

To: Schneider Electric Customers & Distributors
From: Chuck Buckley and Mike Montanari
Date: June 4, 2021
Re: Supply Chain Update

At Schneider Electric, we are committed to delivering world class digitally enabled energy management and automation solutions to our customers. We understand that your success is our success, and we are passionate about placing our customers first each and every day. To that end, we want to provide an update on the current state of our supply chain—including a summary of the macro headwinds that continue to impact our service level performance and the proactive measures and investments we are making to mitigate future impacts to your business and emerge stronger.

As the global economy emerges from the COVID pandemic, remnants both positive and negative remain across all industries. Schneider Electric has been met with unprecedented demand for many of our core offers. The fact that the markets we serve are once again healthy, and our offers continue to resonate with our customers, is very encouraging. However, this historic spike in demand, constrained labor availability and global shortages of certain materials have challenged our upstream suppliers. All together, these factors have resulted in extended lead times, low stock levels in select product categories, and delays in shipping in some of our lines of business.

Late last year, Schneider Electric made significant moves to strengthen resilience, increase flexibility, and safeguard our supply chain. In November of 2020, we made a \$40 million investment towards modernizing and increasing the capacity in our U.S. manufacturing plants in Iowa, Kentucky, Nebraska, and Texas, in addition to further developing and expanding our local workforces. We are also investing another \$30M in 2021 for further equipment and capacity upgrades to meet increasing customer demands. Beyond these investments, we continue to engage collaboratively with our existing suppliers at the highest levels, are vetting and approving new suppliers to expand our network of partners, increasing safety stock, and leveraging automation more fully.

While the challenges brought on by the pandemic are not fully behind us, we want to assure you that we understand their critical nature and are tackling them head on. Schneider Electric remains completely committed to our customers' success. Because of that commitment, we wanted to give you a transparent update on some of the challenges facing our supply chain and provide assurance that we are working tirelessly to overcome these issues.

As always, we appreciate your business, trust, and partnership.

Sincerely,



Chuck Buckley
SVP, National Salesforce



Mike Montanari
VP, Channel Development