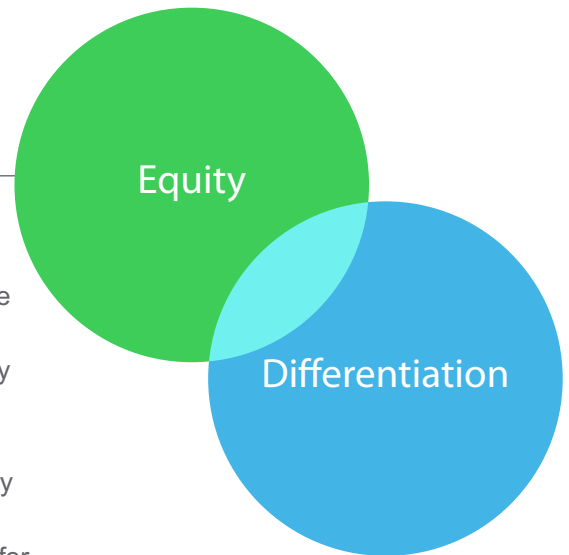# Fair Pay Decisions

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Executive summary

At Schneider Electric, our talent and reward strategies recognize that diversity of people and an environment of inclusion drives high performance. Rewarding our employees fairly and equitably for the skillset they possess, and valuing their contribution, is a business imperative. It also helps to recruit and retain the most talented employees, and to ensure fairness, respect and equality in the working environment. Two key components of our reward practices are equal pay for equal work, and fairly differentiating for performance as well as behaviors.

Equity

Differentiation

Great people
expect and deserve fair pay

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We believe that Schneider Electric's purpose is to "empower all to make the most of our energy and resources, bridging progress and sustainability for all". Our mission is to improve the lives of people everywhere in the world as the digital partner for sustainability and efficiency for our customers. This belief also extends to our diversity, equity & inclusion philosophy.

Our ambition is to offer equal opportunities to everyone everywhere, and we want our employees, no matter who they are or where in the world they live, to feel uniquely valued and safe to contribute their best. Diversity of people, and an environment of equity and inclusion, generate greater engagement, performance, and innovation.

Equal pay for equal work is a core component of our reward philosophy, with our overarching principles being fairness, consistency and greater transparency. Gender equality is at the top of this.

We are committed to being fair and equitable to all employees everywhere and to ensuring that our employees are rewarded competitively. At Schneider Electric, we have implemented many policies and actions that support and empower all our employees in the workplace. This includes ensuring that all employees are rewarded fairly for performance regardless of their gender.

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How Pay Gaps are created

Several factors contribute to pay equity gaps.

First, there are hidden biases that we all have, but that are hard to detect. For example, we may have favorable biases towards individuals we know, or who are located closer to us than others. Or we may be biased by the stereotypes that we maintain, or we may be biased against a perceived threat or against challenging the status quo.

Such biases can ultimately impact pay decisions.

Second, there are practices within the employee life cycle that can create or perpetuate role-to-role pay gaps. The existence of a pay gap often starts with the employee life cycle, spanning recruitment, promotions and annual salary adjustments. When we rely on an individual's current salary to make an adjustment during these various stages, and their salary is already below that of their peers, we are not eliminating the pay gap that exists, but adding to it.

Third, many individuals take a break in their career to take care of family, whether it be their children or aging parents. In addition, many also want more flexibility regarding where and when they work. Often, the breaks in careers or demand for flexibility creates a bias that ultimately impacts the pay decisions made.
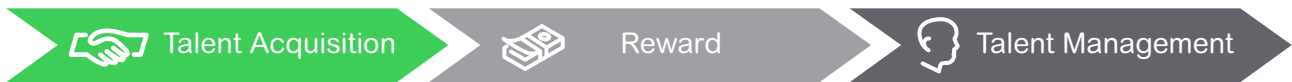
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Our Ecosystem

To address pay equity gaps in an effective manner, we take a holistic approach to creating a sustainable culture of fair pay. At Schneider Electric, we have created one pay equity framework to have a globally- consistent approach that enables us to compare between geographies while at the same time acknowledging and respecting local, country-specific mandates.

The framework addresses: Methodology & Analysis; HR Processes; Governance; and Education & Communication.

To close existing pay gaps, and prevent future ones from opening up, we focus on salary changes in all three areas of our HR processes – new hires, promotions, and the global salary review process. We are mindful of every pay decision that is being made through the different phases of the HR ecosystem. As a result, we have built a defined process that eliminates the potential for biases that impact pay decisions and establishes governance to monitor the success of the process.

Our Reward Ecosystem

Fair and Equitable in Reward practices for all employees everywhere

Talent Acquisition   Reward   Talent Management

Focus on the entire ecosystem with a defined process and governance supported by standard reporting and analytics.

Promotion

New Hire

Pay Equity

Salary Review

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What are the Performance Conditions?

'Equal pay for equal work' at Schneider Electric is defined as rewarding everyone for the skillset they possess and valuing their contributions on an equal basis.

Paying equitably based on the principle of 'equal pay for equal work', and differentiating individuals based on their performance and behaviors are complementary initiatives, not competing ones. At Schneider Electric, we reward employees fairly, and only differentiate based on objective factors.

Our approach to pay decisions has driven greater levels of clarity and transparency through our reward philosophy, pay equity framework and tools.

Moving forward, we will continue to leverage our reward philosophy, pay equity framework and tools to ensure that the principles of fairness and equity are embedded within all our HR processes, building an environment of inclusion for all diversities.

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