF Lattes, EMT and Merlin Gerin Loire.

The decrease in the workload of the French sites as a whole should be compared with the evolution of the workload of the Group's other production sites, particularly those located in low labor cost countries.

a) There is an increase in the production of primary cells over 2015-2019 and in the production hours of primary AIS sites. The changes in costs underlying part of the workforce adjustment since 2015 depend solely on the effects of decisions to allocate production volumes, with market fluctuations in the markets addressed by the French plants ultimately only playing a marginal role.

b) The relocation of the MCSet4 to Egypt (whereas this range was planned on EMT) has resulted in a significant lack of turnover and therefore profitability by reducing the SFCs (nearly 1300 MCSet4 cells per year are manufactured in Egypt today).

c) The Rebound 1 and 2 plans aimed at business selectivity, have allowed the profitability rate of the group's MT activities to recover. However, this strategy has had important consequences for the industrial sites (including EMT) of the activities under recovery, with a significant drop in the load. This is also currently the case on other European sites and in particular the site of Grinon.

d) Marketing of EasypactExe: Only Turkey was able to market this circuit breaker, 20% cheaper than the previous one. This gave them a strong economic advantage on the selling price of MCSet compared to EMT. The end of EMT was further accelerated with these advantages given to Turkey.

e) For several semesters, you have regularly modified the allocation matrices of the countries whose factories were responsible for delivery. EMT has lost countries that were under its responsibility leading inexorably to regular load reductions. Is it the same for other MV factories in Europe?

It is therefore these various measures that you have put in place for nearly 6 years in France that have led to losses in profitability, and that you have taken as a pretext to rationalize the Medium Voltage plants in France.

Finally, the 2015-2019 results by LoB* illustrate the good health of the activities in which the Medium Voltage plants in France (including EMT and MGL) are involved.

The 2019 5-year plan shows growth prospects of 2% per year and an increase in the profitability rate with a target of +0.5 pt margin rate per year.

** LoB : Line Of Business*

In addition, the stimulus plan of several billion euros at the European level will benefit Schneider through the investments that will be made in infrastructure, for which the group will be able to respond.

We expressly ask that this recovery plan also benefits the European employees of the group, by allowing them to keep their jobs in their own countries, while participating in the development of the company.

In conclusion:

Through these Social Plans, you relocate abroad (a large part of which is outside Europe) 40% of the production of the French sites concerned. The best part of your speech is that you minimize these relocations by taking much more advantageous ratios for Schneider's image.

We do not share your pessimism about the economic situation of the activity, we do not share the urgency to take such drastic decisions by by these 3 Social Plans, we do not share the organizations you want to set up.

As the elected representatives have already said, due to the lack of a clear economic and strategic vision on the different European countries and the lack of ambition on employment in general, **we give you an unfavorable opinion on the project and the consequences of the Medium Tension reorganizations** because your economic arguments have no justification or clear perspectives on Schneider's Medium Voltage.