Financial and Sustainable Development Annual Report

Registration Document 2013

Registration Document
Schneider Electric SA

Schneider Electric is committed to the full energy equation – from efficiency solutions to energy access. This equation drives Schneider Electric innovations, including these portable, solar-powered lamps for use in off-grid areas. The company invests in solutions that make the goal the international community agreed on in Copenhagen in 2009 achievable and concrete: limit the global temperature increase to 2° C by cutting greenhouse emissions. The 21st Conference of the Parties on Climate Change in Paris, 2015, will highlight further discussions of this imperative.

Schneider Electric™

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Financial and Sustainable Development Annual Report

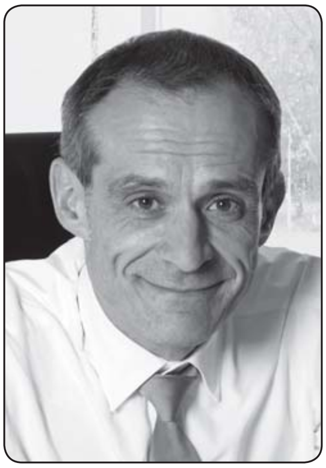
All of Schneider Electric's regulated information is available on the corporate website at **www.schneider-electric.com**, Finance section.

The Business and Sustainable Development Report is available at **www.schneider-electric.com**, Sustainable Development and Foundation section.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Registration Document was filed with the *Autorité des Marchés Financiers* (AMF) on March 20, 2013, in compliance with article 212-13 of the AMF's general regulations. The issuer prepared this document and the signatories are responsible for the information herein.

It may not be used in connection with any financial transactions unless it is accompanied by an Offering Circular approved by the AMF.



Message from Jean-Pascal Tricoire

CHAIRMAN AND CEO

In 2013, Schneider Electric proved once again the strength of our business model and delivered solid financial results in a macro environment complicated by a stalling European economy and unusual currency volatility in many countries. On constant, like-for-like basis, our sales grew by 0.4% overall, including by 3% outside of Western Europe, and our margin ratio improved by 0.3 point. Adjusted EBITA* was EUR 3.4bn, and free cash flow reached a record high at EUR 2.2bn. Earnings per share improved by 3% to EUR 3.43 in 2013 and should continue to increase in 2014.

Business continued to grow through the supply of an enlarged portfolio of energy management solutions and efficiency technologies to enable our customers to reach new levels of energy, process and safety. Our global footprint continues to be a differentiated asset, in particular our extended presence in new economies that represent 43% of our sales and grew 7 points faster than our mature economies.

2013 was also the second year of our *Connect* company program. We made significant progress along the main priorities fixed in early 2012. Our supply chain is now completely globalized and has already delivered significant efficiency in customer service, inventory management, and velocity. Our service business grew by 9% in 2013, and more so with our strategic accounts. The profitability of our solution business was stable in 2013 and we are working actively on the next steps of its improvement. We leveraged digitization in the way we work with our customers, and in our collective work. We engaged our employees with significant action plans and provided them support in adapting with agility to the breakthroughs and challenges of our environment. We continued to grow all forms of diversity through major initiatives like *Go Green in the City* as well as our *Marco Polo* program.

In terms of sustainable development, 2013 has been a year of innovation and recognition. Since 2009, through our BipBop program, we have equipped over 2 million households with energy solutions, while training 45,000 people from underprivileged origins. We also trained over 500,000 people in energy management subjects through programs such as *Energy University*, *Solar Decathlon* and our local training facilities. Our performance in sustainable development measured by our Planet and Society Barometer is progressing in advance of our objective. This completeness of our engagement is recognized in major international ratings, most recently by our entry into the Top 10 of the "Global 100 most sustainable Corporations in the World".

* *Adjusted EBITA is an EBIT adjusted for certain items in order to provide a more relevant basis for the underlying operating performance of the Group. It is defined as: EBIT before amortization and impairment of purchase accounting intangibles and impairment of goodwill, and before Restructuring charges and Other operating income & expenses.*

In 2013, we realized two acquisitions of significant size, Electroshield– TM Samara and Invensys, which reinforce our leadership in our Infrastructure and Industry businesses.

The full acquisition of Electroshield – TM Samara, further to the 50% acquired in October 2010, reinforces our offer in medium-voltage, as well as in the key end-markets of oil & gas, utilities, mining and electro-intensive industries. It also changes radically our size in Russia, which is now Schneider Electric's fourth largest market employing over 11,000 people in 4 industrial sites and further balancing our global presence.

The acquisition of Invensys completed on January 2014, concluded in January, creates a global champion in technologies that drive efficiency and productivity for industry, combining expertise in process, safety and energy. The acquisition reinforces our industrial automation capabilities and boosts our position in key electro-intensive segments. The acquisition brings along a large installed base and leading capabilities in the fast growing market of industrial software.

2014 opens a new chapter for our company. With the completion of the Invensys acquisition, we have built an integrated portfolio of energy and efficiency solutions to serve the customers of our four key markets: Building, IT, Infrastructure and Industry. We now have everything we need to help our customers make the most of their energy, and reach new levels of efficiency. Our deep partnerships and alliances with a large network of partners, integrators, and professionals present a combine force that delivers a full value to our end markets.

We continuously invest in technology and solution expertise to deliver innovation across all the value chain, enabling constant progress for our customers to reach their goals. In 2013, we launched many new products, and new releases of EcoStruxure architecture and StruxureWare integrated software suite. This was the result of our continued investment in R&D and solutions and involved mobilizing over 30,000 engineers around the world.

The world of energy is undergoing a variety of changes emerging from the industrialization of new economies, an unprecedented level of urbanization, and an acceleration in digitization. The convergence of IT and energy technologies, the internet of things applied to energy, allows increasing control and anticipation in the use of energy and resources, a world Schneider Electric has pioneered with the "transparent factory" architecture, back in the 1990s.

Looking forward to 2014 and beyond, we see great opportunities for growth, as we engage our customers with broader solutions, as well as for a better return on the capital we employ, as we focus on our collective efficiency and integrate further the capabilities we have assembled.

We look forward to continuing this journey with you, and open a new chapter towards a strong 2014.

Interview with **Emmanuel Babeau**

DEPUTY CEO,
IN CHARGE OF FINANCE AND LEGAL AFFAIRS

Schneider Electric delivered solid results again in 2013. What were the highlights of this performance?

We delivered growth in all key financial metrics, thanks to focused execution. Organic revenue growth was 0.4%, driven by new economies and services that grew at 4.6% and 9% respectively. We delivered €3.4 billion adjusted EBITA* and improved the adjusted EBITA margin by 0.3 point on an organic basis. Net profit was up 4% to €1.9 billion and free cash flow reached another all-time high of €2.2 billion. Lastly, we further strengthened our balance sheet with a net financial debt down to €3.3 billion from €4.4 billion in 2012. This will allow us to propose, in line with our dividend policy, another strong dividend to our shareholders of €1.87. This solid performance was achieved thanks to a number of investments in the new economies, in services and in the supply chain, deployed under the Connect program.

Can you describe the operational achievements to date under this Connect program?

We have just closed the second year of this three-year program. Firstly, we see solid improvement of our performance in Solutions and more particularly in Services. Solutions confirmed their important contribution to our financial performance as we improved their adjusted EBITA margin by 1 point and their revenue to operational assets ratio. Within Solutions, Services posted an average outperformance versus the rest of the Group of 7 points, well above the target of 5 points.

In addition, we continued to focus on Support Function Costs, and generated significant efficiency savings in each of the past two years that balanced our significant investments in the new economies, in expanding our service presence and in software. The SFC to revenue ratio was stable at 23.3%, with generated savings being offset by inflation and investment while volume was lower-than-expected in the past two years.

Lastly, our Tailored Supply Chain initiatives continued to be successful. They contributed to a 1.5 point reduction of the inventory to revenue ratio while improving customer satisfaction, and generated €358 million of industrial productivity gains in 2013, compared to €289 million in 2012. This allows us to now focus on the higher end of our productivity target range of €1.0 billion to €1.1 billion, to be achieved by the end of 2014.

Are you therefore confident for 2014?

2014 should be another year of progress of our financial performance. Recent trends indicate that North America should continue to grow though the first quarter would be impacted by severe weather. Western Europe is showing initial signs of stabilization with potential for improvement in the second half. End-market trends in China continue to be solid. Uncertainty remains in several new economies due to currency volatility. Based on this, the Group targets low single-digit organic growth in revenue and 0.4 point to 0.8 point improvement of the adjusted EBITA margin vs. the 2013 proforma level** excluding the negative currency impact, currently estimated at around 0.4 point.

** Adjusted EBITA is an EBIT adjusted for certain items in order to provide a more relevant basis for the underlying operating performance of the Group. It is defined as: EBIT before amortization and impairment of purchase accounting intangibles and impairment of goodwill, and before Restructuring charges and Other operating income & expenses.*

*** The 2013 proforma adjusted EBITA margin including the last 12 months of Invensys to September 2013 (excluding the Appliance division) and the full consolidation of Electroshield - TM Samara is ~14.0%.*

The past few months are also marked by the acquisition of Invensys. What is the rationale behind this strategic move?

With Invensys, we enhance our business portfolio and position ourselves for further growth. The company will make us a unique industrial automation player, boost our positions in key electro-intensive segments and strengthen our software business for customer operational efficiency. After announcing our offer on July 31st, 2013, we obtained a strong approval from Invensys shareholders and satisfied all regulatory approval conditions to close the deal on January 17th, 2014. Since then, we also signed an agreement to divest the non-core Appliance division. We can now focus on integration, and confirm our target for annual revenue and cost synergies of €205 million by 2018, together with tax benefits valued at €500 million.

You said that Invensys filled a major gap in the Group's business portfolio. How will this impact your growth strategy and capital allocation?

After a decade of building and improving our portfolio of businesses, we now intend to focus primarily on organic growth. While maintaining our exigency for a strong balance sheet, with a long term credit rating target of A-, we commit to a capital allocation supporting direct shareholder returns. This will start with the stability of the share capital through neutralization of employee and management share plans. Together with progress in growth and efficiency, this should provide for solid EPS and dividend performance. ROCE, return on capital employed, is therefore at the heart of our focus. We aim to bring ROCE back to pre-Invensys level in 1 to 2 years and target a 1.5 to 2.0 points improvement in 2 to 3 years, starting from around 11.0% in 2013 including Invensys on a proforma basis.

Leadership team

Executive committee (as of February 21, 2014)

1 Jean-Pascal Tricoire
Chairman & Chief Executive Officer

Global functions

2 Emmanuel Babeau
Deputy Chief Executive Officer in charge of Finance and Legal Affairs

3 Annette Clayton
Executive Vice-President, Global Supply Chain

4 Hervé Coureil
Executive Vice-President, Information Systems

5 Michel Crochon
Executive Vice-President, Strategy & Technology

6 Karen Ferguson
Executive Vice-President, Global Human Ressources

7 Chris Hummel
Executive Vice-President, Global Marketing

Operations

8 Julio Rodriguez
Executive Vice-President, Global Operations

9 Laurent Vernerey
Executive Vice-President, North America Operations

10 ZHU Hai
Executive Vice-President, China Operations

Businesses

11 Frédéric Abbal
Executive Vice-President, *Infrastructure*

12 Clemens Blum
Executive Vice-President, *Industry*

13 Philippe Delorme
Executive Vice-President, *Buildings & Partner*

14 Daniel Doimo
Executive Vice-President, *IT*

15 Eric Pilaud
Executive Vice-President, *CST**

* *President and CEO, Custom Sensors & Technologies Inc.*

Board of Directors (as of February 19, 2014)

Jean-Pascal Tricoire
Chairman & Chief Executive Officer
Henri Lachmann
Vice-Chairman Lead Director
Léo Apotheker*
Corporate Director
Betsy Atkins*
Corporate Director
Xavier Fontanet*
Corporate Director
Noël Forgeard*
Senior Partner Arjil SAS
Antoine Gosset Grainville*
Lawyer ("Avocat à la Cour")
Magali Herbaut
Member of the Supervisory Board of "Schneider Actionnariat", corporate mutual fund
Jeong Kim*
Corporate Directors
Willy R. Kissling
Corporate Director
Cathy Kopp*
Corporate Director
Gérard de La Martinière
Corporate Director
G. Richard Thoman*
Managing Partner of Corporate Perspectives and University Professor
Serge Weinberg*
Chairman of the Board of Directors for Sanofi

Non-voting Director

Claude Bébéar
Corporate Director

Secretary of the Board

Philippe Bougon

Governance committee

Henri Lachmann
Chairman
Léo Apotheker*
Serge Weinberg*
Willy Kissling
Claude Bébéar (Non-voting Director)

Secretary

Philippe Bougon

Audit and risk committee

Gérard de La Martinière
Chairman
Noel Forgeard*
Antoine Gosset-Grainville*

Secretary

Pierre Lévêque
Internal Audit Director

Human resources and social responsibility committee

Serge Weinberg*
Chairman
Magali Herbaut
Cathy Kopp*
Willly Kissling
G. Richard Thoman*

Secretary

Karen Ferguson
Executive Vice-President, Global Human Ressources

Strategy committee

Xavier Fontanet*
Chairman
Léo Apotheker*
Betsy Atkins*
Noël Forgeard*
Jeong Kim*

Secretary

Michel Crochon
Executive Vice-President, Strategy & Technology

Statutory auditors

Principal auditors

Ernst & Young et Autres
Mazars

Alternate auditors

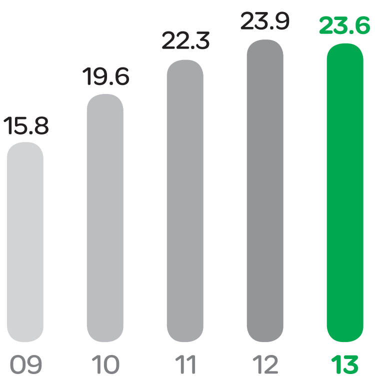
Société Auditex
M. Thierry Blanchetier

* *Independent members according to the definition defined by AFEP-MEDEF corporate governance guidelines.*

Key figures 2013
SCHNEIDER ELECTRIC

- **Solid results with growth in all key financial metrics**
- **Revenue of EUR23.6 bn, up 0.4% like-for like**
- **Adjusted EBITA margin up 0.3 pt on organic basis**
- **Net profit up +4% to EUR1.9 bn**
- **Record Free Cash Flow of EUR2.2 bn, up 5%**

Consolidated revenues *(in billions of euros)*

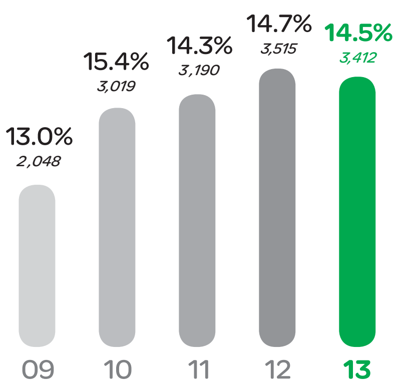


Revenue was up 0.4% on a constant structure and exchangerate basis.

2013 organic growth trends remained contrasted by region and by business. The Partner, Infrastructure and Industry businesses posted growth this year. Industry rebounded in the fourth quarter, driven by a recovery in OEM demand across regions. From a geographic standpoint, Asia-Pacific drove growth, followed by North America and Rest of the World. On the other hand, Western Europe was down.

The Group continued to benefit from its strong presence in new economies, accounting for 43% of its 2013 revenue.

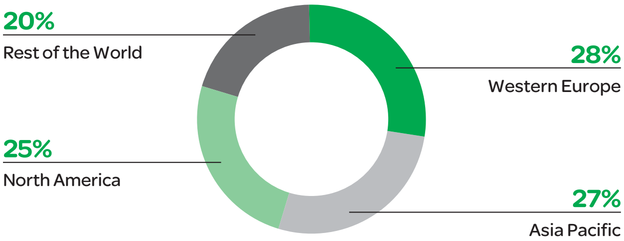
Adjusted EBITA(1) *(in millions of euros and as a % of revenues)*



Full year 2013 adjusted EBITA was EUR3,412 million, representing 14.5% of revenue. Adjusted EBITA margin was up 0.3 point on an organic basis. Industrial productivity was the key driver along with positive pricing for the organic improvement despite a low volume environment and unfavorable mix effect. Scope and currency impact weighed down on the performance, leading to a 0.2 point decline in adjusted EBITA margin at current structure and exchange rate basis.

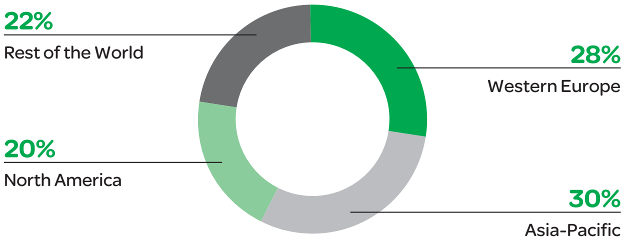
(1) Adjusted EBITA: EBITA before restructuring costs and otheroperating income and expenses.

Revenue by geography



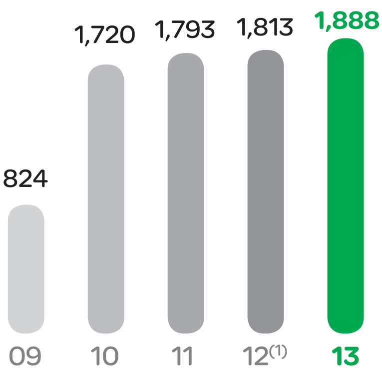
2013 Headcount

152,784 employees[1].



(1) Spot headcount, including employees under fixed-term and open-ended contracts, at December 31, 2013.

Net income *(in millions of euros)*

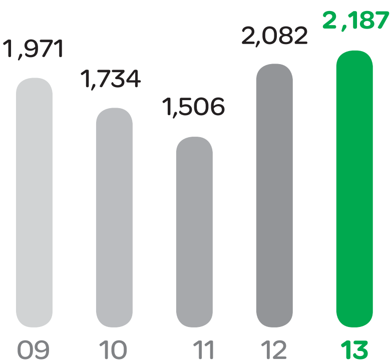


The Group share in net income reached EUR1,888 million, up 4% year-on-year.

Net earnings per share amounted to EUR3.43 up 3% year-on-year.

(1) 2012 figures restated for the application of IAS19 Revised (pension accounting).

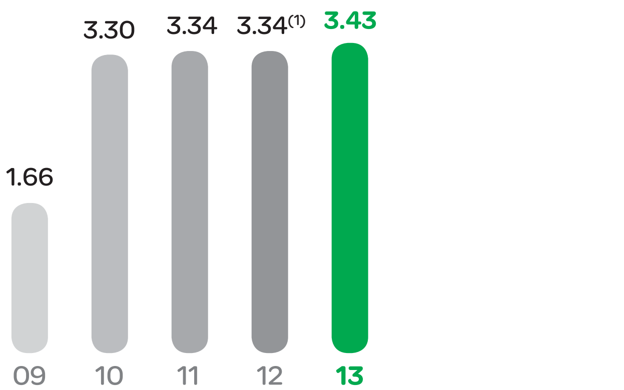
Free cash flow[1] *(in millions of euros)*



Free cash flow was record high at EUR2,187 million driven by lower working capital and well managed capital expenditure. The decrease in receivables and prudent management of payables were the key drivers for the decrease in the working capital.

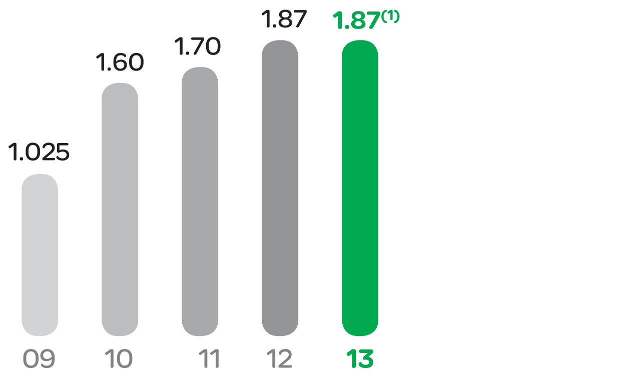
(1) Free cash flow: operating cash flow after change in working capital requirement and net cash used by investment in operating assets.

Earning per share *(in euros)*



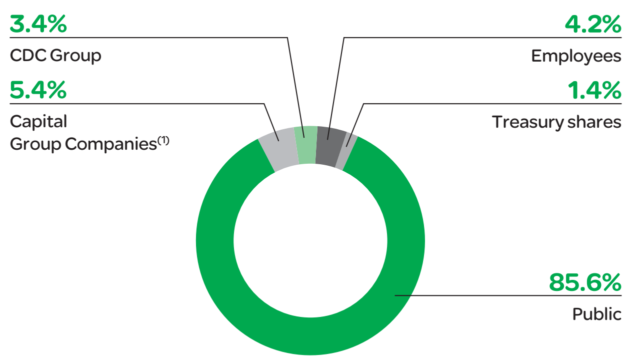
(1) 2012 figures restated for the application of IAS 19 Revised (pension accounting).

Dividend per share *(in euros)*



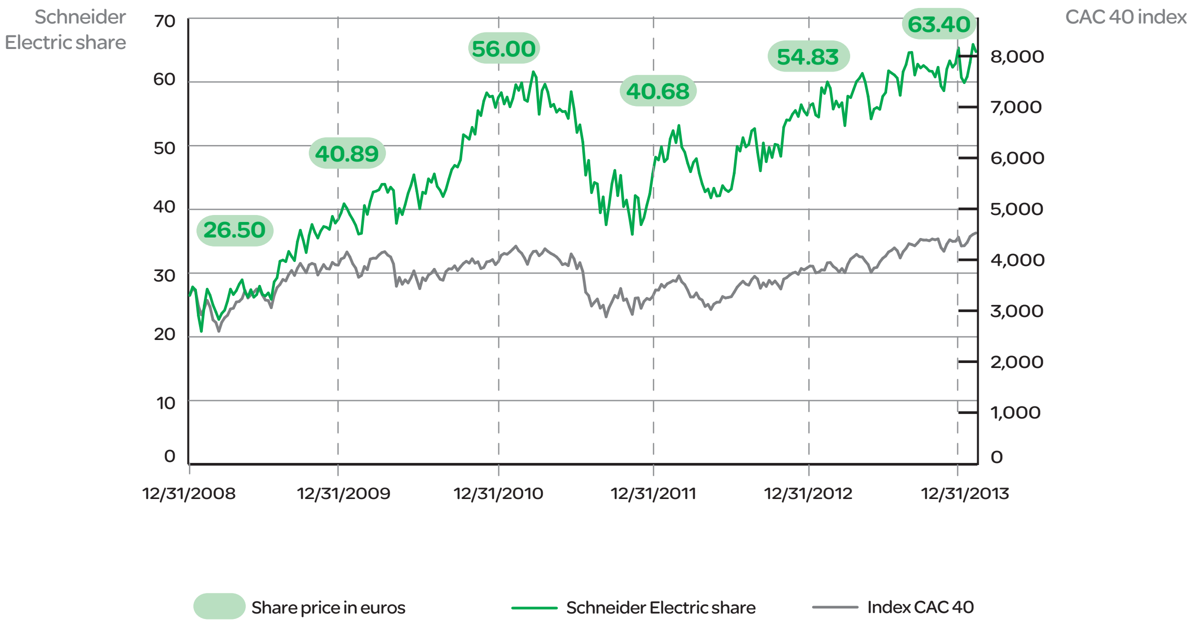
(1) Subject to shareholders' approval at the Annual Meeting of May 6, 2014, for payment on May 19, 2014.

Ownership structure on December 31, 2013



(1) To the best knowledge of the company.

Share price against CAC 40 index over five years



2013 in brief

Acquisition of Invensys

On July 31, 2013, the board of Schneider Electric SA announced that it has reached an agreement on the terms of a recommended offer by Schneider Electric to acquire the entire issued and to be issued share capital of Invensys plc. This acquisition is a response to Schneider Electric clients' continual search for higher efficiency and also a strategic deal to further boost its positions in integrated industrial automation and electro-intensive segments. On October 10, 2013, Schneider Electric noted the announcement made by Invensys plc that an overwhelming majority of Invensys Shareholders have approved the recommended acquisition of Invensys Plc by Schneider Electric at the Court Meeting and General Meeting held in London. On December 13, 2013, Schneider Electric announced that, in connection with the recommended offer to acquire Invensys, each of the anti-trust and regulatory conditions have been satisfied. The transaction has been cleared by, amongst others, the relevant competition authorities in the United States, the European Union, China, Canada and Brazil and by the CFIUS in the United States. On January 17, 2014, Schneider Electric announced that it has completed its acquisition of Invensys plc. With this acquisition, Schneider Electric is significantly enhancing its position as a provider of efficiency solutions integrating power and automation. The transaction will allow the combined entity to have a unique position in industrial and infrastructure end-markets.

Finance

External growth

On March 28, 2013, Schneider Electric announced it had acquired full ownership of Electroshield – TM Samara, further to the 50% acquired in October 2010, after obtaining the requisite regulatory approvals in Russia. Electroshield – TM Samara is one of the leading Russian players in medium voltage with a strong presence in key end markets like oil & gas, utilities, mining and other electro-intensive industries. Electroshield – TM Samara has operations in Russia and Central Asia employing around 10,000 people at 4 industrial sites (in Russia and Uzbekistan). It generated average annual sales of more than RUB 20 billion (about EUR500 million) since the Group acquired 50% stake in 2010, with an adjusted EBITA margin in line with the Group's Infrastructure business.

Bond issues and sale of treasury stock

On August 29, 2013, Schneider Electric launched a EUR600 million EMTN (Euro Medium Term Note) issue maturing in 8 years. Schneider Electric benefited from low interest rates, with a coupon rate for this bond of 2.5%.

Strategy, technologies and businesses

On February 13, 2013, Schneider Electric hosted the closing ceremony of the HOMES research program at its Rueil-Malmaison headquarters in the presence of Cécile Duflot, Minister of Territorial Equality and Housing in France. Launched in 2008 and led by Schneider Electric, the HOMES program brought together 13 industry and research partners. Its aim was to propose operational solutions on a large scale, to allow each building to achieve the best energy performance across the entire stock of European buildings, whether new or existing, residential or commercial. In the end, HOMES believes that the creation of an economic sector of active energy efficiency, will help provide solutions to four key challenges facing Europe: the reduction of CO_2, the creation of jobs that cannot be relocated, and the contribution to energy independence without increasing the sovereign debt of Member States.

On February 19, 2013, Schneider Electric and Amaury Sport Organisation announced the signing of a partnership for the Paris Marathon, for which Schneider Electric becomes the first ever title sponsor. By signing for a period of four years with the prestigious Paris Marathon, Schneider Electric has joined the circle of major firms that are official sponsors of other major marathons in the world, such as New York, London, Berlin or Chicago.

On February 20, 2013, the Hive, the headquarters of Schneider Electric in Rueil-Malmaison, was the first building in the world to receive an "Outstanding" (six stars) certification as part of the BREEAM In-Use program. BREEAM is the BRE (Building Research Establishment) Environmental Assessment Method. It is the world's foremost environmental assessment method and rating system for buildings, with 200,000 buildings with certified

BREEAM assessment ratings and over a million registered for assessment since it was first launched in 1990.

On February 27, 2013, Lafarge, the global leader in the production of cement, aggregates and concrete, Saint-Gobain, a world leader in the habitat and construction markets, Schneider Electric, the global specialist in energy management and A_PRIORI Project, a project bureau in Russia, signed a letter of intent on cooperation in Russia regarding the development of energy efficient houses. The LOI covers the companies' motivation in contributing their unique expertise and materials in the realization of an energy efficient housing project.

On March 28, 2013, Sanofi and Schneider Electric announced the signing of a three-year collaboration agreement as part of Sanofi's energy performance optimization program for its industrial sites in 40 countries around the world. The collaboration will operate employing four components: the establishment of an Energy Observatory to assist Sanofi with forecasting energy price changes in 16 countries; energy performance monitoring both globally and per site using the Struxureware Energy Operation software; on-site diagnostics to contribute to the design of energy efficiency improvement plans; and energy consultancy for Sanofi's engineering teams starting from the design phase of any new industrial site.

On April 24, 2013, Schneider Electric announced a series of global events kicking off in June 2013 to collaborate and share knowledge with customers, partners and governments on how to solve energy and sustainability challenges. Schneider Electric's Xperience Efficiency series begin with events in the United States, China, Colombia, Brazil and Russia.

On May 30, 2013, Schneider Electric and Saft announced a partnership agreement to develop and supply electrical energy storage system (EESS) to industrial and commercial energy users.

On July 22, 2013, Schneider Electric announced it is working with Microsoft on CityNext, an initiative designed to help governments, businesses and citizens reimagine what is next for their cities.

On November 19, 2013, Schneider Electric announced the inauguration of the Global System Integrator Excellence Awards for Industry. This annual award will recognize the companies and individuals responsible for the innovations, achievements and great service that help industrial and infrastructure organizations to meet their technical and business challenges.

On November 28, 2013, the consortium comprising Energy Pool, Schneider Electric and Sojitz announced that they had been selected to design an industrial demand response demonstration project for Japan through the Next Generation Energy and Social System Demonstration Projects 2013 call for tenders by the New Energy Promotion Council (NEPC). This project, launched in partnership with TEPCO, is a first in Japan.

Governance

In the meeting held on February 20, 2013, the supervisory board of Schneider Electric detailed the setup of the new governance structure announced on December 18, 2012. Provided it is approved at the Annual Shareholder's meeting on April 25, 2013, the Group will adopt a single board structure with a board of directors and Jean-Pascal Tricoire will be named Chairman and Chief executive officer. This initiative of Henri Lachmann is the result of over two years' work by the board and the Remuneration, Nomination and Human Resources Committee.

Meeting on April 25, 2013 for the Annual Shareholders' Meeting that adopted the new governance for the company, the board of directors appointed Jean-Pascal Tricoire as Chairman and Chief executive officer and Henri Lachmann as Vice-chairman and Lead Director and also adopted its internal regulations. The board of directors has named Claude Bebear and Jeong Kim as non-voting directors for a period of one year. Jeong Kim had, in fact, resigned from the supervisory board last February to become Minister of Innovation and Science in South Korea. However, he had to abandon this project. Therefore, the board of directors has proposed Jeong Kim to join the board as a non-voting director whilst awaiting his nomination as a full director at the next annual Shareholders' Meeting. The board of directors has appointed Emmanuel Babeau as deputy Chief executive officer in charge of Finance and Legal Affairs, upon the proposal of Jean-Pascal Tricoire.

Employees

On January 23, 2013, Schneider Electric SA announced the launch of a capital increase reserved for employees under the Group employee savings plan (*plan d'épargne salariale*). This offering, which is in line with the Group's policy to develop employee shareholding, is proposed to Group employees in thirty-four countries, including France. This plan covers around 90% of the employees of the Group.

Schneider Electric welcomed the 50 student finalists to its innovative Go Green in the City competition in Paris for the third year running, from June 25 to 28, 2013. The Go Green in the City 2013 prize was awarded at the final, which was held at the Group's headquarters, to Alyssa Tricia Eloise Vintola and Lorenz Ray Payonga from Ateneo de Manila University in the Philippines.

On November 21, 2013, Schneider Electric launched the fourth edition of Go Green in the City, a global business case challenge focusing on innovative energy solutions for cities. For the first three, Schneider Electric found tremendous success and strong interest from students and universities, confirming Schneider Electric's growing international appeal.

Corporate Social Responsibility

On January 25, 2013, Schneider Electric took part in the Global 100 Most Sustainable Corporations in the World, for the second year in a row, ranking 13th, gaining 13 places compared to last year. In the 2013 list, Schneider Electric ranks second among the nine French companies and third out of ten in its sector (Industrial – Capital Goods).

On May 29, 2013, Schneider Electric announced the launch of a program to fight fuel poverty in mature economies. For the Group, the global specialist in energy management, the aim is to tackle the energy gap by committing to populations at the base of the pyramid all over the world. With this program to fight fuel poverty, Schneider Electric intends to develop, in mature economies, a similar approach to that already taken by the Group since 2009 promoting access to energy in new economies.

On August 29, 2013, Schneider Electric and the Philippine-based NGO Gawad Kalinga announced the signing of a partnership agreement aimed at increasing access to electricity for rural communities in the Philippines. Gawad Kalinga will provide social expertise, thanks to its knowledge of the region, the needs on the ground and of local stakeholders, and will be able to build social models adapted to the Philippine reality. Schneider Electric will contribute with its technological products and solutions (developed specifically to meet the needs of disadvantaged populations), technical expertise and experience in providing access to energy gained since the launch of its BipBop program in 2009.

On November 18, 2013, Schneider Electric employees supported by the Group Foundation mobilized following the super typhoon Haiyan that hit the Philippines on November 8, 2013 to bring their support to affected populations and prepare for reconstruction. Schneider Electric has decided to coordinate its actions toward emergency help and reconstruction and to launch a EUR250,000 emergency and rebuilding program as well as an international call for donations from its employees.

On November 20, 2013, the consortium for the MiCROSOL collaborative project inaugurated the demonstrator of its energy-access solution to support the development of bottom-of-the-pyramid (BOP) micro-industries at the Alternative Energies and Atomic Energy Commission's (CEA) Cadarache Centre in France. The MiCROSOL project aims to develop a single, modular standard technology for producing electricity, drinking water and heat simultaneously, primarily to benefit micro-industries located in rural areas of countries with high levels of sunshine, especially in Africa. It is based on the principle of cogeneration of electricity and heat, applying a new approach to a technology that is already widespread – solar thermodynamics. The solution focuses its constraints on the design of thermal storage that only uses environmentally-friendly products.

1 Overview of the Group's strategy, markets and businesses

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1. Schneider Electric strategy and market opportunities

Schneider Electric, the global specialist in energy management with operations in over 100 countries, leverages its portfolio to make energy safe, reliable, efficient, productive and green.

While global energy demand is set to rise to support growing industrialization and urbanization, the scarcity of resources is becoming more pressing. Everyone needs to do more with less. With available and mature technologies that can save up to 30% of business-as-usual energy consumption, energy efficiency is a key component of this energy challenge. Schneider Electric is the leader in energy management and a core partner of all actors in the energy supply chain to make the efficiency economy a reality.

1.1 Our mission

Schneider Electric is a partner that provides products, solutions and systems for all actors of the energy supply chain to ensure that energy is:

- safe: protecting people and assets;
- reliable: guaranteeing ultra-secure, ultra-pure and uninterrupted power especially for critical applications;
- efficient: delivering energy efficient solutions adapted to the specific needs of each market;
- productive: expanding the use of automation and connectivity, providing services throughout an installation's life cycle; and
- green: offering solutions that are environmentally friendly.

1.2 Megatrends in our environment are creating opportunities

Three megatrends are of particular importance for Schneider Electric's business: urbanization; digitization and industrialization.

Urbanization

Cities today contain 50% of the world's population, consume 75% of global energy consumption and give off 80% of greenhouse gas emissions. And cities are growing: by 2050, they will be home to 70% of the people in the world. Cities face urban challenges of unprecedented scale: scarcity of resources such as energy and water; environmental pressure and pollution; aging and overloaded infrastructure; traffic congestion; crime, etc.

All over the world, cities need to become smarter: more efficient, more liveable and more sustainable. This means:

- improving the efficiency of the city's underlying urban infrastructures (electricity grid, gas distribution system, water distribution system, public transportation systems, public services, commercial buildings, hospitals, homes, etc);
- becoming a better place to live, work and play;
- reducing its environmental impact – lower carbon footprint, urban regeneration, parks and trees, etc.

So what cities need today are solutions to their most acute pain-points that: deliver the short-term results that constituents need; provide visible, measurable results that increase attractiveness; and have a low upfront investment, because cities across the world need to balance their budget.

Schneider Electric delivers urban efficiency by bringing in technology with tried and tested solutions and by working on the integration of operating systems and information systems. As cities involve many stakeholders – local and regional governments, private companies, utilities, real estate developers, investors, etc. – Schneider Electric drives collaboration to ensure buy-in of all these stakeholders.

Schneider Electric already works with more than 200 cities across the world, and helps provide visible benefits to cities and their constituents:

- up to 30% energy savings;
- up to 15% reduction of water losses;
- up to 20% reduction of travel time and traffic delays;
- as well as environmental, social and economic benefits.

Shift in the world economic center & industrialization

Non-OECD economies represented 35% of world GDP in 2012 and should reach close to 58% by 2030. Their share of global energy demand will continue to rise – from 55% in 2010 to close to 65% by 2035 – because of demographics, industrialization, urbanization, and growing affluence.

Millions of men, women and children will see their living standards rise: while today 1.3 billion people lack access to energy (20% of the world's population), this number will fall to 990 million in 2030, or 12% of global population.

These dramatic shifts will change our world. In economic terms, it means that new economies are the drivers of global growth – and this trend should continue for years to come.

In addition to the growing industrialization of these countries, there is movement of reindustrialization in some mature economies such as the United-States. The drop in energy price and the decrease in labor prices have resulted in chemical and petrochemical industries coming back to the US.

The growing trend of industrialization in emerging markets promises business growth and expansion opportunities for Schneider Electric. For long term sustainable development in these emerging markets, Schneider Electric will have to focus on combining its global value chain with local partnerships to contribute toward the economic development through job creation and poverty reduction. For industrial competitiveness, Schneider Electric will have to invest in enhancing its production capacity, physical & technological infrastructure to meet the growing demands for standardized and cost efficient products and services.

Schneider Electric's strategy of spreading its presence between regions and increasing presence in emerging countries, a presence that has grown from approximately 20% in 2000 to 43% in 2013, has enabled Schneider Electric to seize the opportunities in these new markets and will continue to do so in years to come. Schneider Electric currently holds significant presence in new economies in Asia, Africa, Middle East, Latin America, Eastern Europe and Russia (now the 5th market in Schneider Electric) – the decision to split its Executive Committee into three management hubs, a pioneer management decision, allows Schneider Electric to be close to its customers in all markets – remaining local while being global.

Digitization & the smart grid

In the past 20 years, Internet has connected 2.5 billion people together. In the coming 8 years, this number will double. Concurrently the Internet will connect 40 billion machines to those 5 billion connected people. The ensuing access to real-time information will grant all stakeholders the opportunity to implement active energy efficiency. The advantages of energy efficiency are numerous and impact the entire energy chain from people to power plant to ensure a complete optimization of the supply chain.

A smarter grid combines smarter supply (the efficient integration of renewable energy sources, flexible distribution), smarter demand (energy-efficient sites and homes, connected to the grid), and demand response to balance the two.

Schneider Electric is active in five key domains of the smart grid: flexible distribution, renewable energy integration, efficient buildings, electric vehicle charging infrastructure and demand-response. Recent acquisitions have considerably strengthened our play – from Areva's Distribution business to Energy Pool and Vizelia in 2010 and Summit Energy and Telvent in 2011.

Active Energy Efficiency

Energy Efficiency, producing higher energy service for the same amount of primary energy input is an essential part of the solution to the global energy challenge.

In its World Energy Outlook, the International Energy Agency (IEA) estimates that the various energy efficiency policies that are being introduced in many countries across the world could account for about **70% of the reduction** in projected global energy demand in 2035, and **68%** of the cumulative global savings in CO_2 emissions. This compares with a **46% increase** in global energy demand by 2035 if nothing changes.

Boosting Energy Efficiency on the 3 major energy-consuming sectors (industry, buildings and homes) could help a country reduce its overall energy use by **15% to 25%** – in effect providing a very attractive business case in both mature and new economies. Energy Efficiency also offers an excellent payback: according to the IEA, every euro invested, in particular in buildings, would yield **1.6 euro** in energy savings.

Alongside traditional "passive" energy efficiency technologies such as building insulation and energy-efficient equipment, "active" energy efficiency means measuring the energy consumption of a site and optimizing its performance and usage through the use of power and automation technologies. One simple example is to automatically adjust lighting and heating to room occupancy – adapting to external conditions while ensuring users' comfort. Active **Active Energy Efficiency** is the critical and fast way to achieve energy savings.

This helps to continuously optimize energy performance throughout the building's lifecycle – providing overall efficiency. Active energy efficiency can save up to 30% of a building's energy needs, significantly improving a company's carbon footprint while delivering savings on its charges, with limited upfront investment. Building automation is also a key enabler of the Smart Grid, facilitating Demand side management by connecting buildings smartly to the grid.

1.3 Our strategy

Capturing the megatrends

In the past year, Schneider Electric has built on the identified trends to become the leader of the efficiency economy.

As a leader in energy management, Schneider Electric is at the forefront of capturing the trends of the new energy world, in particular those affecting its business in a significant way. Urbanization, digitalization and industrialization are opening new market opportunities for Schneider Electric.

Leverage the world's new energy challenges

The world's energy challenges are many: growth in energy demand, energy price increases, scarcity of natural resources, CO_2 emissions reduction requirements, integration of unpredictable and intermittent renewable sources of energy, increases in peaks of consumption and others. We have developed a wide range of products and solutions that will provide managers of industrial plants, data centers, infrastructure, homes and buildings with significant levels of energy efficiency and savings. Our smart grid solutions help electricity producers and distributors to improve the efficiency of their assets and to offer a better service to their consumers. This also contributes to the improvement in the operation of the grid and the reduction in investment in new generation capacity.

Build two complementary business models: Products and Solutions

Products and solutions are different and complementary business models and we aim to deliver profitable growth in both. In order to reinforce our leadership positions, we continue to target growth in our products business by creating new opportunities for distributors and direct partners in a win-win relationship. We are also focused on growing our solutions business by increasing our service revenues and reinforcing project execution. We have developed reference architectures for solutions in targeted end-markets in order to facilitate smooth integration of our products and speed up project design and we have a unique software suite to optimize enterprise performance, StruxureWare™, providing our customers with full but simple control and management of their operations ,leading to a unique experience of the complete and efficient solutions of Schneider Electric.

Products allow us to continue to achieve scale and pricing power in our end-markets, while providing differentiation through technologies that can be combined and integrated. Design is developed to be a key marker of the Group's identity and create new competitive advantages.

Solutions will allow us to generate additional growth and profits, lower capital intensity and help reduce cyclicality. They also provide significant opportunities for dialogue with final end users, which in turn helps inform our quest for continuous innovation.

Leverage the opportunity from new economies

Certain countries in Asia (excluding Japan), Latin America (including Mexico), the Middle East, Africa and Eastern Europe (including Russia), which we refer to collectively as "new economies" have entered a prolonged period of accelerated development. As a result of the industrialization, urbanization, digitization and development processes that these countries are experiencing, we expect the markets of their economies to continue to have a pressing need for the products and solutions that we provide. Our goal is to leverage this opportunity by expanding our geographical coverage in these markets, by increasing our presence in new cities, and further penetrating these markets, with mid-market segment offerings that are supported by strong brands with wide local coverage. We have made a meaningful long-term commitment to, and investment in, these economies. As of December 31, 2013, we had over 80,000 employees in new economies and, during 2013, our new economies-based purchasing and manufacturing costs accounted for approximately 50% of our consolidated costs of sales. We believe the strength of our brands, our competitive local supply chain and the development of local marketing and R&D capabilities are our competitive advantages in these economies.

Invest in profitable and responsible growth while driving efficiency

We believe in the high long-term growth potential of our business and we continuously invest to drive that growth. This investment is focused on sustained spending in research and development, as well as on growing our commercial presence and skills, especially in the fields of high value-added technologies and services.

In addition to generating strong organic growth, we have invested in, companies, joint ventures, strategic alliances and mergers that reinforced our global leadership, provided skills geared towards energy management, or related to local businesses in new economies. Certain of our recent acquisitions have been of significant size and scope, such as our purchase of Telvent in 2011 and Areva D in 2010, while other acquisition targets have been more modest.

In addition to the investments we make to foster growth, driving efficiency at all levels of our Company is an equally important focus of the Group. We continuously seek to generate savings from purchasing and manufacturing and through improving operational efficiency by reducing selling, general and administrative expenses, while maintaining best-in-class standards in environmental sustainability and social responsibility.

1.4 Our competitive strengths

Schneider Electric is a leader in technology innovation and adapts to changing ecosystems and customer needs.

Technological leadership in energy management

We are developing best-in-class technology in energy management to meet growing customer needs and challenges. We estimate that nearly 90% of our revenue is derived from sales in businesses where we enjoy a number one or two market position: low voltage distribution, medium voltage distribution and grid automation, discrete industrial automation and control, critical power and cooling. We design products and solutions that we believe offer the best levels of safety, reliability and efficiency in our markets. This is achieved through consistently high investment in research and development, which supports our innovative product offerings and our ability to offer our customers market leading solutions that seamlessly integrate the different technologies in our portfolio. As a result, our products and solutions meet the needs of our customers for simplicity, connectivity, flexibility, productivity and efficiency. Additionally, through an ongoing dialogue with our customers, we are able to maintain our very high standards of quality and to anticipate the innovation that will help drive our future growth. Thanks to technological leadership, our major brands are among the most recognized in our industry.

Multiple channels of access to a broad and diffuse user base

We work with many types of partners, such as distributors, system integrators, contractors, panel builders, electricians, machine manufacturers and others, as well as with our end customers. Schneider Electric has developed the widest network of distribution and direct partners in its industry. This provides us with many channels of access to a market comprised of a broad and diffuse user base. Our diverse market access channels, which support our model with limited capital investment, help to ensure that we are not dependent on a limited number of large customers.

Success in our industry requires strong, long-term relationships with our distribution partners and end customers and we are therefore constantly seeking to enhance value for them. For example, we provide training to our partners and participate in industry efforts to improve applicable regulations and safety certifications. These efforts and relationships also help to reinforce our reputation as a trusted partner and allow us to benefit from solid pricing power.

A global and balanced presence with a strong ability to adapt to local needs

We have operations in more than 100 countries, in a balanced geographical exposure on a worldwide basis. Due to our large footprint, we are one of the few partners of global companies that look for the highest standards of technology and quality for their energy management equipment in all their operations around the world. We can therefore optimally serve our global customers. In addition, we have deep-rooted local presence and strong partnerships in all countries to serve the highly-dispersed part of our customer base. Lastly, with 43% of our revenues in new economies in 2013, we believe we are positioned to capture the higher growth potential of these markets. Our presence in many diverse markets ensures that we understand local needs, which assists us to serve our customers in each country with dedicated products and solutions adapted to local requirements.

2. Businesses, end-markets and customer channels

Schneider Electric is organized in four businesses – Buildings & Partner, Infrastructure, Industry and IT – and operates in four principal markets: non-residential & residential buildings, utilities & infrastructure, industry & machine manufacturers and data centers & networks.

The Group manages multiple channels to markets built on strong partnerships.

2.1 Leadership positions in our businesses

Until 2013, Schneider Electric operations were organized in five businesses (Partner, Infrastructure, Industry, IT and Buildings), built around key technologies.

In 2014, Schneider Electric decided to regroup its Buildings and Partner businesses into a single business to provide its customers a complete offer to address the buildings market. Hence, the Group is now organized in four businesses: Buildings & Partner Infrastructure, Industry and IT.

The Buildings & Partner business: Number 1 Worldwide in Low Voltage and Building Automation

Low voltage ("LV") products and solutions address the needs of all end markets from buildings to industries and infrastructure to data centers, including protection functions (notably with circuit breakers), power monitoring and control, power meters, electrical enclosures, busways, power factor correction, LifeSpace products (including wiring devices, network connectivity, home automation and building controls and cable management systems), renewable energy conversion and connection, and electrical vehicle charging infrastructure.

Building Automation facilitates comfort and energy efficiency in non-residential buildings through automation and security systems, including Heating, Ventilation & Air-Conditioning ("HVAC") controllers, sensors, valves and actuators, programmable regulators, centralized building management systems, space optimization solutions, access control, video cameras and security monitoring equipment.

The Industry business: Number 2 Worldwide in Discrete Industrial Automation, Number 4 worldwide in Discrete and Process Automation

The historical Industry business scope is Discrete Automation, which provides comprehensive products and solutions for the automation and control of machines, manufacturing plants and industrial sites. It includes hardware, such as motion control, variables speed drives, motor starters and contactors, human-machine interface ("HMI") terminals, programmable logic controllers ("PLC"), push buttons and signaling, temperature and pressure sensors, and customized sensors, as well as software applications for operations management and supervisory control.

With the acquisition of Invensys in 2014, Industry business is expanding in the Process Automation space, gaining a strong installed base of DCS (Distributed Control Systems, notably under the Foxboro brand) and safety systems (under the Triconex brand) as well as strong expertise in software for industrial operational efficiency, with leading brands such as Wonderware, SimSci and Avantis.

The IT business: Number 1 Worldwide in Critical Power and Cooling

IT specializes in critical power products and solutions for data centers and other applications where power continuity and quality is essential, including single phase and three-phase uninterruptable power supplies ("UPS"), surge protection, racks, power distribution units, security, cooling systems, services and software management.

The Infrastructure business: Number 1 Worldwide in Grid Automation and Medium Voltage

Infrastructure specializes in medium voltage ("MV") and grid automation products and solutions, especially for infrastructure and electrical utilities, including primary and secondary medium voltage switchgear, transformers, electrical networks protection, remote control, MV/LV substations, and Telvent software for the integrated management of mission critical infrastructure (primarily Distribution Management Software, Operation Management Software, supervision control and data acquisition ("SCADA") software, pipeline management and traffic management).

2.2 Serving four attractive end markets

Schneider Electric serves customers in four principal markets:

- Non-residential & residential Buildings;
- Utilities and Infrastructures;
- Industries and Machine manufacturers;
- Data Centers and Networks.

Non-residential and residential buildings

The non-residential buildings market includes public, commercial and industrial buildings such as offices, hotels, hospitals, shopping centers, schools, sports and cultural centers. Because this sector consumes significant amounts of energy, energy efficiency is essential and is subject to new and demanding regulations. Specified requirements have to be met in terms of comfort, security and environmental friendliness, as do the needs of owners and building managers seeking to reduce investment costs and optimize maintenance and operating costs. Our non-residential customers include end-users, property developers, design firms, systems integrators, panel builders and installers, electrical equipment distributors and building management companies.

In the context of single-family homes and apartment buildings, our market is driven both by renovation and refurbishment needs, particularly in mature economies, as well as by construction, particularly in new economies. Whether used for renovation or construction, the underlying challenge is to reconcile technical contraints, local standards and regulations with customers' preferences. Consumers require comfort and aesthetics, but increasingly desire energy efficiency, connectivity, security and monitoring services as well. Residential customers include mainly electricians, architects and decorators, those involved in the home automation industry, lighting and security firms, construction firms, contractors, electrical equipment distributors and large do-it-yourself ("DIY") stores, as well as end-users and home owners.

Utilities and infrastructures

The global challenges in the utilities and infrastructure market include increasing energy demand, the need for increased energy efficiency to reduce environmental impact, expansion of renewable energies, the evolution of regulations covering the energy market and in particular the emergence of demand response, and the growing need for real-time control of facilities, security and reliability. We believe that the challenges faced by our customers in this market offer long-term growth prospects. Our main customers in this market include energy operators, water utilities, the owners and operators of oil, gas and transportation infrastructure, and municipalities.

Industries and machine manufacturers

Our energy solutions enable us to serve almost all segments of the industries and machine manufacturers market, including mines, cement plants, the food-processing industry and material handling and packaging machines. Energy efficiency is at the heart of the challenges facing these industries, which include the reduction of production costs, compliance with new regulations, and the reduction of the environmental impact of industrial activity. In addition, both the rapid industrialization taking place in new economies and the need to modernize existing industrial facilities in mature economies create significant opportunities for growth. Our customers include end users, engineering firms, systems integrators, OEMs, electro-intensive industries, panel builders and electrical distributors.

Data centers and networks

Data centers are sites containing servers that process and store very large quantities of digital data in secure, air conditioned rooms. They constitute the central nervous systems of businesses and the public sector. The expansion of data centers involves a significant increase in electricity requirements to accommodate the servers' operation and cooling, as the energy needed to cool server rooms has become comparable to the energy needed to operate the servers themselves. We believe that data centers and networks are a high-potential market thanks to the growing digitalization of professional and personal activities. The development of web giants and of cloud computing implies that physical infrastructure of datacenters tends to be more and more the business of dedicated players with high performance expectations.

2.3 Products and Solutions, two complementary business models

The businesses in each of our four business segments offer products and solutions. Solutions are comprised of systems, such as highly customized products or combinations of our products, and services. Our products and solutions businesses have different revenue growth and profitability profiles, with our solutions business complementing our products business. Solutions are also an important platform to develop our presence in Services, where we can deliver high added value with higher business recurrence and low capital requirements.

Product business model

We believe our products offer best-in-class technology, strong channel access and optimal quality and cost, which allows us to achieve scale and pricing advantages in the markets in which we operate. We market and sell our products principally through distributors and direct partners, such as contractors, system integrators and electricians, who provide us with the ability to reach large numbers of small and medium-sized customers.

Solution business model

We believe our solutions offer leading technology, strong integration and service capabilities and segment-specific expertise. We market and sell our solutions through direct partners, such as contractors and system integrators, or directly to larger customers.

2.4 Multiple accesses to market

Customer satisfaction

Customer satisfaction is an integral part of Schneider Electric's growth strategy. Every contact with Schneider Electric should be a positive experience that makes all customers, no matter who they are or where they are located, feel understood and satisfied. This commitment is an important differentiating factor, and customer satisfaction surveys are regularly carried out in all countries in which the Group operates, and employees attend related training programs.

Customers also have access to online diagnostics and support services (an e-catalogue, downloadable software and online information and training).

A large portion of Group revenues are made through intermediaries such as distributors, systems integrators, installers and purchasing advisors, who all bring their own added value and know-how, allowing the Group to access a number of different markets.

Distributors & retailers

Distributors account for approximately 50% of the Group's total revenues through an extensive network in 190 countries all over the world.

Schneider Electric works with many different types of distributors: local distributors, wholesalers and non-specialized professional distributors, large international groups such as Rexel, Sonepar, Graybar and Grainger, IT specialists such as Tech Data and Ingram Micro in the United States. In the residential renovation sector, Schneider Electric also sells products through large home improvement chains such as Home Depot and Lowes in the US, Kingfisher in the UK and Saint Gobain Distribution in France. In addition, the Group uses specialist distribution channels for highly technical products such as automation solutions and industrial software, as well as for Pelco's access control and security products.

Schneider Electric assists its distributors in advising their customers and helping them to benefit from technical innovations. To maintain a high performance network, the Group works hand in hand with distributors on supply chain issues, technical training and marketing. Internet tools now occupy a dominant position for sales, and above all, provide up-to-date information. Through the e-Shop, distributors can link Schneider Electric's product database to their e-commerce sites so that customers have reliable 24/7 access to information. As part of a program to develop energy efficiency solutions with distributors, the Group has published a catalogue of energy efficiency solutions that suit the needs of different markets and customer segments.

Other intermediaries & partners

Panel builders

Panel builders build and sell electrical distribution or control/monitoring switchboards, primarily for the buildings, energy and electricity infrastructure markets and industry. Their main customers are contractors. Panel builders mostly buy low and medium voltage devices, such as circuit breakers and contactors, and increasingly, prefabricated systems. There are more than 20,000 panel-builders throughout the world.

Contractors

To design solutions tailored to end-users' specific needs, Schneider Electric works closely with contractors, small specialists or generalist electricians, large companies that install equipment and systems.

These partners bring value for end customers, first by advising them on the choice of solutions that best suit their needs, and then by installing efficient systems. The main objective for Schneider Electric is to support them in the rapid development of solutions and technologies for the residential market: lighting, temperature and door management systems, recharging equipment for electric vehicles and renewable energy solutions.

In order to strengthen a relationship based on mutual trust and added value, Schneider Electric partners actively with contractors, providing technical training and support.

In this regard, the EcoXpert program aims to secure special partnerships with certain contractors, with whom Schneider Electric shares all its expertise on renewable energy and energy efficiency solutions. The EcoXpert network is being developed in many countries throughout the world.

Systems integrators

System integrators design, develop and support automation systems to meet their customers' needs for the performance, reliability, precision and efficiency of their operations. By providing global coverage and local contacts, they offer their clients a high degree of flexibility.

Schneider Electric has considerably expanded its automation line up, giving systems integrators access to a powerful platform covering all areas of automation from field control to Manufacturing Execution Systems (MES).

Specialists

To meet their customers' growing demand for comfort, ergonomics and design, specialists (engineers, architects and design firms) are constantly looking for more efficient and better integrated solutions for energy management, as well as for access control, security, and building automation.

They are therefore essential partners for Schneider Electric's growth, notably in the high-potential buildings and residential markets, which include the construction and renovation of single-family homes and apartment buildings.

Schneider Electric provides many information and training tools for specialists, such as reserved exhibits, electrical installation guides, installation design software and training methods.

End-users

Original Equipment Manufacturers

Original Equipment Manufacturers (OEMs) continuously seek to improve machine performance and optimize maintenance in areas ranging from packaging to textiles, elevators, conveyors, materials handling, hoisting and HVAC.

Schneider Electric works closely with almost 30,000 OEMs. The Group leverages its expertise and know-how to nurture these special partnerships. This is mainly achieved through:

- an extensive knowledge of OEMs' applications;
- dedicated centers of excellence that offer the most competitive solutions for new machines, in particular, pre-tested, pre-developed and personalized solutions;
- an international customer support to deliver high-performance after-sales service worldwide;
- a dedicated program for multi-site and/or global OEMs that enhances their ability to offer superior solutions on an international level.

Other large end-users and global strategic accounts

Schneider Electric also addresses customers directly in a number of end-markets, including but not limited to: utilities, governments and local public authorities, etc.

The Group has established a dedicated organization for global customers, so-called "global strategic accounts", with the purpose of developing privileged relationships with them. To meet these customer expectations, the Group offers "preferred supplier contracts" to ensure that they receive services of the highest quality.

This organization is based on short lines of communication and decision-making, rapid mobilization of Group resources throughout the world, and dedicated teams in which management is directly involved.

85 global customers benefit from this organization, including Air Liquide, GlaxoSmithKline, IBM, Lafarge, Marriott, Nestlé, Procter & Gamble, Total, Toyota, Veolia Environnement and Walmart.

2.5 Competitive landscape

The main global competitors of Schneider Electric, by technology, are:

- **low-voltage electrical distribution & Renewables:** ABB, Siemens, Eaton, Legrand;
- **medium voltage distribution & Grid automation**: ABB, Siemens;
- **industrial automation**: Siemens, Rockwell Automation;
- **critical power & cooling for data centers**: Emerson, Eaton;
- **building automation**: Siemens, Johnson Controls, Honeywell.

Other regional and emerging market competitors include: Chint, Weg, Larsen & Toubro and Delta.

3. Ambitious long term financial targets for attractive shareholder returns

Schneider Electric's opportunities, strategy and business positioning have led its management to define ambitious long-term targets for the company. Over the long term, the key priorities remain focused on profitable growth, cash conversion and capital efficiency.

2 sets of targets have been defined: business performance targets and capital efficiency targets.

Across the business cycle[(1)] performance targets:

- **Average organic revenue growth:** GDP + 3 points.

By offer types, revenues growth will be driven by Solutions with a targeted profile at GDP + 3 to 5 points.
The Group intends to maintain solid Products growth, at a rate of GDP + 1 to 3 points.

By geographies, growth will continue to be driven by New Economies with a targeted growth profile at GDP + 6 to 8 points.

For each of these indicators, the reference basis is world GDP growth on a real basis and at market foreign exchange rates;

- **Adjusted EBITA:** margin between 13% and 17% of revenues;
- **Cash conversion:** ~100% of net profit converted into free cash flow.

Across the business cycle capital efficiency targets:

- **ROCE[(2)]:** between 11% and 15%;
- **Dividend:** 50% payout of net income;
- **Capital structure:** retain a strong investment grade credit rating.

At its Investor Day in February 2014, the company also highlighted its growth initiatives and near term business focus. It will now focus on integration, technology innovation in products and solutions and capture efficiency gains in order to pursue significant growth opportunities and improve its returns.

Schneider Electric therefore reaffirmed the targets for performance across the cycles. The company also set the focus for the next few years on organic growth and on improving the returns on the recent investments (organic and acquisitions). Hence the following objectives were defined:

- **Organic margin improvement will continue:** Efficiency will be generated through industrial productivity, support function cost leverage and the generation of synergies from the Invensys acquisition. This will support the organic improvement of the adjusted EBITA margin going forward, from the 2013 proforma level including Invensys of ~14.0%.

(1) Schneider Electric defines a business cycle as a period including a slowdown and an expansion, or a period in between. This concept allows investors to estimate the Group's long-term growth potential across a business cycle. The length of a business cycle can vary and can not be forecasted.

(2) ROCE is defined as: adjusted EBITA after tax/Average Capital Employed. Capital Employed is defined as: shareholders' equity + Net financial debt + Adjustment for associates and financial assets. In the context of the Invensys acquisition, the tax rate will be adjusted for any benefits of the Invensys-related tax shield that would not be captured in the P&L.

- **Profitable growth and capital efficiency will drive EPS growth:** In addition to the targeted opex efficiency measures, the focus on organic growth after a decade of building and improving the portfolio of businesses will allow for the strengthening of the balance sheet and the stabilization of the number of shares (neutralization of management and employee share plans through share buy-back). This should allow a strong EPS performance and the continuation of an attractive dividend policy.
- **Objective to significantly improve ROCE in the next 2-3 years:** the focus on shareholder returns is also materialized by a new ROCE target. Compared with the 2013 proforma ROCE including Invensys of ~11.0%, Schneider Electric targets to:
  - return to the pre-Invensys ROCE in 1 to 2 years
  - improve the ROCE in 2 to 3 years by 1.5 point to 2 points

ROCE will be a criterion of management compensation.

4. Company history and development

4.1 History

From its beginnings in steel during the Industrial Revolution over 175 years ago, to electricity and, more recently, to energy management, the Group has undertaken significant changes in its operations throughout its history.

1836-1980: a Family Business becomes a Major Player

1836: Brothers Adolphe and Joseph-Eugene Schneider take over an abandoned foundry in Le Creusot, France and, two years later, create Schneider & Cie, focusing primarily on the steel industry. Schneider & Cie grows rapidly, specializing in the production of heavy machinery and transportation equipment, and eventually becomes the Schneider Group, a diversified conglomerate.

1975: the Schneider Group acquires an interest in Merlin Gerin, one of the top manufacturers of electrical distribution equipment in France that has been involved in the electricity sector since 1920.

1981-2001: the Schneider Group refocuses on the Electricity Sector

1981-1997: Schneider Group refocuses on the electrical industry by divesting its non-strategic assets, such as its public works company, Spie Batignolles. Schneider Group undertakes a series of strategic acquisitions: Telemecanique in 1988, Square D in 1991 and Merlin Gerin in 1992.

1999: Schneider Group acquires Lexel, one of Europe's largest suppliers of installation systems and control solutions. In May 1999 the Group is renamed to Schneider Electric, to clearly emphasize its expertise in the electrical field.

Since 2002: a strategic transformation

At the turn of the 2000s, Schneider Electric radically rethinks its growth strategy, setting itself three goals:

- ensuring a more balanced exposure to its strategic end markets;
- enhancing its portfolio of historical operations (electricity distribution, automation and industrial control) with adjacent and synergetic businesses in order to boost its organic growth potential; and
- anticipating the future energy requirements of companies and individuals.

This strategy led Schneider Electric to conduct a number of strategic acquisitions both in mature countries and in new economies targeting companies offering complementary products and solutions.

4.2 From Power & Control to Energy Management

Creating a major player in Building Automation & Security

- As the result of several acquisitions, TAC in 2003, Andover Controls in 2004 and Invensys Building Systems in 2005, we became a major player in building automation.
- We entered the video security market in 2007 with the acquisition of Pelco.
- In recent years we have further developed our operations in mature countries, in particular through the acquisition of two pioneering French companies in December 2010: Vizelia, a provider of software that monitors the energy consumption of buildings in real time, and D5X, a specialist in solutions optimizing the use of commercial buildings.
- The acquisitions of Summit Energy (2011) and M&C Energy Group (2012) increased our expertise in energy procurement services.

Building a global leader in Critical Power

- We identified Critical Power as a key technology for our portfolio and regained majority control of MGE UPS in 2004.
- We became a worl leader with the acquisition of American Power Conversion (APC) in 2007, the US-based world leader in single-phase and three-phase UPS with operations on all continents and USD2.5 billion in revenue.
- We expanded our operations in new economies with the acquisition of UPS manufacturer Microsol Tecnologia in Brazil in 2009 and the acquisition of APW in India in 2011.
- In 2011, we broadened our portfolio with cooling offers from Uniflair, data center services from Lee Technologies and backup power storage from Luminous.

Building a global leader in Medium Voltage & Grid Automation

- We have historically been one of the leading players in medium voltage electrical distribution products and equipment.
- With the acquisition of Areva D (Areva's medium voltage distribution division) in June 2010, we became worl leader in medium voltage and grid automation.
- In 2010, we acquired 50% of Electroshield Samara, a leading medium voltage company in Russia. In 2013, we acquired full ownership of this company, transforming Russia into a key market for the Group and enhancing our capacity to be a key player in the oil, gas and mining industry, as well as to develop energy efficiency and smart grid.
- With the acquisition of Telvent in 2011, a Spanish software company with a strong presence in North America, we became the leader in ADMS, advanced Distribution Management System, supporting the monitoring and management of large electrical distribution networks.

Reinforcing leadership in low voltage distribution and industrial automation and control

- We reinforced our Wiring Devices and Ultra Terminal offer with several acquisitions: Clipsal in 2003, OVA, Merten and GET in 2006, Marisio and Wessen in 2008.
- We grew our portfolio in renewables conversion with Xantrex in 2008.
- We grew our presence in new economies with Delixi in China, Conzerv in India (2009) and Steck Group in Brazil (2011).
- We reinforced our Industrial Automation & Control portfolio with Citect in 2006, RAM Industries in 2008, Cimac and SCADA group in 2010 and Leader & Harvest in 2011.
- In January 2014, we closed the acquisition of Invensys plc. This strategic move reinforces our global position in integrated industrial automation and electro-intensive segments.

4.3 Recent external growth

In March 2013, Schneider Electric acquired 100% ownership of Electroshield – TM Samara, transforming Russia into a key market for the Group. This strategic investment also reinforced our worldwide presence in the technologies for energy, mining and urban infrastructure.

In July 2013, Schneider Electric announced an agreement with Invensys plc to acquire the entire issued and to be issued share capital of Invensys plc. This acquisition intends:

- to respond to Schneider Electric's Industry and Infrastructure clients demands for increased efficiency;
- to strengthen positions in integrated industrial automation and electro-intensive segments, in particular Oli & Gas other process-driven industries;
- to bring Schneider Electric strong brands and presence in software for industrial operational efficiency;
- to strengthen Industry business which is becoming more global, in particular strengthening its presence in North America, and to provide more adaptable solutions.

The acquisition of Invensys plc was completed on January 17, 2014.

4.4 Change management through company programs

We deployed our long-term strategy consistently in the past decade through a series of company programs that focused the Group on key multi-year transversal issues and necessary transformations.

2001-2008: launch of change management program NEW2004, followed by new^2 in 2005, with the aim of formalising consistent and coordinated objectives for all employees.

2009-2011: a new company program called “One” introduced to support Schneider Electric’s strategic goals. One, the successor to new^2, continues the focus on customer satisfaction (Customer 1) and staff development (1 Team). The program also includes strategic initiatives to strengthen Schneider Electric’s leading position on its market:

- becoming a solutions provider (1 Solution Provider);
- giving priority to new economies (1 Leader in New Economies);
- simplifying processes in order to act as a single, unified entity (1 Company).

One represented a significant step forward in our transformation. With One, we re-organized into five customer-focused businesses and strengthened our integrated portfolio to establish ourselves as a global leader in energy management, becoming a leading provider of high value-added solutions. During the course of the program, solutions increased as a percentage of our revenues, accounting for 37% in 2011. Our position within new economies was also significantly strengthened. We believe we emerged from One leaner, simpler and more agile. Under One, we simplified our supply chain, reduced the number of our active brands to 10 (excluding brands from recent acquisitions and in the mid-market) from 120 such brands in 2008, generated almost EUR1 billion of productivity savings and increased operational efficiency by reducing our support functions costs to revenues ratio by 1.5 points.

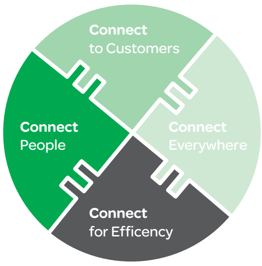
2012: Connect, our new company program

Following our successful strategic transformation, we designed and launched Connect, our new company program for the 2012-2014 period. Connect is another major step in the ongoing deployment of our strategy. With Connect, we intend to extend the strong foundation of One to all of our strategic levers: products and solutions, mature and new economies and people, while continuing to drive efficiency at all levels.

Connect, Schneider Electric's company program (2012-2014)

Connect, Schneider Electric's company program for the 2012-2014 period, is another major step in the consistent deployment of the Group's strategy. With Connect, the Group extends the strong foundation of One to all its strategic levers: products and solutions, mature and new economies, people, while continuing to drive efficiency at all levels.

The 3-year plan covering 2012-2014 includes four major initiatives:



- *Connect to Customers*: this initiative aims at further improving the performance of its business models in order to be a leader in products and in solutions, and to adapt the different dimensions of the customers and partners experience with Schneider Electric when they interact with the Group:
  - **Partner Excellence:** continue to grow in products by creating new opportunities for Distributors and Partners, in a win-win relationship leveraging the strength of One Schneider Electric and leading product innovation. This initiative will further reinforce the Group's **leadership** position in the Product Business.
  - **Solution Excellence:** leverage the Group's unique value proposition with its solution capabilities, improve equipment cost competitiveness, reinforce execution while being more selective on projects, and boost service sales. This initiative will temporarily impact the Solution Business's growth but will significantly raise **its profitability** and **return** profile.
  - **Tailored supply chain:** bring the supply chain to a new level of excellence by aligning organisation to customer needs and providing differentiated manufacturing and delivery models for each customer segment. This initiative should lead to higher **customer satisfaction** and **inventory efficiency.**
- *Connect Everywhere:* this initiative is designed to identify key investment areas in new economies and create new opportunities in mature countries to be a leader in both types of geographic areas.
  - **Grow in new economies:** expand geographical coverage by increasing the Group's presence in the fast-growing second-tier cities and further penetrate these markets with mid-market segment offerings supported by strong brands with wide local coverage. The initiative will continue to support the **long term growth potential** of new economies in Schneider Electric's portfolio.
  - **Grow in mature countries:** grow activities that develop independently from traditional capex trends with a focus on opex-driven opportunities and new businesses. This includes developing installed base and energy management services, capturing the smart grid opportunity while investing in new businesses in areas such as electric vehicle charging infrastructure, home automation and carbon management. With this initiative, the Group aims to **create its own growth momentum** in mature countries.
- *Connect People:* the target of this transformation is to create a culture and an environment for the Group's employees' development and performance.
  - **Engaging leaders:** train **leaders** with Schneider Electric University and promote Diversity.
  - **Engaged individuals:** support **employee development** via training, empowerment and cross-business mobility.
  - **Engaging workplace:** step-up **collaboration & communities**, regroup locations, ensure safety at work, develop the Schneider Way.
- *Connect for Efficiency:* this initiative includes the actions aiming at writing a new chapter in the Group's history of profitable and responsible growth.
  - **Industrial Productivity:** raise the bar with tailored supply chain and drive significant industrial productivity through purchasing, footprint optimisation, supply chain flow re-design and transportation rationalisation. This will be supported by a best-in-class planning process by customer segment and an IT system aligned with supply chain segmentation.
  - **Support Functions Efficiency:** leverage scale to drive **savings** on support functions, through non-production purchases rationalisation, more globalisation of corporate functions, simplification of business and country level set-up, and implementation of acquisition synergies. At the same time, the company will continue to **invest** in commercial presence and research and development to support future growth. Total R&D expenses to revenues ratio is expected to move towards 5% of revenues going forward.
  - **Planet & Society Barometer:** maintain **best-in-class standard** in environmental sustainability and social responsibility. Management compensation is partly tied to barometer performance.

Connect: Key financial targets for 2012-2014

With *Connect*, Schneider Electric expects Group performance to reach a new level of excellence by 2014.

Key targets		By 2014
Services growth	→	Outgrow the rest of Group by more than 5 points (on organic basis)
Solutions profitability	→	At least 2 points improvement on the adjusted EBITA margin
Industrial productivity	→	EUR1.0bn to EUR1.1bn of cumulated gross productivity*
Support functions efficiency	→	Continued focus on optimizing R&D, maximizing commercial and back office efficiency*
Inventory efficiency	→	Inventory / revenues ratio reduced by ~2 points

* *denote targets that have been revised from targets set at the beginning of 2012. The Industrial Productivity target has been revised from initial target of EUR0.9bn to EUR1.1bn cumulated gross productivity and the Support Function Efficiency target has been revised from a decrease of at least 1 point of the support functions costs/revenues ratio.*

During 2012 and 2013, and despite unfavorable business conditions, these indicators have been showing progress on the whole:

- Service organic growth was strong as Services outgrew the rest of the group by 7 points per annum on average (organic growth of 4% and 9% respectively in 2012 and 2013);
- Solutions saw their profitability improve by 1 point, to ~10% in 2013 versus ~9% in 2011;
- Industrial productivity reached EUR289 million in 2012 and EUR358 million in 2013, leading to a cumulative result of EUR0.65 billion;
- the support functions costs/revenues ratio was stable at 23.3%, as ~€430m efficiency savings generated from organization, structure, non-production purchasing were offset by a) lower than expected volumes, b) ~€230m salary inflation and c) ~€220m investments, notably in Services, New economies and Software;
- inventory efficiency improved with a 1.5 point drop in inventory to revenues ratio.

5. Research & Development

5.1 Innovation at the heart of Schneider Electric's R&D strategy

Schneider Electric invests nearly 5% of its revenue in R&D each year. More than 12,000 employees are directly involved in research and development or technical engineering activities in 26 countries and at more than 70 sites.

Schneider Electric's R&D strategy is based on two pillars: the consolidation of its global leadership in critical technologies, thanks to long term research programs, and fast paced market-driven innovation to leverage these technologies into segment specific products and solutions.

Schneider Electric is actively involved in research programs with industrial partners, as well as prestigious universities and research institutes. These collaborative projects cover a broad range of domains including energy efficiency, smart cities, electric vehicles, and promote open standards and interoperability. Collaboration with customers is systematically used to target products and services at the critical efficiency opportunities, industry by industry.

As part of its transition towards solutions, Schneider Electric keeps evolving its R&D processes for efficiency and agility. Deployment of state-of-the-art methods and tools, as well as the systematic development of critical skills, allow to constantly reducing time-to-market while improving quality of complex solutions.

Employees, partners, suppliers and distributors are part of an ecosystem dedicated to market-oriented innovation..

5.2 A dual innovation strategy

Over the years, Schneider Electric has developed a dual innovation strategy, supporting its ability to generate profitable growth:

- Group-wide innovation programs aim to deliver **disruptive innovation** by capturing growth opportunities arising from major technology breakthroughs and market shifts;
- businesses deliver market-focused **innovation** by building on Group technologies to develop products and solutions for targeted market segments, working hand in hand with partners and customers to best meet their requirements.

The platforms strategy, launched in 2010, further reinforces this approach. Major technology advances, usually managed as cross-business unit R&D programs, are packaged into versatile platforms that accelerate and secure solution innovation.

An increasingly open innovation model

As Schneider Electric moves to solutions, collaborative innovation becomes a must. Such collaborations are systematically developed along the entire innovation cycle, from research to joint development:

- Schneider Electric has a long standing tradition of collaborating with **major universities and research centers**, which act as extensions of its internal networks of expertise and innovation;
- as **software** becomes an increasingly important part of the Group's solutions, partnerships with players providing complementary solutions, core technologies and implementation services become increasingly important. An important aspect of this collaboration is the joint development and promotion of standards, like IEC 61850, that promote **inter-operability**;
- suppliers are now routinely involved in the early phases of development, or even in joint research programs, to develop advanced technologies which will be integrated into Schneider Electric products. Green plastics and power semi-conductors are two examples, where **supplier innovation** strongly influences the Group's R&D programs.

Finally, the **Aster investment fund** remains a privileged way of exploring innovation eco-systems and trigger collaborations.

5.3 Major drivers of innovation

Talking about innovation, Louis Pasteur coined the famous sentence "Luck favors the prepared mind". Across industries, major opportunities for innovation tend to happen at the intersection between business or societal trends and the advent of new technologies.

Whether for a start-up or for a large multinational like Schneider Electric, success often resides in detecting and exploiting such opportunities faster than one's competitors.

Market trends: an increasing need for efficiency and higher technology acceptance

Most of the industries served by Schneider Electric are impacted by the same macro-trends:

- the **constant drive for efficiency** is actually accelerated by the widespread focus on sustainable development, which directly translates into additional operational efficiency requirements;
- **accelerated urbanization**, mostly in new economies, which opens the opportunity for a more efficient development, provided one can harness the complexity of managing such large systems;
- the arrival on the labor market of the first generation of "digital natives" is another important trend. These new recruits have very different skills and expectations from their elders with, in particular, a much **higher acceptance for technology**.

The acceptance of the smart phone, for instance, opens new possibilities not only for advertisers but also for a variety of industries. It allows workers to easily glean up to date information, including their location, and to receive in return contextualized information or guidance that can drastically improve their efficiency.

Technology trends: the emergence of affordable large scale analytics

On the technology side, behind such buzzwords as "cloud" and "big data", the availability of virtually limitless – and very affordable – communication, computing and storage capacities opens a new world of possibilities. Analytics and optimization techniques, which less than 5 years ago were only available to deep pocketed multi-nationals are now widely available.

In an environment where most companies have reached the limit of the benefits they could extract out of their enterprise level systems (ERP type applications), the ability of these new technologies to bridge the gap between these ERPs and control systems is creating new opportunities to improve operational efficiency.

In the mining industry, multi-national giants have invested hundreds of millions of dollars into Enterprise applications and control systems that are integrated via Excel spreadsheets. For a fraction of this investment, we deliver a "pit to port" optimization solution that combines the data of these pre-existing systems to deliver up to 30% savings on supply chain costs.

"Operational intelligence", a key opportunity at the crossroad between market and technology trends

Taking analytics out of the board room (Business Intelligence) to improve the efficiency of operational processes is what Schneider Electric calls Operational Intelligence, a key area of R&D investments since two years.

Harnessing the power of cloud computing to apply large scale analytics to optimize customer operations brings significant gains at multiple levels:

- by systematically connecting products to cloud based analytics, Schneider Electric can provide its customers a range of services aimed at maximizing the return they get from these assets;
- collecting additional data from large networks of sensors opens new possibilities to optimize customers' operational processes, beyond the strict scope of control systems;
- the widespread availability of powerful cloud based analytics allows to optimize larger and larger "systems of systems", such as Smart Grids or Smart Cities.

By regularly collecting log data from a Building Management System and analyzing it "in the cloud", Schneider Electric can precisely pinpoint dysfunctions amongst the hundreds of devices controlled by the system, and can even evaluate the cost of resulting over-consumption. These same logs, enriched with weather data, allow to predict the thermal behavior of the building and allow to optimize its heating/cooling. Finally, deploying low-cost presence sensors throughout this same building and again enriching the same logs with this data allows to optimize heating/cooling even more granularly. Without changing the BMS that controls this building, Schneider Electric delivered significant efficiency gains, and the same functionality will become a standard feature of future BMS generations.

5.4 Group-wide innovation programs

Under the umbrella of Operational Intelligence, several programs were defined to develop the base technical capabilities that will support business solutions across a variety of industries.

Pervasive sensing

Leveraging technologies known as “Internet of things”, specific programs aim at developing self powered sensors for a wide range of measurements that can be deployed on a large scale, from smart buildings to smart cities. To ease the deployment of such sensor networks, these research programs also focus on improving radio-frequency based connectivity.

Water networks across the world actually lose 30% of the water they are supposed to distribute due to difficulty to detect leaks and costly repair. Advances in long range networks have made large scale deployment of pressure and flow sensors economically viable. The resulting information allows to constantly adjust pressure in the network segments to actual demand, thus reducing leaks by up to 30%.

Next generation control systems

As Schneider Electric optimizes larger and larger systems, like smart grids or smart cities, the level of disruption these systems are exposed to increases exponentially. The techniques used to control and optimize fairly simple processes clearly will not cope with the level of dynamicity of a city or a grid.

As suggested above, this will require control systems that embark increasingly powerful analytical capabilities and are closely integrated with enterprise-wide Business Intelligence applications.

Large scale real time analytics

The sheer volume of data generated by these complex systems requires a high level of automation and/or support to manage these disruptions. Developing automated evaluation and management of risks as well as the identification and resolution of critical events is one of the priorities of Schneider Electric Operational Intelligence program.

As an illustration, the evaluation of the potential impact of extreme weather episodes, such as lightning strikes of storms, allows to prepare the network and support crews for accelerated recovery. This evaluation will require the instant processing of information coming from multiple systems to propose to operators a manageable number of risk-evaluated scenarios.

Cyber-security

As the level of automation increases, the security of control systems will become even more critical. Secure development practices have been deployed across all Schneider Electric R&D entities, and cyber-security is a major area of joint development with industry partners, such as network providers and security specialists.

The threat of cyber-security can only be managed with open collaboration within our industry and with the IT industry, and Schneider Electric is fully committed to developing this collaboration.

Also, as the Group’s customers will increasingly require that Schneider Electric not only delivers secure products and systems, but also help them manage the security of their operations, security services are another area of investment and collaboration.

5.5 Market segment specific programs

The major effort started in the last years to develop segment specific solutions that reduce the risk and lead time to implement Schneider Electric solutions, while providing accelerated ROI, remains a key priority.

In the context of the Operational Intelligence program, the Group has systematically identified segment specific business issues where analytics can deliver superior value. A dedicated team of data analysts has been set up to support the businesses in the development and deployment of the corresponding solutions.

5.6 Collaborative programs

In addition to peer-to-peer collaboration with universities, partners and suppliers, collaborative programs remain an efficient way of exploring new possibilities across industry boundaries.

Smart Cities, a domain where technology innovation will need to be combined with many other levers to deliver lasting benefits, is a domain where we specifically focus.

The Ambassador program

Environmental challenges, population growth, and urbanization are the main drivers for initiatives such as the Ambassador program.

Cities are complex organizations that have to deal with transportation, water, energy, education, housing, security, buildings, urbanism… all of which have very different time scales as far as planning, design, construction and operations. No one can claim mastering such a complex ecosystem where most topics are coupled in some ways. Most of the players are willing to play a role in the huge market of Smart Cities, but the truth is that we all need to learn about smart cities, and in this sense, partnerships are essential to succeed.

Project objectives

The Ambassador program addresses the question of energy flow management at the district level, both for electrical and hot/cold water networks. The project was kicked off in November 2012, for a duration of 48 months. 15 partners from 11 European countries are contributing to the project, with over 700 man/months worth of expertise across all relevant technologies.

In the context of Ambassador, a District Energy Management and Information System (DEMIS) will be developed, aiming to define the optimal energy flows fulfilling a specific objective assigned to the district. The DEMIS will in turn control local systems controlling buildings, electrical vehicle charging stations, district hot/cold water networks, local production and storage resources and public lighting.

Ambassador concepts will be demonstrated on 3 sites: CEA-INES in France, Lavrion LTCP in Greece and BedZED in UK.

5.7 Financing innovative startups

In 2000, Schneider Electric created an investment structure called Schneider Electric Ventures to invest in high-tech startups whose innovations fit with the Group’s future development.

In 2010, Schneider Electric Ventures became Aster Capital with the launch of a new capital investment fund to finance innovative startups operating within the areas of energy, new materials and the environment. This new fund received a capital subscription of EUR105 million from Schneider Electric (EUR40 million), Alstom (EUR30 million), Solvay (EUR15 million) and in 2012 by the European Investment Fund (EUR20 million), a benchmark financial partner in Europe.

Managing a portfolio of partnership opportunities

The mission of Aster Capital is to purchase minority interests in innovative startups in the fields of energy and the environment based in Europe, Israel, North America and Asia. The scouting activities constitute a source of particularly productive partnerships and forge contacts with c. 1,500 small and mid-sized businesses around the world each year. In 2013, three new investments were realized, joining the first seven companies already in the portfolio, including Optiréno, Lucibel and EcoFactor.

Aster’s first fund currently still holds 11 equity interests in Solaire Direct, Jet Metal Technologies, Tronics, Casanova, Tiempo, Ordinal Software, Teem Photonics, HBA, Fludicon, Agilence and connectBlue.

Atlantium – USD 3 million investment in February 2013

Atlantium has developed unequalled innovation for water treatment combining ultraviolet (UV) light disinfection with advanced hydraulic and fiber-optic principles. The company's Hydro-Optic Disinfection™ solutions deliver unprecedented microbial inactivation, preserving the environment through a reduction in the use of chemicals. Based in Israel, Atlantium systems serve all water-dependent industries such as Food & Beverage, Dairy and Aquaculture. Next steps with Aster are accelerating the development of Ballast Water treatment and stepping up in Power Generation, Advanced Oxidation as well as in upstream Oil & Gas.

FibeRio – USD 3 million investment in February 2013

FibeRio is an American company that develops and sells equipment to produce nanofibers based on a unique breakthrough process called Forcespinning®. It is the only nanofiber production system enabling manufacturers to produce nanofibers on a truly commercial scale, in a cost effective way, and using a wide range of polymers. Nanofiber applications are used in a variety of markets including filtration, hygiene, energy, textiles, biomedical and conductive applications.

Iceotope – GBP 1.2 million investment in December 2013

Iceotope develops and delivers a patented energy efficient technology designed, engineered and manufactured in Great Britain. The company combines next generation liquid cooling technology with industry standard ICT to respond to the energy cost challenges of the global IT ecosystem, and in particular of the datacenter space. Designed with environmental impact in mind, Iceotope’s unique liquid cooled encapsulation of electronics is the first truly scalable, sustainable and resource efficient solution to ICT cooling of its kind.

Identifying emerging trends and technologies and delivering relevant inputs

Aster Capital is in touch with startups on a daily basis. This gives to Aster Capital a unique perspective on emerging technologies, customer needs and market segments. The resulting expertise and vision are shared at three levels:

- by identifying emerging trends and technologies which might be impactful in the future for Schneider Electric markets and businesses, and sharing them on a regular basis with the appropriate leaders within Schneider Electric;
- by introducing about 300 startups each year to Schneider Electric teams within relevant countries, businesses and corporate departments; and
- by publishing market reviews that are presented to Schneider Electric teams. In 2013, eight various topics related to the energy and environment sectors have been covered and shared within Schneider Electric.

5.8 A continued focus on R&D performance

While innovation is the key priority of Schneider Electric's R&D strategy, the continuous improvement of the efficiency of the development chain, from concept to marketable solution, remains a clear focus.

Competences

Worldwide networks of experts are in charge of constantly developing the Group's intellectual capital in the key technologies and techniques of its portfolio. The Edison program, providing technical employees a specific career track, strongly contributes to this foundation of R&D competitiveness.

Technology

These expert networks are particularly in charge of proposing Group level standards for critical technologies, thus directly contributing to the technology platforming program launched in 2010 and now reaching maturity.

Embedded control, including both the hardware and software embedded in the majority of the Group's products, is such a critical technology. cross-businesses initiatives focus on developing natively connected, smart and secure products, that support the Group's solution strategy.

Agility

Leveraging the latest technology for the Group's own use allows both shorter lead times and improved robustness of our development process:

- generalization of 3D modeling and printing at the early phases of the projects allow early validation of products with users and pave the way for smooth industrialization;
- model based system engineering supports early in-depth validation of requirements, parallel engineering with system level tests at all stages, thus reducing lead time and improving quality;
- widespread use of mechanical, thermal and electromagnetic simulations further reduces lead time and limits rework at late stages of projects.

6. Organizational simplicity and efficiency

Schneider Electric's profile has undergone an unprecedented transformation in the past decade to become a global specialist in energy management.

Under the One company program (2009-2011), the organization was redesigned to better serve its customers. This transformation continues with Connect, the current company program (2012 to 2014) to organize our diverse businesses for more cohesiveness to address in a differentiated manner the specific needs of our customers.

6.1 A customer focused organization

Dual orientation – technologies and end-markets

Schneider Electric is organized in four business segments. Each business segment is responsible for specific technologies as well as end-market segments. This organization was designed in order to support our two business models: products and solutions. Selling products requires clear technological leadership, while selling solutions requires close customer relationships and a deep understanding of end users' **needs.**

- **Buildings & Partner** business is the merger of the Buildings business and Partner business (formerly called Power until December 31, 2012). Its technological scope covers low voltage , building automation and renewables.
- **Infrastructure** business scope covers medium voltage and grid automation technologies.
- **Industry** business scope covers industrial automation, control and sensors technologies.
- **IT** business scope covers critical power and cooling technologies for data centers.

Each of the business segment manages its R&D, marketing and sales teams and is responsible for its global results.

In 2014, Buildings business has moved under the Partner business to build synergies and accelerate growth, as 70% of the Partner business goes into buildings, commercial and residential.

A number of back-office functions such as finance, human resources, IT systems and global marketing are handled by the Global Functions, which have a governance role and provide services internally.

Rationalization and optimization of synergies

The organization is deployed in accordance with three key concepts: specialization, mutualization and globalization. **Specialization** mainly concerns sales and front-office operations. **Mutualization** covers local back-office operations at the country and regional level. **Globalization** concerns the six support functions, now known as Global Functions:

- Finance;
- Marketing;
- Supply chain;
- Human resources;
- Strategy;
- Information systems.

A substantial portion of the Global Functions' costs is re-allocated to the businesses using distribution keys or application bases that are generally defined annually.

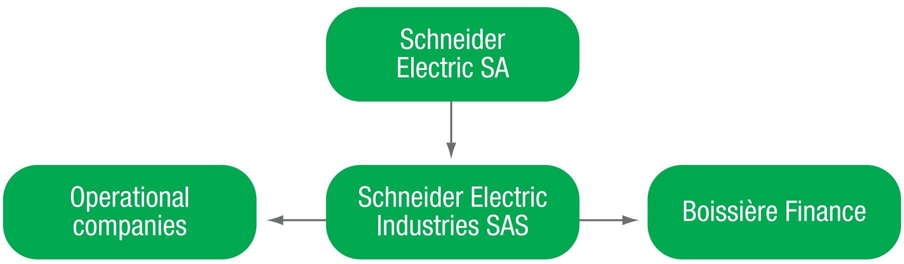
- **Specialization**: in each country, each business has its own sales force and local leader as soon as it reaches critical mass. It also has a specialized front office in each host country to respond more effectively to customer demand for specific expertise. Each business segment is also responsible for its overall results, both for product sales (in its business lines) and the implementation of solutions (especially for end-market segments within its scope). As solutions can consist of products coming from different business segments and in order to define a single point of contact for customers, each business segment is responsible for solutions in certain defined end-markets. Business efforts have focused on implementing and strengthening existing teams dedicated to meeting the specific needs of these strategic customer segments with a strong focus on the collaboration between the business lines, in order to ensure these customer's needs are met as fully as possible. In 2014, the key segments will move under the Global Solutions division to serve our customers with multi-business solutions, services and software.

- **Mutualization**: The business is organized around Operational Regions: Global Operations, North America and China. These Regions are split into 17 zones with empowered Zone Presidents and Country Presidents, which are appointed in each country to oversee all delegated businesses (and associated income statements), monitor the full transversal P&L of the country, deploy Schneider Electric's strategy in the country (including all local cross-functional topics such as increasing cross-selling among businesses) and pooling of local back-office resources. These resources are gradually brought together in each country or region under the Country President's supervision and can include multiple local support functions ranging from administration to project execution, depending on the situation. In addition, the Country President serves as the mutualization driving force and Schneider Electric's main representative in the country, most notably in dealings with employees and local officials.
- **Globalization**: Major support functions that are not specific to a given country or business are gradually globalized to increase experience and leverage a significant scale effect around cost and service. Manufacturing and supply chain operations, areas of shared services or expertise (such as finance or human resources), information systems, Strategy and marketing functions are now included within the Group's Global Functions. Global Supply Chain is continuing to focus on the areas of Global Productivity, Customer Differentiation and Customer Satisfaction.

Geographic dimension and legal structure

The Group's goal is to establish, where ever possible, a single legal structure in each country.

Schneider Electric's simplified legal organization chart is as follows:



The list of consolidated companies is provided in note 32 to the consolidated financial statements (see page 241). Boissière Finance is the Group's centralized cash-management structure; it also centralizes hedging operations for all subsidiaries.

6.2 A more modular approach to information systems

Schneider Electric is in the middle of a 3-year strategic IT plan in line with the company strategy and Connect company program. The IT Strategy for Schneider Electric is comprised of four strategic directions:

- **standardize where it creates value**: six IT domains as modular as possible and which can be easily integrated for agility and focused differentiation;
- **make diversity efficient**: ERP federation with coordinated data achieved by minimizing the number of ERP migrations by replacing only when necessary, ultimately aiming for a consistent ERP landscape per country;
- **working smarter**: Leverage a global IT platform to provide an interface accessible anywhere and anytime by end users;
- **run IT as a business**: Clear governance rules to run IT with efficiency, speed and security.

6.3 Worldwide redeployment of production and supply chain resources

Schneider Electric has more than 250 plants and 100 distribution centers around the world Customer satisfaction is its top priority.

While working constantly to improve occupational health and safety and environmental protection, Schneider Electric's manufacturing policy aims to fulfill four key objectives, in order of priority:

1) to achieve a level of quality and service that meets or exceeds customer expectations;
2) to obtain cost competitive products while continuing to deliver strong and consistent productivity;
3) to develop system speed and efficiency and limit production sites' risk exposure (currency parity, geopolitical risks and changes in cost factors);
4) to optimize capital employed in manufacturing operations.

A number of the production facilities and distribution centers are dedicated to the global market. The other units are located as close as possible to their end markets. Although design and/or aesthetic features may be adapted to meet local requirements, Schneider Electric standardizes key components as much as possible. This global/local approach helps Schneider Electric maximize economies of scale and optimize profitability and service quality.

Drawing on its global scope, Schneider Electric has re-balanced and optimized its manufacturing and supply chain resources.

In Western Europe, the United States, Japan and Australia, adaptation plans continued to be deployed with a focus on specializing production and supply chain units and reducing the number of sites.

Continuous improvement on a global scale

At the same time, an industrial excellence program called Schneider Production System (SPS) has been rolled out in all plants to substantially and continuously improve service quality and productivity. The program also takes environmental criteria into account. Based on a lean manufacturing approach, SPS is supported by the extension of Six Sigma and Quality and Value Analysis programs across the Group. By deploying these optimization methods globally and sharing best practices, the Group intends to raise the operational performance of all its plants to the same high standard.

Schneider Electric's plants and products comply with increasingly extensive and stringent European regulations and with international standards governing environmental protection in all host countries. In many cases, the Group anticipates future standards. In 1992, Schneider Electric defined a formal environmental policy, which was revised in 2004 to take account of changes both internally and externally. This policy is designed to improve production processes, promote eco-design, integrate customer expectations into the Group's environmental protection approach and raise awareness among all employees and partners about environmental protection and energy efficiency. In order to limit risks related to the environment generally, the Group has implemented an ISO 14001-compliant process to continuously improve the environmental performance of its plants and supply chain centers.

Nearly all of our industrial sites have now been ISO 14001 certified, and so we can address our efforts towards new areas for improvement, which were initiated and/or pursued in 2012–2013, like ISO 50001 certification (energy efficiency) as well as qualitative and quantitative improvement of our sites water consumption and industrial waste generation.

Schneider Electric has implemented a policy to systematically identify and reduce its industrial risk in order to secure maximum service to its customers and to minimize any impact of disaster, whether it is internal in nature (fire) or external (natural disasters). This policy relies on local actions to remove the identified risks following audits led by an external firm recognized by insurers, as well an action plan for the continuity of production. If, after corrective actions the risk remains too high, then the activity is repeated at another Schneider Electric site.

The segmented response to customer needs

In 2012, Schneider Electric launched the "Tailored Supply Chain" program as part of the company program Connect, with the aim to better align the supply chain set-up with the needs and behaviors of each customer segment (distributors, partners, panel builders, etc.).

Six initiatives were defined to support the transformation of the supply chain:

- purchasing: step up purchasing to drive proactive planning of procurement;
- footprint optimization: manage critical component's footprint to improve lead-time to customers;
- supply chain flow redesign: reduce lead-time through optimization of plant and distribution center footprint and flow design;
- transportation rationalization: increase partnerships with selected carriers to improve customer service;
- industrial planning: build best-in-class planning process by customer segment;
- IT capability: align information systems strategy with this segmentation.

This approach required a more dynamic industrial strategy around how we serve our clients, how to configure our products, equipment and services for our customers and how to deliver to those customers, while at the same time, simplifying the way we work and therefore focus on creating value for our customers by streamlining our decision-making processes and organizational structure.

This led to the announcement of a new Industrial Organization for 2013, operating around eight regions (Europe, CIS, China, India, Pacific, Asia, North America, South America) which groups all of Schneider Electric Industrial activities together in these geographies. In addition, this also led to the verticalization of all Purchasing activities to simplify and unify its contact with Suppliers.

The digitization of the supply chain

In 2013, Schneider Electric put emphasis on digitization as a way to accelerate and intensify its transformation.

For the supply chain, this approach aims to synchronize suppliers and plants through distribution centers and carriers to improve service to customers. Many programs have been launched in order to offer new features and improve the responsiveness in relation to market demand supported by new technologies.

Supply chain optimization will benefit from the flow model, combined with the integration of the IT systems of our logistics partners with “Cloud” technology. Similarly, a partnership with Kinaxis will enable the “digitization” of industrial planning and extend the scope. This technology facilitates interaction loops between the different functions and improves our responsiveness to customers as well as significantly reduces the value of fixed assets in inventory. Finally, the development of new features tailored to each customer segment on our targeted computer systems (of the supply chain) will be supported by a strengthened IT convergence plan.

This digitization of the supply chain fully meets the priorities of the Group's industrial strategy targeting first customer satisfaction while reducing costs for increasing responsiveness and reducing capital employed.

6.4 Purchasing: selection and internationalization

Purchasing corresponds to around 50% of revenue and plays a crucial role in the Group’s technical and business performance. As part of its program to optimize Purchasing, the Group has sought to source a significant portion of its purchases from the top-performing suppliers (“recommended” suppliers) and aims to increase local sourcing in the new economies to more than 50%.

Schneider Electric primarily purchases prefabricated components, raw materials (silver, copper, aluminum, steel and plastics), electronic and electrical products and services. The supplier list includes multinationals as well as small, medium and intermediatesized companies.

Suppliers are selected for the quality of their products and services, their adherence to delivery deadlines, their competitiveness, their expertise, their innovative capacity and their commitment to corporate social responsibility (CSR). As a signatory to the United Nations’ Global Compact and in view of its recommendation of ISO 26000 to its principal suppliers, Schneider Electric encourages its suppliers to join this sustainable development process and its continuous improvement.

7. Risk Factors

As described in Chapter 3.9 Internal control and risk management, Schneider Electric regularly analyses the risks and threats it faces, which has revealed six major risk categories as follows:

- risk factors related to the Group's business, which also include the solutions business, supplier risks and competitive threats;
- industrial and environmental risks that also include risks such as natural catastrophes and political disturbances, etc.;
- information system risks and cyber threats;
- market risks covering currency risks and raw material price fluctuation risks;
- legal risks that also cover intellectual property;
- litigation and related risks.

The Group's main risks and threats are summarized in a chart of overall risks based on their impact and probability.

Risk factors related to the Group's business

Schneider Electric operates worldwide, in competitive and cyclical markets

The worldwide markets for the Group's products are competitive in terms of pricing, quality of products, systems and services, development and introduction time for new offers. Schneider Electric faces strong competitors, some of whom are larger than we are or are developing in certain lower cost countries. The Group is exposed to fluctuations in economic growth cycles and to the respective levels of investments within the different countries in which we operate. The Group's widespread geographic coverage and diversified end markets enable us to ride out downturns on specific markets.

As 43% of the Group's revenue is generated in emerging countries, we are exposed to the risks associated with those markets.

The Group's wide international presence exposes us to many economic, legal and political risks in the countries in which we operate. These include risks arising from social unrest (particularly strikes and walk-outs), political instability, unforeseen regulatory changes, restrictions on capital transfers and other obstacles to free trade, and local tax laws. All of these risks may have an adverse effect on the Group's operations, results or financial position.

Schneider Electric has implemented procedures designed to protect it as far as possible from these risks, which are generally beyond our control, and to manage them as effectively as possible. These procedures include quarterly business reviews in which performance and projections are monitored, in terms of activity, action plans, results to date and forecasts, at all organizational levels of the Group (see the section entitled "Internal control and risk management"). The Group also has the necessary competencies to manage these risks, mainly through our central functions (finance, legal, tax and customs).

The growth and success of the Group's products depend on our ability to constantly adapt to and leverage new technologies to deliver high value products and solutions.

The markets in which Schneider Electric operates are experiencing rapid evolutions due to the introduction of innovative technologies. In particular, the increased digitization of products and native connectivity to the Web opens numerous new opportunities, but could also allow other players to penetrate our markets. The widespread usage of mobile devices creates new expectations from customers as far as the general usability of products. Last but not least, the increased connectivity of products increases the risk of cyber attacks.

To meet these challenges, the Group has increased its investments in the areas of embedded control (hardware and software), and cyber-security. A group-wide initiative aims at developing common control technologies, leveraging such advances as "controller on a chip", resulting in extremely competitive products. More and more, the development of products goes in parallel with the development of life-cycle services, which leverage the Web connectivity to deliver superior lifetime value to our customers. Such services not only open new recurring revenue opportunities for Schneider Electric, but reinforce the Group's competitive position versus potential new entrants.

The increased software content of its solutions had been the occasion of specific investments in the area of user experience. The standards and techniques developed for software solutions apply readily to smart phones and allow development teams to seamlessly extend products and solutions with state of the art mobile applications.

As far as cyber-security, a specific investment program has been launched to develop specific capabilities. Specialists have been embedded in the main development teams/centers, who work from the early phases of the design to make products inherently safe. A constant monitoring of emerging threats has been implemented in partnership with specialized firms and specific incident response processes have been established to support customers in case of cyber-attack against Schneider Electric products.

The market for software based solutions has significantly faster cycles than Schneider Electric's traditional markets. As a provider of critical infrastructure management solutions, the Group nevertheless cannot compromise on its standards of outstanding reliability and security of its solutions. As a consequence, a program is underway to generalize the latest standards of system engineering, allowing different teams to work in parallel on complex products or systems, while assuring the highest quality standards. Coupled with such techniques as early prototyping, leveraging 3D printing, and simulation, these efforts contribute to the continued reduction of go-to-market lead times.

To sustainably manage these challenges, the Group needs to constantly invest into the competencies of its 12,000 R&D engineers, both to reinforce its traditional expertise and develop new domains. Worldwide competence networks, which extend into universities, research centers and partners then remain the backbone of Schneider Electric's R&D organization. Each network constantly monitors merging technologies and competitive trends in its domain, decides the launch of research efforts to position the Group ahead of those trends and ensure the related upgrade of the network's talent pool.

Schneider Electric's strategy involves growth through acquisitions and mergers that are potentially difficult to execute

The Group's strategy involves strengthening its positions through acquisitions, strategic alliances, joint ventures and mergers. Changes in the scope of consolidation during 2013 are described in note 2 to the consolidated financial statements (Chapter 5).

External growth projects are examined in detail by the businesses and corporate functions (strategy, finance, legal affairs, tax and human resources) concerned, under a rigorous internal process developed and led at Group level. A launch committee is responsible for initiating the review process to identify the risks and opportunities associated with each external growth project, while a number of validation committees review the results on an ongoing basis. Projects that successfully come through the review process are submitted for approval to the Group Acquisitions Committee made up of the main members of senior management. The largest projects require the prior approval of the Chairman and CEO, and, in some cases, the board of directors.

External growth transactions are inherently risky because of the difficulties that may arise in integrating people, operations, technologies and products, and the related acquisition, administrative and other costs.

This is why an integration procedure for new acquisitions has been drawn up. The integration of acquisitions is a process that extends over a period of six to 24 months depending on the type and size of the newly acquired company. The integration scenario for each acquisition varies depending on whether the business was acquired to strengthen or extend the Group's existing line-up or enter a new segment. There are a number of different integration scenarios, ranging from total integration to separate organization. An integration plan is drawn up for each acquisition and submitted to the Acquisitions Committee for approval. The plan is implemented by an integration manager who reports to a Steering Committee that initially meets at monthly intervals and then on a quarterly basis.

The unit that presents the acquisition project is accountable to the Group's senior management for meeting clearly defined business plan targets covering future performance and expected synergies. Actual performance is measured against business plan targets during quarterly business reviews and, for the largest acquisitions, by the board of directors.

Value in use is determined by discounting estimated future cash flows that will be generated by the tested assets, generally over a period of not more than five years. These future cash flows are based on Group management's economic assumptions and operating forecasts. The discount rate corresponds to Schneider Electric's weighted average cost of capital (WACC) at the valuation date plus a risk premium depending on the region in question (local risk-free rate), the nature of the target's business (appropriate beta), and the structure of the financing (taking into account the debt to equity ratio and risk premium on the debt). The Group's WACC stood at 7.8% at December 31, 2013, slightly higher compared to the 2012 financial year. The perpetuity growth rate was 2%, unchanged on the previous financial year.

Goodwill is allocated to a Cash Generating Unit (CGU) when initially recognized. The CGU allocation is done on the same basis as used by Group management to monitor operations and assess synergies deriving from acquisitions. Impairment tests are performed at the level of the cash generating unit in 2013 (CGU), *i.e* the Partner, Infrastructure, Industry, IT, Buildings and CST businesses. Details on asset impairment are provided in note 1.11 to the consolidated financial statements (Chapter 5).

Where the recoverable amount of an asset or CGU is lower than its book value, an impairment loss is recognized. Where the tested CGU comprises goodwill, any impairment losses are firstly deducted therefrom.

The Group's success depends on its ability to attract and retain qualified individuals, and developing a workforce for the future

Competition for highly qualified management and technical personnel is intense in the Group's industry. Future success depends in part on the Group's ability to hire, assimilate and retain engineers, sales people and other qualified personnel, especially in the area of energy efficiency solutions. This ability can only result from a strong employee-centric human resources strategy. Equally important is the Group's ability to prepare its workforce for the future through learning and identifying talent within the organization.

The Group's Human Resources strategy is strongly anchored in its 'Total Employee Experience' philosophy, ensuring that Human Resources offers at every stage (from "Start" to "Move On") of an employee's life cycle within the company remain attractive in order to recognize, reward and retain employees.

Employee welfare is boosted by two key developments: 1) continuation of the 'Cool Sites' program to promote engaging workplaces, and 2) the Health & Welfare corporate policy was updated in 2013 to cover dependants and will be fully implemented by 2015.

To nurture the resilient and innovative workforce required for its success, the Group encourages employees to take ownership of managing their performance and career development. From the point of joining, employees are immersed in a learning culture founded upon three pillars: education, experience and exposure (3Es). Learning initiatives in particular are actively communicated and driven by Human Resources. Internal processes and programs are geared towards creating learning opportunities for employees, be it through onboarding for new employees, international mobility, job role changes, career development training or managing talent.

Resources for employees' developmental endeavors are provided through an upgraded unified online platform that addresses their learning and career needs. The very same platform gives managers visibility of available talent them across the whole company for recruitment, and allows managers to effectively manage and assess the talent under their charge for succession planning. With a best-in-class system, Human Resources is able to better provide key services in support of their customers and stakeholders – a positive step up for its Human Resources digitization strategy.

Employee engagement stays high on the agenda with the Group seeking both blue and white-collar sentiment and gauging workforce satisfaction through bi-annual survey exercises. Its employee engagement efforts contribute to a keen focus on employer branding; the Group has actively reached out to prospective employees through social media platforms and events for targeted groups, and has been ranked previously as an 'Employer of Choice'.

To augment the quality of its workforce and to reflect its growing global presence, the Group has committed to a renewed diversity and inclusion policy to tap on talent and to better leverage on the rich diversity of its existing workforce.

Industrial and environmental risks

Defective products or design flaws may cause harm to persons and property and subject us to product liability claims and other adverse effects

Despite its testing and quality procedures, the Group's products might not operate properly or might contain design faults or defects, which could give rise to disputes in respect of our liability as seller or manufacturer, notably in Europe, where liability related to defective products could lead to a loss of revenue, claims under warranty and legal proceedings. Such disputes could reduce demand for our products or harm our reputation for safety and quality. To prevent or limit these risks, Schneider Electric immediately recalls products if there are any doubts whatsoever that a product or one of its components is not 100% safe for people and/or equipment. At the end of 2009, the Group launched a broad recall campaign concerning a range of low voltage capacitors produced between 2004 and 2008. This campaign continued throughout 2010 and 2011 and was concluded in this first half of 2012 in accordance with schedule announced in the 2011 report. Another broad recall campaign that is still ongoing involves our global recall of Vigi Compact NS/NSX circuit breakers produced between 2009 and 2011, which began in 2011 and was continued in 2012 and 2013. It is expected to be concluded in 2014. No broad product recall was begun in 2013.

Some of the expenses incurred by Schneider Electric in the context of product recalls are covered by the liability insurance program described in the "Insurance" section below.

Provisions for product risk totaled EUR429 million as of December 31, 2013 (see note 23 to the consolidated financial statements).

The Group's plants and products are subject to environmental laws and regulations

Our plants and products are subject to extensive and increasingly stringent environmental laws and regulations in the countries in which we operate.

To limit risks related to the environment in general, the Group is involved in a process to continuously improve the environmental performance of its plants and products. In 1992, Schneider Electric drafted a formal environmental policy. This policy is designed to improve production processes, promote eco-design, and integrate customer expectations into our environmental protection approach. This policy also aims to identify, assess and prevent environmental risks, in order to guarantee full compliance with all environmental laws and regulations applicable to the Group's businesses, particularly those in force in the European Union and considered more rigorous (notably the WEEE, RoHS directives and REACH Regulation). We record environmental provisions when the risks can be reliably measured or it is probable that clean-up work will be performed and the related costs can be reasonably estimated. Provisions for environmental risks totaled EUR62 million as of December 31, 2013. If no risk has been identified, Schneider Electric will not estimate the financial cost of environmental risks. We expect our spending on environmental compliance programs to increase as a result of changes to existing environmental regulations and the introduction of new regulations.

It is possible that Schneider Electric may be required to pay significant fines or compensation as a result of past, current or future breaches of environmental laws and regulations by companies that are currently or were previously members of the Group. This exposure exists even if we are not responsible for the breaches, such as in cases where they were committed in the past by companies or businesses that were not part of the Group at the time.

Schneider Electric may also be exposed to the risk of claims for breaches of environmental laws and regulations. Such claims could adversely affect Schneider Electric's financial position and reputation, despite the efforts and investments made to comply at all times with all applicable environmental laws and regulations as they change.

If Schneider Electric fails to conduct its operations in compliance with the applicable environmental laws and regulations, the judicial or regulatory authorities could require the Group to conduct investigations and/or implement costly clean-up measures to deal with the current or past contamination of current or former production facilities or off-site waste disposal facilities, and to scale back or temporarily or permanently close facilities in accordance with the applicable environmental laws and regulations.

Information systems risk

The Group operates, either directly or through service providers, a wide range of highly complex information systems, including servers, networks, applications and databases, that are essential to the efficiency of our sales and manufacturing processes. Failure of any of these hardware or software systems, a fulfillment failure by a service provider, human error or computer viruses could adversely affect the quality of service offered by the Group.

The Group regularly examines alternative solutions to protect against this type of risk and has developed contingency plans to mitigate the effects of any information system failure. Dedicated governance structures have been set up to manage relations with service providers responsible for outsourced IT systems operations.

Problems may also be encountered during the deployment of new applications or software. In particular, in the last few years, the Group has developed ERPs systems under SAP, which it started to roll out in 2008. This roll-out process has been carried out fully or partially in a number of countries since 2008, and is continuing in France, Brazil the United States and other countries.

In addition to the deployment of ERP systems, the Group is deploying various applications aimed at enhancing commercial and supply chain efficiency.

In view of these projects' complexity, extensive functionalities and their worldwide deployment, the Group has set up dedicated governance and cost control structures to manage these issues and limit the related risks.

However, despite the Group's policy of establishing governance structures and contingency plans, there can be no assurance that information systems projects will not be subject to technical problems and/or execution delays. While it is difficult to accurately quantify the impact of any such problems or delays, they could have an adverse effect on inventory levels, service quality and, consequently, on our financial results.

Market risks

Interest rate risk

The Group is exposed to risks associated with the effect of changing interest rates in different countries. Interest rate risk on borrowings is managed at the Group level, based on consolidated debt and taking into consideration market conditions in order to optimize overall borrowing costs. Most bond debt is fixed rate. At December 31, 2013, 78% of the Group's gross debt was fixed rate.

Maturities of financial liabilities are presented in note 24.1 to the consolidated financial statements.

A 1% increase in interest rates would have a positive impact of around EUR36 million on the Group's net financial expense.

The financial instruments used to hedge the exposure of the Group to fluctuations in interest rates are described in note 26 to the consolidated financial statements for the year ended December 31, 2013.

The Group's international operations expose it to currency exchange risk

Due to the fact that a significant proportion of transactions of Schneider Electric are denominated in currencies other than the euro, the Group is exposed to currency risk. If the Group is not able to hedge these risks, fluctuations in exchange rates between the euro and these currencies can have a significant impact on our results and distort year-on-year performance comparisons.

We manage our exposure to currency risk to reduce the sensitivity of earnings to changes in exchange rates through hedging programs relating to receivables, payables and cash flows, which are primarily hedged by means of forward purchases and sales.

Depending on market conditions, risks in the main currencies may be hedged based on cash flow forecasting using contracts that expire in 12 months or less.

Schneider Electric's currency hedging policy is to protect our subsidiaries against risks on transactions denominated in a currency other than their functional currency. More than twenty currencies are involved, with the US dollar, Hong Kong dollar, Singapore Dollar, Hungarian Forint and Russian Rubbles representing the most significant sources of those risks. The financial instruments used to hedge our exposure to fluctuations in exchange rates are described in note 26 to the consolidated financial statements for the year ended December 31, 2013 (Chapter 5).

In 2013, revenue in foreign currencies amounted to EUR17.7 billion, including around EUR5.4 billion in US dollar and 3.0 billion in Chinese yuan.

The main exposure of the Group in terms of currency exchange risk is related to the US dollar, the Chinese yuan and to currencies linked to the US dollar. The Group estimates that in the current structure of its operations, a 5% increase of the euro compared to the US dollar would have a negligible impact on operating margin (a translation effect of EUR45 million on EBITA).

Equity risk

Exposure to equity risk primarily relates to treasury shares but remains limited. The Group does not use any financial instruments to hedge these positions.

An increase in raw material prices could have negative consequences

The Group is exposed to fluctuations in energy and raw material prices, in particular steel, copper, aluminum, silver, lead, nickel, zinc and plastics. If we are not able to hedge, compensate for or pass on to customers any such increased costs, this could have an adverse impact on our financial results.

The Group has, however, implemented certain procedures to limit exposure to rising non-ferrous and precious raw material prices. The purchasing departments of the operating units report their purchasing forecasts to the Corporate Finance and Treasury Department. Purchase commitments are hedged using forward contracts, swaps and, to a lesser extent, options.

The financial instruments used to hedge our exposure to fluctuations in raw material prices are described in note 26 to the consolidated financial statements for the year ended December 31, 2013.

In 2013, purchases of raw materials totaled around EUR2 billion, including around EUR1 billion for non-ferrous and precious metals, of which roughly 57% was for copper. The Group enters into swap and options agreements intended to hedge all or part of its non-ferrous and precious metals purchases in order to limit the impact of price volatility of these raw materials on our results. At December 31, 2013, the Group had hedged positions with a nominal value of EUR166 million on these transactions.

Counterparty risk

Financial transactions are entered into with carefully selected counterparties. Banking counterparties are chosen according to the customary criteria, including the credit rating issued by an independent rating agency.

Group policy consists of diversifying counterparty risks and periodic controls are performed to check compliance with the related rules.

In addition, the Group takes out substantial credit insurance and uses other types of guarantees to limit the risk of losses on trade accounts receivable.

Liquidity risk

Liquidity is provided by the Group's cash and cash equivalents and undrawn confirmed lines of credit. As of December 31, 2013, the Group had access to cash and cash equivalents totaling EUR5,5 billion. As of December 31, 2013, the Group had EUR 2,7 billion in undrawn confirmed lines of credit, of which EUR2.7 billion matures after December 2015.

The Group's credit rating enables it to raise significant long-term financing and attract a diverse investor base. The Group currently has an A- (negative outlook) credit rating from Standard & Poor's and an A3 credit rating from Moody's. The Group's liabilities and their terms and conditions are described in note 24 of Chapter 5.

In line with the Group's overall policy of conservatively managing liquidity risk and protecting our financial position, when negotiating new liquidity facilities the Group avoids the inclusion of clauses that would have the effect of restricting the availability of credit lines, such as covenants requiring compliance with certain financial ratios. As of December 31, 2013, Schneider Electric SA had no financing or confirmed lines of credit that were subject to covenants requiring compliance with financial ratios.

The loan agreements or lines of credit for some of our liquidity facilities include cross-default clauses. If we were to default on any of our liquidity facilities, we could be required to repay the sums due on some of these facilities.

Moreover, anticipated reimbursement provisions exist for certain financing and lines of credit in case of change of control. Under these provisions, the debt holders may demand repayment if a shareholder or shareholders acting together hold more than 50% of the company's shares, for the majority of contracts, and this event triggers a downgrading of the company's rating. As of December 31, 2013, EUR5.5 billion of the Group's financing and lines of credit had these types of provisions.

Legal risks

Our products are subject to varying national and international standards and regulations

Our products, which are sold in national markets worldwide, are subject to regulations in each of those markets, as well as to various supranational regulations (sales restrictions, tariffs, tax laws, security standards, etc.). Changes to any of these regulations or standards or their applicability to the Group's business could lead to lower sales or increased operating costs, which would result in lower earnings and profitability.

Our products are also subject to multiple quality and safety controls and regulations, and are governed by both national and supranational standards. The majority of our products comply with world-recognized International Electrotechnical Commission (IEC) standards. Any necessary capital investments or costs of specific measures for compliance with new or more stringent standards and regulations could have a negative impact on Group operations.

The development and success of the Group's products depends on its ability to protect its intellectual property rights

Future success depends to a significant extent on the development, protection and maintenance of its intellectual property rights. Third parties may also infringe its intellectual property rights, and the Group may have to expend significant resources monitoring, protecting and enforcing its rights. If we fail to protect or enforce our intellectual property rights, our competitive position could suffer, which could have a material adverse effect on our business.

To mitigate this risk, the patents developed or purchased by the Group are tracked by the Industrial Property team within the Finance and Control – Legal Affairs Department. All intellectual property queries are centralized and managed by this team for the whole Group and, in coordination with the other Finance and Control – Legal Affairs Departments, it ensures the Group's interests are defended throughout the world. The same approach and organization applies for the Group's brands portfolio.

Disputes

Following public offers launched in 1993 by SPEP (the holding company of the Group at the time) for its Belgian subsidiaries Cofibel and Cofimines, proceedings were initiated against former Schneider Electric executives in connection with the former Empain-Schneider Group's management of its Belgian subsidiaries, notably the Tramico sub-group. At the end of March 2006, a criminal court in Brussels, Belgium, ruled that some of the defendants were responsible for certain of the alleged offenses and that some of the plaintiffs' claims were admissible. The plaintiffs claimed damages representing losses of EUR5.3 million stemming from alleged management decisions that reduced the value of or undervalued assets presented in the prospectus used in conjunction with the offering, as well as losses of EUR4.9 million in relation to transactions carried out by PB Finance, a company in which Cofibel and Cofimines held minority interests. In its ruling, the court also appointed an expert to assess the loss suffered by those plaintiffs whose claims were ruled admissible. The expert's report was submitted in 2008. The defendants and the companies held civilly liable contest the amounts provided by the legal expert in their entirety on the basis of such reports drawn up by Deloitte. Schneider Electric and its Belgian subsidiaries Cofibel and Cofimines were held civilly liable for the actions of their senior executives who were found liable. Schneider Electric is paying the legal expenses not covered by insurance of the former executives involved. After a settlement agreement was signed with a group of plaintiffs, the case remains pending before the Brussels Appeals Court, due to appeals against parts of the March 2006 ruling as well as a ruling made in 2011 by the Court of First Instance regarding the admissibility of the plaintiffs' claims.

In connection with the disposal of Spie Batignolles, Schneider Electric booked provisions to cover the risks associated with certain major contracts and projects. Most of the risks were closed during 1997. Provisions were booked for the remaining risks, based on management's best estimate of the expected financial impact. Nevertheless, certain new files implicating the Group for Spie Batignolles' past activities could still arise and result in costs.

Schneider Electric, in addition to other sector companies, has been involved in legal proceedings with regard to an alleged agreement initiated by the European Commission concerning gas insulated switchgears (GIS), and this was because of two former subsidiaries operating in the high voltage segment that were sold in 2001. Schneider Electric did not appeal the decision made by the Commission with regard to this matter on January 24, 2007 and was fined EUR8.1 million, for which two-thirds reimbursement from its two former subsidiaries was recovered in 2012 after multiple legal actions in application of the decision by the Commercial Court of Grenoble. However, this decision, although provisionally executed, is subject to an appeal to the Court of Appeals of Grenoble, and is itself awaiting a decision by the Court of Justice of the European Union (CJEU) to reconsider the entire GIS dossier. This decision by the CJEU is expected in the first half of 2014.

In relation to the GIS disputes, on May 21, 2010, British company Power networks (formerly EDF Energy UK) launched a claim against the same companies, including Schneider Electric, for damages of GBP15 million in the High Court in London, England. This claim is currently being investigated and there were no significant developments in 2013.

In addition, some Group entities worldwide, including Brazil and Pakistan, are directly or indirectly cited in anti-trust proceedings without, however, the proven or serious risk of conviction in this regard having been identified to date.

Schneider Electric was also among 2,000 companies worldwide that were mentioned in the Volcker report on the Oil for Food program published by the UN in October 2005. Schneider Electric Industries SAS was investigated by the French judiciary in 2010 in relation to this report, which stated that the Group had entered into agreements with the Iraqi government between 2000 and 2004 under which surcharge payments totaling approximately USD450,000 are alleged to have been made to the Iraqi government, thus violating the provisions of the embargo in force at that time. In May 2013, in accordance with the indictment of the public prosecutor's department, the judge referred Schneider Electric Industries SAS and 13 other French companies to the criminal court.

Following a request for judicial review issued by the company ErDF against Schneider Electric in July 2012 regarding a potential defect designated "soft button" (non-reset) affecting connection breakers (DB90) produced between 1990 and 2010, in the framework of conventional mediation to seek a negotiated end to this situation, the Group is in discussions with ErDF, based on the results of a reliability testing campaign carried out in 2012 and 2013 with the objective of a statistical determination of the number of DB90s affected by this potential defect, as well as the product failure rate. Whether this case is settled amicably or in court, the resulting costs could have a significant impact for the Group.

Various other claims, administrative notices and legal proceedings have been filed against the Group concerning such issues as contractual demands, counterfeiting, risk of bodily harm linked to asbestos in certain older products and work contracts.

Although it is impossible to forecast the results and/or costs of these proceedings with certainty, Schneider Electric considers that they will not, by their nature, have significant effects on the Group's business, assets, financial position or profitability. The company is not aware of any other governmental, court or arbitration proceedings, which are pending or which threaten the company, that are liable to have or, during the last 12 months have had, a material effect on the financial position or profitability of the company and/or the Group.

Insurance policy

Schneider Electric's general policy for managing insurable risks is designed to defend the interests of employees and customers and to protect the company's assets, the environment and its shareholders' investment.

This strategy entails:

- identifying and analyzing the impact of the main risks;
- preventing risks and protecting industrial equipment; definition and dissemination of protection standards for sites (including when those are managed by third parties) against the risk of fire and malicious intent, audits of the main sites by an independent prevention company, roll-out of a self-assessment questionnaire for the other Group sites;
- drawing up of business continuity plans, in particular for critical sites;
- roll-out of crisis management tools by the Group's Security Department;
- carrying out hazard and vulnerability studies and safety management for people and equipment;
- maintaining a comprehensive policy to cover main risks by implementing global insurance programs negotiated at the Group level for all subsidiaries with insurers meeting the criteria for financial position recognized by insurance and reinsurance players;
- optimization of financing for frequent, low amplitude risks through retentions managed either directly (deductibles) or through captive insurance companies.

Liability insurance

A new insurance program offering coverage and limits in line with the current size of the Group and its evolving risks and commitments was established on January 1, 2012, for a period of three years.

Certain specific risks, such as aeronautic and environmental risk, are covered by specific insurance programs.

Property damage and business interruption insurance

The global insurance program put in place on July 1, 2012 was renewed as of July 1, 2013 for a duration of two years. This is an "all risks except" contract which covers events that could affect Schneider Electric's property (including fire, explosion, natural disaster, machinery breakdown) as well as business interruption resulting from those risks. The EUR350 million cap on settlements under the global plan capped at per claim has been increased for the largest sites. Certain guarantees in particular, natural disasters and machinery breakdown have lower insurance caps. These limits were determined on the basis of available capacity on the market, loss scenarios prepared by the prevention company that carries out the audits of our industrial sites and, for earthquake risk, modelling carried out by specialized companies.

Assets are insured at replacement value.

Shipping and transport insurance

An invitation to tender was put out at the end of 2012 for the transport insurance program that covers all shipments of goods, including intragroup shipments. At the close of the invitation, insurance was renewed with the same insurer on January 1, 2013.

Erection all risk insurance

An erection all risk insurance program was set up on April 1, 2011 in order to cover the development of our services and solutions. This program, which aims to provide cover for damages to work and equipment for projects taking place at our clients' premises, was renewed on April 1, 2013.

Other risks

In addition, Schneider Electric has taken out specific cover in response to certain local conditions, regulations or the requirements of certain risks, projects and businesses.

Self-insurance

To optimize costs, Schneider Electric self-insures certain frequent, low-amplitude risks through two insurance captive companies:

- outside North America, a captive reinsurance company based in Luxembourg offers damage and civil liability coverage capped at EUR19 million per year;
- in North America, a captive insurance company based in the US (Vermont) is used to standardize deductibles for civil liability, workers compensation and automobile liability policies. These retentions range from USD1 million to USD5 million per claim, depending on the risk. An actuary validates the provisions recorded by the captive company each year.

The cost of self-insured claims is not material at the Group level.

Cost of insurance programs

The cost (including tax) of the Group's main insurance plans, excluding premium paid to captives, totaled around EUR23 million in 2013.

2

Sustainable development

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1. Sustainable development at the heart of our strategy

Social and environmental commitments, governance, reducing CO_2 emissions, launching solutions that respect the planet, social changes, local and regional positioning, corporate citizenship, ethics, business and poverty – the challenges of sustainable development have never been as significant to Schneider Electric's customers and stakeholders as they are today.

The Group is committed to meeting energy challenges while practicing responsible corporate citizenship at all its locations, with measured improvement plans based on international standards of corporate social responsibility, with audited results that are shared transparently both internally and externally.

Since the Sustainable Development Department was founded 10 years ago, the Group's commitment to sustainable development has evolved in line with the Group's continuing innovation. The Group's sustainable development policy initially focused on internal issues, plus initiatives for the professional integration of French youth; now it also includes solutions that help meet today's energy challenges (energy efficiency and access to energy) as well as global environmental and societal responsibility.

Schneider Electric's commitment to offering sustainable and responsible solutions for its customers aims to:

- bring products and solutions to the market that waste less energy and promote environmentally sound production and consumption;
- bring energy to the 1.3 billion[1] people who have no access to electricity and provide sustainable economic development.

Schneider Electric's corporate commitment means dynamic societal and environmental responsibility, based on the Group's employees:

- responsible, ethical governance;
- sites and products that respect the environment;
- employee development;
- policies that support and develop the communities in which Schneider Electric operates.

(1) Source: International Energy Agency – World Energy Outlook 2012.

1.1 Prioritizing actions with a materiality matrix

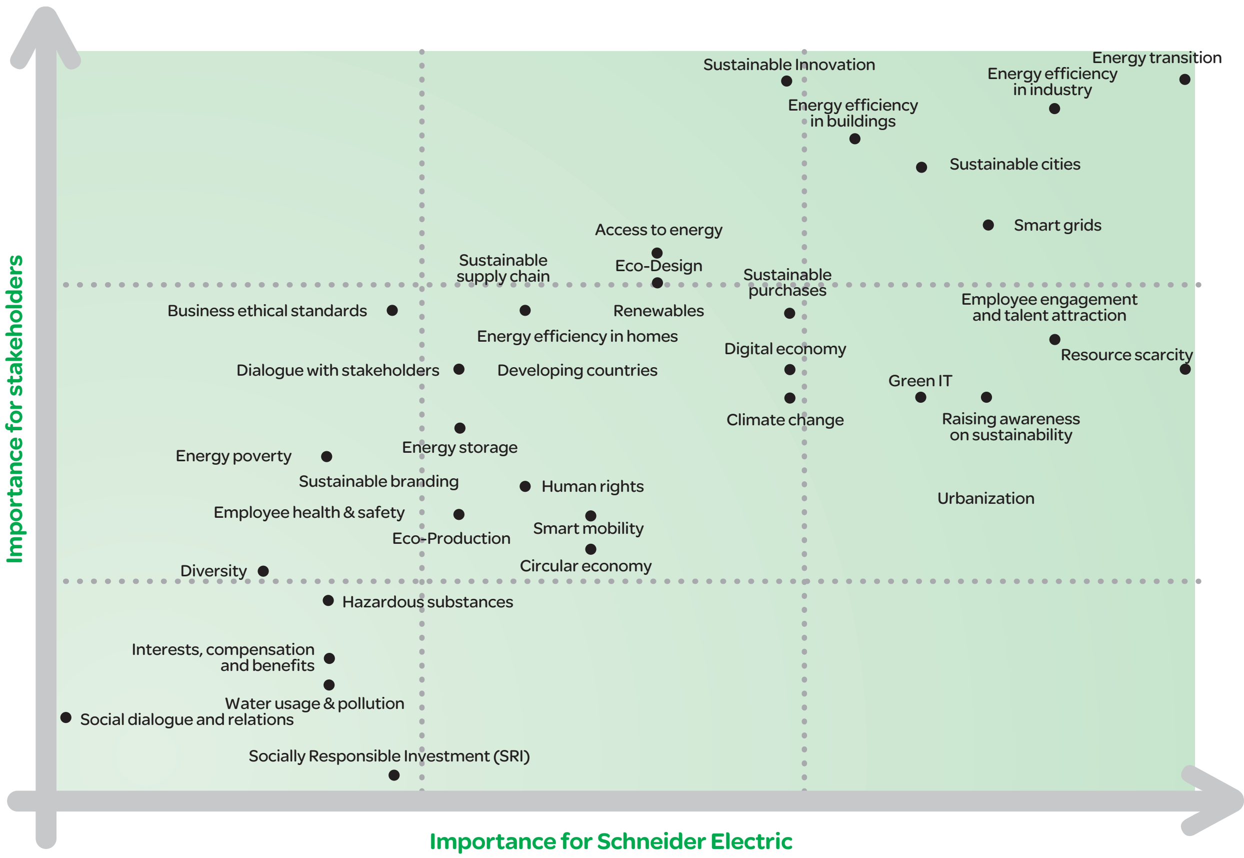
Materiality review

In 2013, Schneider Electric conducted a materiality(1) review interrogating relevant external stakeholders (e.g. clients, suppliers, public authorities, experts), and top and senior managers within the Group. With the help of the Utopies consulting firm, the aim is to ensure that the Group reports against the most important economic, social and environmental issues; identifies current and future opportunities and risks for the business, and update its sustainability agenda with the key stakeholders' expectations. Participants were asked to assess the significance of each issue according to a quantitative scoring scale, and then were interviewed for qualitative evaluation and feedback about the process.

Key learnings

The materiality matrix below displays the results of the review. Top-material issues include energy transition, energy efficienc in industry and building, sustainable cities, smart grids, sustainable innovation, access to energy, eco-design, sustainable purchases, employee engagement and attraction.

The Planet & Society Barometer, over the period 2012-2014, partly covers the issues identified as significant by this review. This exercice will enable to take into account the variety of internal and external opinions when building the next Planet & Society Barometer, but also the other action plans registered in the company program. It also enables a necessary transparency in the choices we make when prioritizing the actions. For further details, please visit our online report.



(1) *Definition is based on AA1000 Assurance Standard's materiality principle as well as the G4 Sustainability Reporting Guidelines.*

1.2 Planet & Society Barometer, a regular and objective measure of the Group's actions

Stakes	Progress plans and targets at year-end 2014		2013	2011
	Overall performance of the Barometer (score out of 10)	↗	**7.51**	**3,00**
	Planet			
Carbon	1. **10%** CO_2 savings on transportation	↗	16.7% ▲	-
Products & Solutions	2. **75%** of our product revenue achieved with Green Premium	↗	68.7% ▲	63%
Energy	3. **10%** energy consumption savings	↗	8% ▲	-
	Profit			
Green Growth	4. **7 points** growth revenue with "EcoXperts" partners above total growth revenue	↘	1.28 pts ▲	-
Access to Energy	5. **1 million** households at the Base of the Pyramid have access to energy	↗	695,685 ▲	-
Suppliers	6. **90%** of our recommended suppliers embrace ISO 26000 guidelines	↗	18.8% ▲	-
Rating	7. **3** major ethical stock market indices choose Schneider Electric	→	3 ▲	3
Workplace	8. **300** sites recognized "Great place to work - Cool sites"	↗	224 ▲	-
	People			
Safety	9. **30%** reduction in the "Medical Incident Rate" (MIR)	↗	-47% ▲	-
Engagement	10. **63%** result in our "Employee Engagement Index"	↗	60% ▲	-
Diversity	11. **30%** women in our talent pool (~ 2,500 people)	↗	28% ▲	23%
Training	12. **1 day** of training for each employee every year	↗	67% ▲	-
Access to Energy	13. **30,000** people at the BoP trained in energy management	↗	32,602 ▲	-
Communities	14. **300** missions with the "Schneider Electric Teachers" NGO	↗	228 ▲	-

The 2011 performance serves as a starting value for the Planet & Society barometer of the Connect company program between 2012 and 2014.
▲ 2013 audited indicators.
↗ The arrow shows if the indicator has risen, stayed the same or fallen compared to the previous year. The color shows if the indicator is above or below the objective of 8/10.

Priority objectives in response to sustainable development challenges

Schneider Electric has used the Planet & Society Barometer as its sustainable development dashboard since 2005. The Barometer outlines the Group's sustainable development objectives for a three-year period and quarterly results for our key performance indicators.

There are no recognized standards that define an organization's sustainable development performance. The Planet & Society Barometer is Schneider Electric's response to this matter. It allows us to meet our sustainability challenges and advance the Group on the three pillars (Planet, Profit and People). The Barometer uses a scoring scale of 10 and provides an overall measure of Group improvement in sustainable development.

The aim of the Planet & Society Barometer is to:

- mobilize the corporate community around sustainable development objectives;
- share the Group's improvement plans with stakeholders.

Schneider Electric has permanently integrated objectives into its strategy to improve its economic, social and environmental performance and set up indicators to objectively measure progress made and what is still to be done. On a daily basis, the Group seeks to prove that economic, environmental, societal and social interests are convergent.

To have a significant impact and initiate lasting change, a performance measure is required. That is why Schneider Electric has defined specific objectives and measures its results each quarter using the Planet & Society Barometer. The Group undertakes corrective actions if necessary. These actions are carried out on an international scale.

For example, the action plans target the lower, optimized energy consumption, committing Schneider Electric, for itself and its customers, to significantly improving the energy efficiency of production processes, infrastructure and generally to reducing the environmental footprint, particularly CO_2 equivalent emissions caused by the Group's industrial and human activity.

Operation and monitoring of the Planet & Society Barometer

The Planet & Society Barometer 2012-2014 is part of the Connect company program. It comprises 14 key performance indicators scored out of 10. These 14 indicators replace the 13 objectives for the 2009-2011 period. The average of the scores, with each indicator weighted equally, provides the global performance of the Barometer. Departments directly affected by the improvement plans (Human Resources, Environment, Access to Energy, etc.), each represented by a project leader, implement measures to achieve the objectives of the plans. This project leader works directly with local managers in their respective areas.

The table above shows Schneider Electric's sustainable development performance in 2013. When the barometer was launched on January 1, 2012 the global rating was 3.00/10. At the end of 2013, the company had exceeded its target of 5.5/10 and had attained 7.51.

For the 2009-2011 period, all the indicators achieved their target of 8/10. Seven indicators even achieved 10/10 (CO_2 emissions, ISO 14001 compliance, energy efficiency, access to energy, accident rate, employee engagement, energy management training).

For each company program, the Group defines a new Planet & Society Barometer. The improvement plans are elaborated following an internal exercise to identify sustainability issues based on external inputs, primarily the assessments and ratings received, and a consultation with the departments directly concerned by the improvement plans. The Sustainable Development Department presents the draft version of the Planet & Society Barometer to the Executive Sustainability Committee for approval before the launch of the company program.

Four cases may be included from one Barometer to the next:

- the improvement plans are maintained in the Barometer and their targets are renewed or increased. This is the case in 2012-2014 with Green Premium, with the number of households connected at the bottom of the pyramid (BoP) and with the number of people at the BoP trained in energy management;
- the improvement plans change. This is the case with indicators that have reached a threshold. They are replaced by more ambitious indicators and continue to be monitored internally: reductions in CO_2 emissions, for 2012-2014, they are divided into two separate indicators (CO_2 in transport and energy consumption[(1)]; purchasing, with a change of benchmark from the Global Compact to ISO 26000[(2)]; the security indicator with a passage from frequency of accidents to the Medical Incident Rate[(3)]; the company's employee recommendation score, which is replaced by the Employee Engagement Index, an international index[(4)];
- the improvement plans are removed from the Barometer. This is also the case with indicators that have reached a threshold, they also continue to be monitored internally: the SF_6 leakage rate (which was included in the CO_2 emissions reduction indicator in 2009-2011); the ISO 14001 rate of staff working on-site[(5)]; the number of countries that have established an SF_6 gas recovery pathway[(6)]; employees trained in energy management solutions, and the number of entrepreneurs supported in the creation of their activities in the field of energy management;
- improvement plans that respond to new issues are implemented. This is the case in 2012-2014 with the EcoXperts program, with the 300 sites recognized as "Cool Sites", with women making up 30% of the talent pool, with the annual training day for everyone, and with the 300 volunteering missions via the "Schneider Electric Teachers" NGO.

Communicating the results of the Planet & Society Barometer

Since 2009, the Planet & Society Barometer has been published through the following channels:

- the website *www.schneider-electric.com/barometer*, expanded in 2011 to include an interactive tool;
- the Planet & Society Barometer newsletter, which informs the main Schneider Electric stakeholders about the previous quarter's performance and achievements. The newsletter is e-mailed to a continuously updated list;
- on the Group's Intranet, the performance of the Planet & Society Barometer, which reflects value creation for the stakeholders, is listed next to the Schneider Electric share price, which reflects value creation for shareholders.

Since 2012, quarterly conference calls have been organized to present the results of the Barometer to concerned investors and the specialized press. The extra-financial annual results are presented together with the Group's financial results in order to demonstrate our commitment to making sustainable development part of the company's long-term strategy. In February 2014, Jean-Pascal Tricoire and Emmanuel Babeau presented Schneider Electric's 2013 financial and extra-financial results.

The publication of objectives and quarterly results is a way for Schneider Electric to engage with its internal and external stakeholders with regard to the objectives, to publicly disclose its sustainable development issues through the choice of indicators, and to share progress made or difficulties encountered in a transparent manner.

The Planet & Society Barometer is a tool that enables the Group to anticipate and effectively manage its sustainable development risks by mobilizing key stakeholders around specific, measured objectives and reliable results. Barometer indicators are audited annually by an external auditor (limited assurance).

For more information, please visit: *www.schneider-electric.com/barometer*.

See also the **Planet & Society Barometer criteria in variable compensation pages 91-92.**

(1) *In 2009-2011, the CO_2 emissions reduction indicator had exceeded its target. It included emissions reductions from transport, energy consumption and leakage of SF_6. The SF_6 leakage rate, which had far exceeded its goal and reached a threshold, continues to be monitored internally with a goal of maintaining that level.*

(2) *The Global Compact continues to be promoted with suppliers.*

(3) *The accident frequency rate had exceeded its 2009-2011 target and continues to be monitored internally below a more standard international indicator, the LTIR (Lost Time Injury Rate).*

(4) *The recommendation score (ENPS – Employee Net Promoter Score) continues to be monitored internally.*

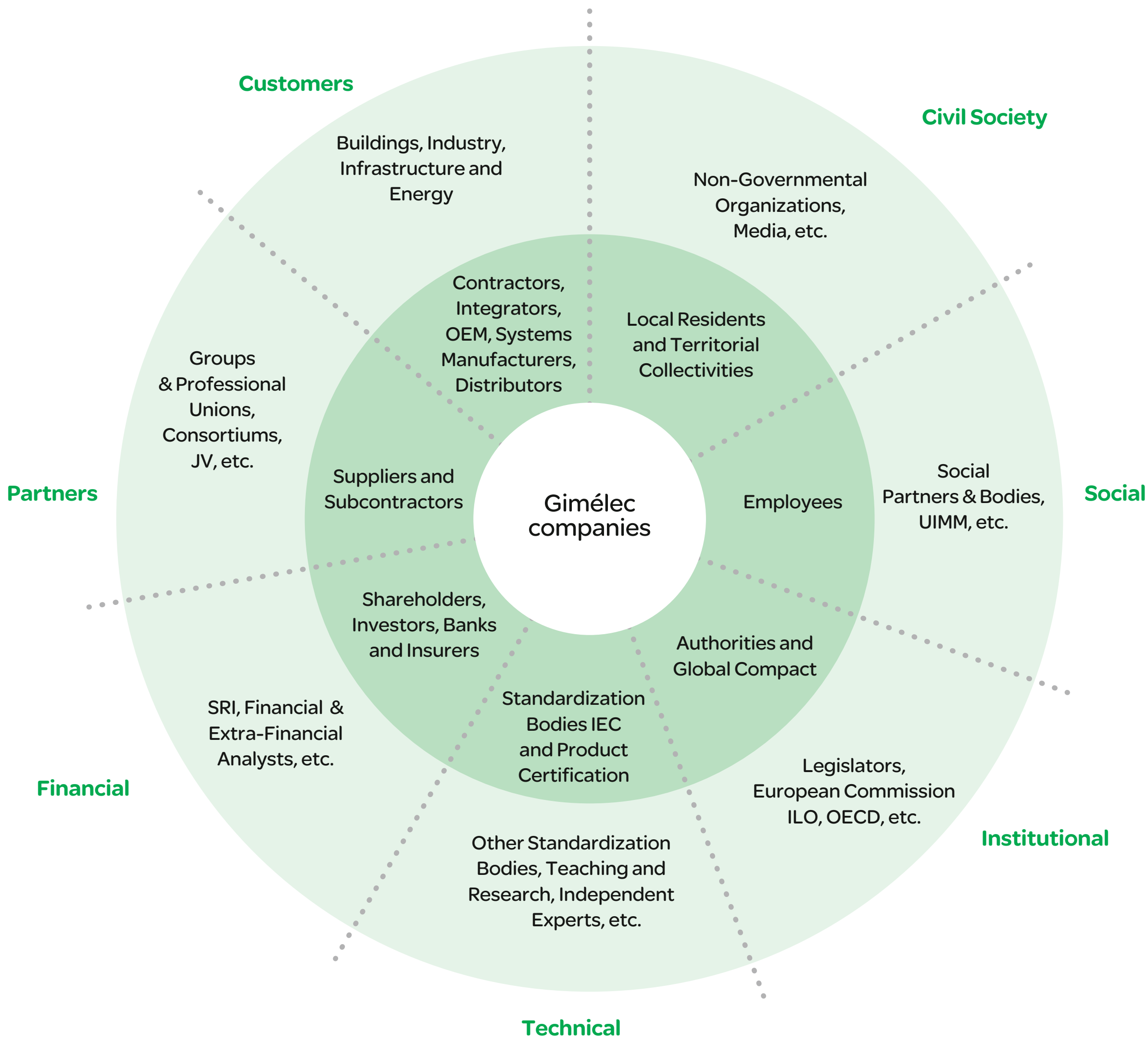
(5) *The Group achieved its goal of gaining ISO 14001 certification for all industrial and logistics sites with more than 50 people and for the large services sites. This program continues to be monitored internally with the same objective.*

(6) *This program, launched with the Planet & Society Barometer 2009-2011, continues to be monitored internally with new objectives (10 countries in 2012, 12 countries in 2013, 15 countries in 2014).*

1.3 Open dialogue with stakeholders

Focused dialogue with clearly identified stakeholders

The diagram below is an overview of sector stakeholders proposed by Gimélec [1] a trade union of electrical equipment manufacturers, control systems and related services.



Schneider Electric engages in an open and continuous dialogue with each of its stakeholders. In particular, the Sustainable Development Department takes into account the comments, ratings and evaluations from stakeholders on the Group's sustainable development policy and programs. This feedback is integrated into new progress plans throughout the company program and during the establishment of the Planet & Society Barometer every three years.

(1) *Source: CSR Sector Reporting Guide, 2013.*

Stakeholder	Dialogue	Department
Customers	• Quarterly customer satisfaction surveys • Online publication of environmental information on products	Quality, Customer Satisfaction, Eco-design
Financial	• Quarterly telephone conferences to present financial results, meetings and plenary meetings • Regular meetings with individual shareholders • Quarterly newsletters to shareholders • Quarterly telephone conferences to present extra-financial results • Response to extra-financial ratings questionnaires • Individual meetings with SRI analysts • Response to SRI analysts' questions	Investor Relations and Sustainable Development
Partners	• Purchaser/supplier meetings • Supplier's day • Supplier qualification process • Raising awareness about the challenges of the Global Compact and ISO 26000 • EcoXperts Program • Participation in the commissions and working groups on sustainable development of professional groups	Purchasing, Energy Efficiency & Solutions and Sustainable Development
Social	• Quarterly employee satisfaction surveys • Social dialogue with employee representation bodies	Human Resources
Technical	• Collaborative approach, creation and participation in competitiveness cluster initiatives, R&D programs, university chairs and professional associations • Active participation in international standardization bodies • PEP ecopassport Program	R&D and Activities and Environment
Institutional	• Adhesion to and promotion of the Global Compact • Relationships with authorities, legislators and the European Commission, especially in the field of energy efficiency	Sustainable Development, Purchasing and Influence
Civil society	• Participation in working groups and local and international organizations on challenges within our industry • Community programs • Partnerships with local NGOs	According to subject and audience, Foundation and BipBop Program
All	• Quarterly Planet & Society Barometer newsletter	Sustainable Development

Global and local external commitments to move forward collectively

Schneider Electric works with different local and international organizations on economic, social and environmental issues to foster sustainable development in cooperation with various players from society. Schneider Electric confirms its commitment and its participation in discussions on challenges related to climate change.

Theme	Commitment
Sustainable governance	**International**: World Business Council for Sustainable Development (WBCSD), United Nations Global Compact. In 2013, Jean-Pascal Tricoire, Chairman and CEO of Schneider Electric, is Chairman of the Global Compact France. **France**: member of the board of directors of ORSE (French study center for corporate social responsibility) and of the Global Compact France Forum.
Energy/Energy efficiency	**International**: Alliance to Save Energy (Energy Efficiency), Clinton Climate Initiative (Buildings), Green Grid (Information Technology), The 2°C Challenge Communiqué (Corporate Leaders Network for Climate Action, CLN), eu.bac (the European association for building automation and controls – energy efficiency in buildings). **France**: EpE *(Entreprises pour l'environnement)*, IFPEB *(Institut français pour la performance énergétique du bâtiment)*, *Pacte écologique de Nicolas Hulot*, *Grenelle Environnement*.
Smart grids	Research Triangle Cleantech Cluster (Raleigh, North Carolina), Grid Edge Executive Council (Greentech Media), Fort Collins (Colorado) Cleantech Cluster, Tenerrdis Energy Cluster (France), Smart Grid Interoperability Panel, OpenADR Alliance, Smart Energy Demand Coalition (SEDC), Peak Load Management Alliance, North American Electric Reliability Council (NERC) Functional Model Demand Response Advisory Team, NEMA Smart Grid Council, IEEE (T&D and Power and Electronics Society).
Smart cities	**France**: active participation in discussions held under the auspices of AFEP (French Association of Private Sector Companies) to define a differentiating and performing French offer on Smart Cities. **International**: European Innovation Partnership for Smart Cities and Communities, Urban Infrastructure Initiative led by the WBCSD.
Access to energy	**International**: co-signatory of a white paper for the WBCSD (World Business Council for Sustainable Development) on business solutions for access to energy for all, the first major publication of the Access to Energy initiative of the WBCSD. **France**: supporting partner of the Social Business/Enterprise and Poverty Chair at HEC.
Diversity	**France**: (see page 88).
Social policy	*Observatoire Social International*
Biodiversity	Livelihoods: Carbon offset fund for biodiversity and rural communities
Standardization	With more than 50 experts actively participating in international standardization bodies, Schneider Electric is making, in particular, a decisive contribution to the elaboration of standards that ensure the reliability and transparency of the work on environmental issues of its offerings (by chairing the French committee of environmental standardization in national committees such as UTE - *Union technique de l'électricité et de la communication* in France; Cenelec - European Committee for Electrotechnical Standardization; at the IEC - International Electrotechnical Commission; at the ISO - International Organization for Standardization). Schneider Electric plays an active role within AFNOR (French Standards Organization). It participates in the working group on sustainable development and work on the rational use of energy. Since February 2007, Schneider Electric has represented France on the IEC's Advisory Committee for Environmental Aspects (ACEA). The ACEA works to advise and coordinate the CEI's efforts to tackle environmental issues.
Miscellaneous	For many years, Schneider Electric has also actively supported ADMICAL (*Association pour le développement du mécénat industriel et commercial*, member of the European network CERES) and *IMS-Entreprendre pour la Cité.* Lastly, the Group participates in work conducted by CSR Europe, notably in the area of occupational health.

Engaging all employees in sustainability: the Sustainability fellows community

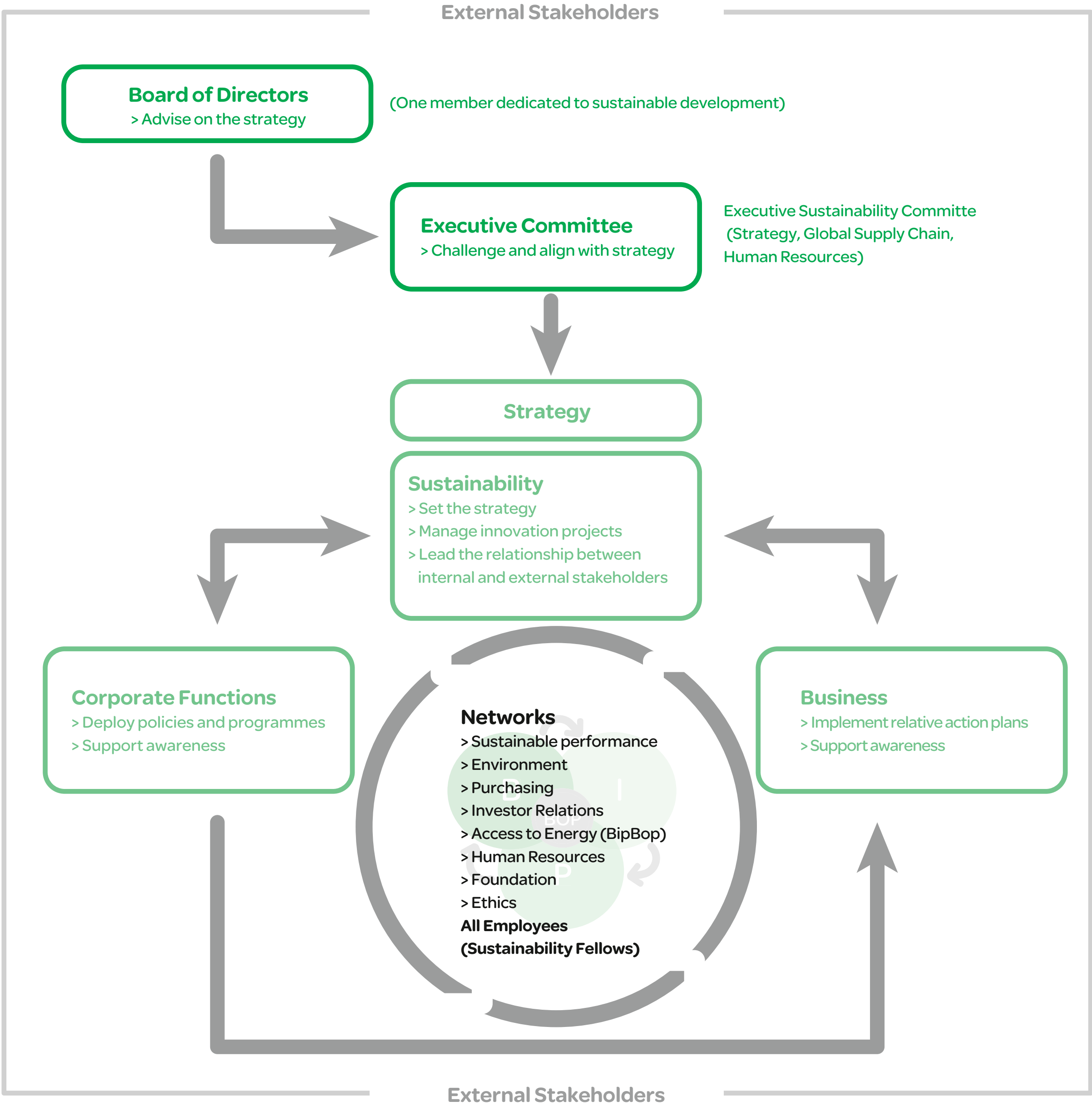
Given Schneider Electric business and level of responsibility, the company reckons that all of its employees should be aware of major sustainability stakes and ambassadors of its sustainability story. To achieve this goal, a new initiative has been launched in January 2013: The Sustainability Fellows. Relying on the newly created internal social media platform “Spice”, the community's objective is to make all employees aware of what sustainability is, what the main stakes linked with this topic are, inside and outside the company, and what Schneider Electric commitment in this field is. The ultimate goal is to make sure that employees can use the sustainability efforts to make a positive impression in their interactions with various stakeholders, share their views to improve company's policies and actions, and also be aware of the ways through which they can get involved into sustainability-related activities. The community is moderated by a central team within the corporate Sustainable Development Department and relayed by local employees in their entity and/or country. From simple posts of polls on the Spice platform to ask employees on their inputs on company's policies or achievements to quarterly webradios focusing on sustainability performance and specific topics, the Sustainability Fellows grew from a few hundred people early 2013 to 5,500 at the end of the year. The objective is to reach 10,000 people by the end of 2014.

The implementation of this community demonstrated that employees are willing to attend some events or give some of their time. The first measurement also showed that Employee Engagement Index is 5 points higher for Sustainability Fellows than the average of the company, and recommendation score 10 points higher.

1.4 Integrated and transverse governance of sustainable development

Overall operation

The following diagram illustrates the relationships between the different levels of decision-making on the subjects of sustainable development within Schneider Electric. See also the Planet & Society Barometer criteria in variable compensation pages 91-92.



The Sustainable Development Department

The Sustainable Development Department, created in 2002, has been part of the Strategy Department since 2008. It has the following responsibilities:

- defining Schneider Electric's sustainable development strategy and rolling out action plans at the Group level with the concerned entities;
- developing and managing Schneider Electric's innovative community projects to ensure continuing improvements in the Group's performance in this area.

In 2010, the Sustainable Development Department was adapted to better meet the company's present and future challenges as well as the requirements of stakeholders. It is organized around four areas:

- ethics, steering the Responsibility & Ethics Dynamics program (see pages 66-69);
- social responsibility, specifically with the Schneider Electric Foundation as well as employment opportunity and expansion programs (see pages 99-104);
- access to energy, responsibility for the BipBop program (see pages 94-99);
- supporting and developing the Group's performance, in particular by steering the Planet & Society Barometer and the Strategy and Sustainable Development report (see pages 50-51).

Organization of Global Supply Chain, with responsibilities including Safety and the Environment

(see page 71).

Human Resources organization

(see page 81).

Energy Efficiency and Solutions Experts (for the offering)

Within the Strategy and Technology Department, the Energy Efficiency and Solutions team rolls out and supports the company's and its employees' transition from a product-based approach to a product-and-solution-based approach.

To achieve this, Schneider Electric works with a network of 15,000 employees, comprised of certified solution sales and marketing teams and supported by technical experts and over 60 Solution Centers aligned to supporting customers in local geographies and key global end user segments, where our solution architects are developing the solutions its customers want today and designing the solutions of tomorrow.

The board of directors

Cathy Kopp has been responsible for officially presenting the sustainable development issues to the board of directors since 2010. She also acts as internal advisor for sustainable development: Cathy Kopp interviewed managers to analyze the integration of sustainable development into different Group functions at the end of 2013. A restitution to the board of directors is expected in 2014.

In 2013, the remuneration Committee's powers were formally extended to issues of corporate social responsibility (see page 141).

The Sustainable Development Executive Committee

Since 2010, the three members of the Executive Committee in charge of global Human Resources, Global Supply Chain and Strategy have met two to three times a year with the Sustainable Development Director to monitor and steer the Group's action plans in this area.

The Ethics Committees

(see page 67).

1.5 External and internal bases of preparation for a solid framework

External bases of preparation

The United Nations Global Compact

The Global Compact was launched in 1999 by UN Secretary-General Kofi Annan. It brings companies and non-governmental organizations together under the aegis of the United Nations to "unite the power of markets with the authority of universal ideals".

Parties signing the Global Compact commit to 10 fundamental principles in four areas: human rights, labor rights, the environment and anti-corruption.

By signing the Global Compact in December 2002, Schneider Electric made a public commitment to these universal values. The Group has primarily worked to share this commitment with its partners since 2003 (see page 56 Relations with sub-contractors and suppliers).

In line with the requirements of the Global Compact, Schneider Electric publishes an annual progress report. This publication reports on the Group's action plans and monitoring indicators for the 10 principles of the Global Compact. Schneider Electric meets the requirements of the Advanced Level of the Global Compact with this report for COP.

ISO 26000

In 2010, the ISO (International Organization for Standardization) published its guidelines on organizations' social responsibility (ISO standard 26000). ISO 26000 is a compromise that gets different players from the public, private and non-profit sectors, from around 100 countries, involved, and a vision of how an organization should view societal responsibility. Schneider Electric's actions towards sustainable development are completely in line with ISO 26000. This standard legitimizes the sustainable development actions undertaken by the Group since the early 2000s and provides an educational support and framework for its actions in the field. The Group has worked to promote the adoption of the principles of ISO 26000 with its partners since 2012 (see page 65 Relations with sub-contractors and suppliers).

The Global Reporting Initiative

The Global Reporting Initiative (GRI) was established in 1997 as a mission to develop globally applicable directives to report on economic, environmental and social performance; it was initially intended for companies and subsequently for any governmental or non-governmental organization.

Brought about by the Coalition for Environmentally Responsible Economies (CERES) in association with the United Nations Environmental Program (UNEP), the GRI integrates the active participation of companies, NGOs, accounting bodies, business associations and other stakeholders from across the globe.

Schneider Electric aligns its extra-financial reporting with the GRI and scores a B+ this year. A reference table with these indicators and the indicators proposed by the GRI is available on Schneider Electric website:
www.schneider-electric.//ww/frwww.schneider-electric.com/isr/ww/fr

Internal bases of preparation

The Group has written bases of preparation that promote an ethical framework and strategic roadmap in which the activities of Schneider Electric are carried out: the *Principles of Responsibility*, which are supplemented by guidelines and related policies. Consequently, the Group's desire to dynamically implement its commitments gave rise to the Responsibility & Ethics Dynamics program in 2010 (R&ED program).

Our Principles of Responsibility

Our Principles of Responsibility, published for the first time in 2002 and updated in 2009, is a summary document inspired by the 10 principles of the Global Compact, the corporate governance principles, the Universal Declaration of Human Rights and the International Labour Standards. They offer a general guideline that the Group is committed to following in consideration and respect of its stakeholders. The document is available in 30 languages and is distributed to all employees.

See pages 66-68 for more details on *Our Principles of Responsibility*.

Global policies

In order to implement these principles, Schneider Electric has released a series of global policies. These reference documents are distributed throughout the Group so that all team members can embrace Schneider Electric's eco-citizen approach and apply it in line with local culture and legislation: quality policy, environmental policy, human resources policies (political diversity, health and wellness policy, travel policy), security policy, safety policy, web policy (social media policy, web usage policy), competition law policy, stock-market code of ethics.

Environment

The first version of Schneider Electric's environmental policy was published in 1992, changed in 2004 and confirmed in October 2007. It aims to improve industrial processes, reinforce product eco-design and incorporate Group customers' concerns for environmental protection, while providing product and service solutions. It applies to the Group and is accompanied by global action plans.

Social

The Group's Human Resources policies cover the following: diversity, employee engagement, recruiting, international mobility, training, human capital development, talent identification, total remuneration, social benefits and health and safety. These apply to the Group and are accompanied by global processes.

The Responsibility & Ethics Dynamics program

As a global corporation, Schneider Electric continuously interacts with local and international partners. The Group's borders are expanding, its environment is constantly changing, and its societal responsibilities and activities are growing. In this international context, reprehensible behavior may be seen when the ethics inspection and prevention processes are fragile. The Group is responsible for implementing its resources to support employees in the event of an ethical dilemma.

The aim of the program

In 2002, Schneider Electric published a set of guidelines entitled *Our Principles of Responsibility* to give all team members a common reference point. This document outlines the Group's commitments to all of its stakeholders: the company's employees, its business partners (mainly clients and suppliers), shareholders, the community and the planet.

In 2009, the Group updated *Our Principles of Responsibility* to set out standards on ethics. This document incorporates updated Group and employee commitments on the following:

- the respect of law, the limits established by each employee to ensure full compliance with the laws of all the countries in which Schneider Electric is present;
- the code of ethics that all employees must follow in line with the professional regulations of the Group;
- Group social responsibility – what all employees must do to act responsibly towards society and the planet.

In 2010, the *Responsibility & Ethics Dynamics* program put these ambitions into practice by setting up an organization, procedures and tools for the Group, so that its employees could:

- provide team members with effective support in their daily actions and decision-making, primarily through access to the necessary resources (policies, procedures, tools & best practices);
- help team members identify the appropriate individuals to guide them in their eco-citizen approach and in each of the areas covered by the principles;
- know how to notify the authorities of breaches of ethics, with respect for current laws and regulations.

For more information: see *Our Principles of Responsibility* pages 66-68.

1.6 Ratings and awards

The evaluations by the leading specialist ratings agencies and by a number of ethical fund managers indicate the company's performance in its sector. The evaluations and awards underline external recognition of the Group's sustainable development programs.

Ethical stock market indices

A key performance indicator was set in the Planet & Society Barometer for the duration of the 2012-2014 Connect Program: to ensure Schneider Electric's presence in the three major SRI (Socially Responsible Investing) indices – the DJSI World, the DJSI Europe, and since 2013, the CDP (CPLI index and/or CDLI) to replace the ASPI, which is no longer published.

At the end of 2013, Schneider Electric is included in the three ethical stock market indices covered by the Barometer, and its rating in the DJSI and CDP indices is improving.

Dow Jones Sustainability (DJSI) World and Europe indices

Schneider Electric is part of the 2013-2014 edition of DJSI World and DJSI Europe. Evaluation for this family of indices is provided by Sustainable Asset Management (SAM), an independent asset manager headquartered in Switzerland.

This year, Schneider Electric was awarded a gold medal and recognized as a leader in its sector: the Group received the distinctions *Industry Leader* and *Gold Class Sustainability Award 2014*.

Carbon Performance Leadership Index (CPLI) – Global 500

Schneider Electric remains in the CPLI again this year as one of 56 companies chosen for their commitment and action plans to fight climate change. It is one of four French companies to be included.

Carbon Disclosure Leadership Index (CDLI) – Global 500

Schneider Electric was among the 60 companies of the CDLI this year; these companies were chosen for their understanding of climate change challenges, and include three French companies. Schneider Electric's Disclosure rating improved this year, rising to 97/100.

Euronext Vigeo indices

In November 2012, Euronext and Vigeo jointly launched a range of indices singling out the exchange-listed companies that have the best corporate social responsibility performance. These indices are updated twice a year, in May and November. As of November 1, 2012 Schneider Electric was selected in the three indices Euronext Vigeo World 120, Euronext Vigeo Europe 120 and Euronext Vigeo France 20. The composition of the indices is determined based on the opinions of Vigeo conducted approximately every 18 months. Schneider Electric was evaluated again in late 2013 for the May 2014 update of the indices. Since November 1, 2013, Schneider Electric has been part of the Euronext Vigeo Europe 120 Index and the new Euronext Vigeo Eurozone 120 Index.

Other indices

In 2013, Schneider Electric was part of the following indices in particular:

- Family indices (World, All Country World, All Country Europe, Europe Large Cap...) MSCI Global Sustainability (ESG Indices), MSCI Global Socially Responsible, MSCI Global ex. Controversial Weapons, MSCI Global Environment, MSCI Global Climate;
- STOXX Global ESG Leaders, STOXX Global ESG Environmental Leaders, STOXX Global ESG Social Leaders, STOXX Global ESG Governance Leaders, EURO *STOXX ESG Leaders 50* and *STOXX Europe ESG Leaders 50* Indices by Sustainalytics;
- STOXX Europe Sustainability, STOXX Europe Sustainability 40, EURO STOXX Sustainability and EURO STOXX Sustainability 40 indices by the Sarasin Bank;
- Ethibel Sustainability Index (ESI) Excellence Europe and Ethibel Sustainability Index (ESI) Excellence Global;
- ECPI Global Carbon Equity, ECPI Euro Ethical Equity, ECPI Global Ethical Equity, ECPI EMU Ethical Equity, ECPI Global Renewable Energy Equity and two other indices recently developed by ECPI, ECPI Global ESG Best in Class Equity and ECPI Global Megatrend.

Awards 2013

Among the recognitions for sustainable development received in 2013, the Group highlights the following:

- **Global 100 most sustainable corporations:** Schneider Electric reached 10th place in January 2014 in the ranking by Corporate Knights Inc., versus 13th in January 2013.
- **Ethisphere:** For the third consecutive year in March 2013, and fourth year in March 2014, Schneider Electric was one of the 100 most ethical companies as ranked by Ethisphere.
- **Universum rankings – Global top 50 World's Most Attractive Employers:** in 2013, Schneider Electric was one of 50 global companies in the engineering category rated most attractive to students. Schneider Electric France rose in ranking yet again in 2013, rising from 80th place to 78th place.
- **World's Most Admired Companies:** Schneider Electric rises to 5th place in its sector (Industry/Electronics) in the ranking published by Fortune magazine. Social responsibility and the management of its Human Resources received particularly positive evaluations.
- **Annual General Meeting Award:** In 2013, Schneider Electric received the "CSR Award" (Capitalcom/Vigéo award) for its General Assembly.
- **Award for the most innovative CSR project:** the 100 Opportunities 100 Jobs initiative won this award in the "Large Enterprise" category during the CSR Night on October 28, 2013.
- **PAP50:** this year, Schneider Electric is ranked 12th in this ranking, which evaluates the paper policy of the 50 largest French companies.
- **Employee share ownership award:** Schneider Electric was awarded the 2013 quality of information and training for employee shareholders and their representatives by the FAS (Federation of French Employee Shareholder Associations).

- **National awards:** CSR 2013 Prize from the Mexican Center for Philanthropy (CEMEFI) in Mexico; Top three companies in Strategy, Leadership and Innovation in Sustainable Development in Brazil according to the American Chamber of Commerce (for the 2nd consecutive year) and best project submitted to Villa Smart, which provides communities with clean energy 24h/24; in India, Best CSR Practices Award 2013 (by CMO Asia) and Responsible Business Leader at the Responsible Business Summit & Awards 2013; Top Employer 2012 in France; in China, 2013 Innovative CSR Award (by China Charity Festival), 2013 China Low Carbon Model (by China News Weekly), China's Top 10 EnergySsaving (by China Energy Conservation Association), 2013 Best Green Model (by China Finance Summit), China's top 100 Green Companies (by Green Companies Magazine), Award of Excellent CSR Story for Mutinational Corporation in China (by the Executive Committee of Foreign Investment Companies).

2. Green and responsible growth driving economic performance

This chapter covers two subjects:

- **products and solutions for fighting climate change:** energy efficiency, renewable energies, electric vehicles, smart grid, product end-of-life recovery services, etc.;
- **business ethics:** Group responsibility principles, the fight against corruption, relations with suppliers and subcontractors.

Corporate governance is discussed in Chapter 3 "Corporate Governance": organization and operations of the board of directors, interests and compensation of Group Senior Management, internal control and risk management (pages 125 and following); as well as in chapter 7: Shareholder's right and obligations (pages 275 and following).

2.1 Overview

Context and aims

Climate change is one of the main challenges of the 21st century. Schneider Electric works for sectors that account for the majority of global energy consumption. Energy consumption is not always optimized, which makes it one of the largest sources of CO_2 emissions.

As a global specialist in energy management, Schneider Electric's products and solutions help reduce energy consumption and CO_2 emissions. The Group is therefore developing energy efficiency offerings to reduce energy bills by up to 30% for every type of building. The Group's offerings also target other areas related to smart grids and sustainable cities.

Moreover, the Group's products and solutions are sold worldwide, either directly to end customers or through networks of partners, therefore without any control over their final destination and end-of-life processing. To limit the impact of its end-of-life products, Schneider Electric has established a system to recover equipment containing SF_6, a powerful greenhouse gas.

The Group works in more than 100 countries, with heterogeneous practices, standards and values. Schneider Electric is also committed to acting responsibly towards all of its stakeholders. Therefore, the company has defined its *Principles of Responsibility* that apply to the entire Group and are based on dedicated organization and processes. In addition, Schneider Electric is committed to share its vision of sustainable development with the greatest possible number of its suppliers.

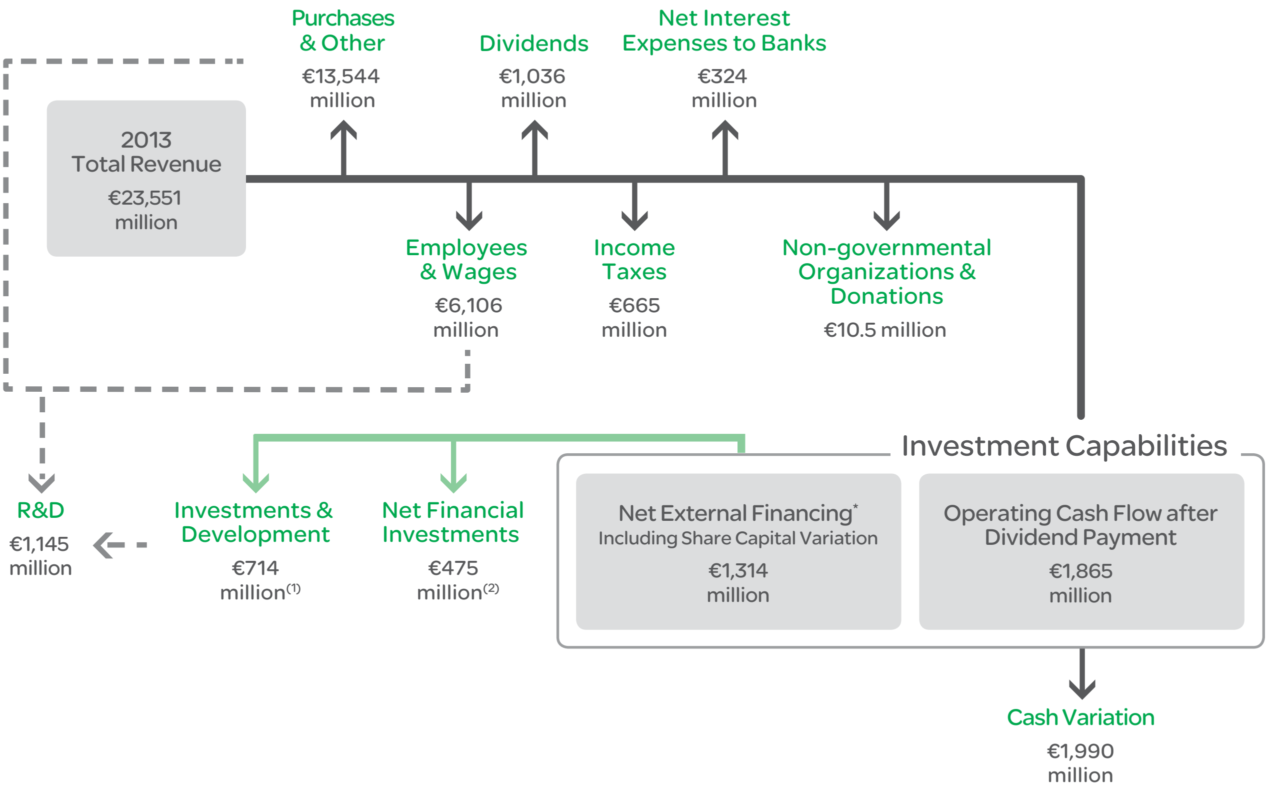
For this section, three key performance indicators were set in the **Planet & Society Barometer** for the duration of the Connect Program (2012-2014):

Objectives for year end 2014	2013	2012	2011
1. **+7 points** of growth with **EcoXperts** above Group growth	1.28 pt ▲	7.6pt	-
2. **90%** of our **recommended suppliers** comply with ISO 26000	18.8% ▲	7.8%	-
3. **Three** major ethical stock market **indices** choose Schneider Electric	3 ▲	3	3

The 2011 performance serves as a starting value for the Planet & Society Barometer Connect Program between 2012 and 2014.
▲ *2013 Audited indicators.*
Please refer to pages 105 to 108 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 62 for indicator 1, 65-66 for indicator 2 and 59 for indicator 3).

Revenue breakdown

Every year for the last eight years, Schneider Electric has published a diagram showing its revenue distribution for its various stakeholders. This exercise allows the importance of each stakeholder to be highlighted from the point of view of financial flows and shows their share in this flow.



Revenue distribution to our stakeholders
Investments

* Borrowings, share issues and sale of treasury stock.
(1) Including €326 million in R&D.
(2) Including €65 million for long term pension assets.

2.2 Smart energy management products and solutions to help fight climate change

Our planet is facing an unprecedented energy challenge.

Even assuming that all recently-introduced energy efficiency policies are implemented with full success, global primary energy demand is still expected to increase by 35% by 2035. This would dramatically impact energy costs and energy security, competition for resources, access to energy of the poorest populations, economic growth – and of course climate change. The energy mix needs to change, with the share of renewable energies going from 13% to 18% of the total.

The corresponding increase in energy-related greenhouse gas emissions would be 23% – whereas it would have to decrease by 27% for the world to achieve its environmental needs.

Helping resolve this challenge lies at the heart of Schneider Electric's business strategy.

Our customers – companies, citizens, governments – all want to reduce their costs and environmental impact while constantly improving the reliability, safety and performance of their homes, buildings, sites and equipment.

This is why Schneider Electric provides an innovative and competitive portfolio of products, systems, services and software to help its customers further optimize their energy management.

Energy efficiency

Context

Energy efficiency means using less energy for equivalent performance or service.

This reduces energy consumption and carbon emissions and saves money while contributing to energy security and creating jobs.

According to the International Energy Agency's World Energy Outlook 2012, recently introduced energy efficiency-related policies could account for close to 70% of the reduction in energy demand that is required for the world to meet its environmental targets in 2035.

Schneider Electric is one of the first companies to have taken a strong position in support of energy efficiency by developing efficient and competitive offerings for all its large end-markets.

Offerings

Schneider Electric promotes "active" energy efficiency, which consists of optimizing the entire energy cycle through active energy control products, systems, services and software.

These are mostly used to optimize the energy efficiency of industrial processes and to improve energy performance and comfort in industrial facilities, commercial buildings and homes – which together represent more than 60% of total energy demand. Since active energy controls can help reduce energy usage by up to 30%, the impact on a country's energy mix and energy bill is too significant to be ignored.

Schneider Electric offers a range of products, systems, services and software such as:

- products: dimmer switches, timers, heating and air conditioning control, variable speed drives, etc.;
- systems: building management systems, lighting control, process supervision;
- services: energy audits, optimization of energy purchases, participation in demand reduction programs, etc.;
- software: data analysis, remote monitoring, integrated management of energy flows over several sites, etc.

These solutions meet the standards and regulations in force in each country where they are sold.

In particular, Schneider Electric has expanded its **energy services** portfolio through strong organic and external growth.

The Group's large customers want to manage their energy better and therefore must better understand their energy flows. This involves energy efficiency audits, metering, monitoring and analysis services.

Then they intend to optimize these flows by using the best purchasing policies, by participating in demand reduction programs, by implementing energy performance contracts, and by obtaining certifications (e.g., the new ISO 50001 international standard). These are energy management services.

Finally, this energy management allows customers to reduce the environmental impact of their activities and to improve their carbon audit. This involves evaluation and carbon footprint management services, which are closely linked to energy management services.

The Group's **integrated energy management** solution is also experiencing strong growth.

This involves achieving a consolidated view of energy flows over various activity zones of a single site, several sites, or the whole of a company. Understanding the flows means they can be monitored and then optimized, thus improving the long-term energy performance of the site or company.

Schneider Electric has developed an integrated offering called EcoStruxure, combining products, systems, services and software within a single energy management architecture.

Schneider Electric has competitive offerings for energy efficiency, as well as for energy flow management of industrial processes, security systems, data centers, and of course, buildings. EcoStruxure combines these various offerings to provide the customer with a single vision – complete supervision of their sites or their company – through its innovative software offer, StruxureWare. Launched in 2012, StruxureWare is a powerful array of software applications and suites that deliver energy management and process efficiency solutions, from the "shop" floor to the "top" floor. The software package offering provides tools at three layers to maximize customer efficiency: enterprise, operations and control. Whether our customer is a senior executive seeking command of her company's carbon footprint or a grid operator working to ensure reliability, with StruxureWare, Schneider Electric provides market leading software solutions.

Customers are now able to more effectively connect their sustainable development goals to tangible actions, through streamlined software tools and interfaces. Customers have strongly validated the company's approach, and one recent independent analyst report identified StruxureWare software as a leader, with the strongest momentum among all competitors.

The Smart Grid

Context

The smart grid combines electricity and IT infrastructure to integrate and inter-connect all users (producers, operators, marketers, consumers, etc.) in order to continue to efficiently balance supply and demand over an increasingly complex network.

Today's grid is undergoing rapid change: the Fukushima tragedy has led many countries to rethink their energy strategy and evolve their energy mix. Renewable energy sources are enjoying rapid growth, although they remain a small share of total energy produced. Electric vehicles need greater government support to continue their rollout.

This situation makes the smart grid more essential than ever, and is driving development of specific applications in every region.

Offerings

Schneider Electric supports and connects the key domains of a smart grid: on the supply side, flexible distribution and smart generation, which covers bulk generation, distributed generation and renewable energy integration; on the demand side, efficient homes and efficient enterprise, which covers homes, buildings, industrial facilities and datacenters, as well as electric vehicles charging infrastructure; and finally, balancing supply and demand, through demand-response.

Schneider Electric offers products and solutions in all these domains:

- flexible distribution: control and automation of sub-stations (between high and medium voltage and medium and low voltage networks), SCADA (Supervisory Control And Data Acquisition), protection and metering systems, outage devices;
- smart generation: installation and equipping of solar power, wind or hydroelectric plants, automation and control systems, SCADA, engineering and maintenance.

According to the International Energy Agency's World Energy Outlook 2012, renewable energies could grow from 13% of total energy production in 2010 to 18% in 2035 – representing an 83% increase.

Schneider Electric serves and connects power plants and large buildings to the electricity grid, provides equipment to turbine manufacturers and supplies the residential end-market through its network of partners and distributors;

- efficient homes and enterprise: energy efficiency products and solutions, complex solutions for integrated energy management, operational and financial project management.

  Schneider Electric also offers safe recharging infrastructures for electric vehicles, as well as efficient energy management systems and high added value accompanying services.

  The recharging infrastructure must be completely safe, for the user as well as for the vehicle, the building and the electricity grid. Our range of solutions covers residential or co-owned garages, public and private car parks or roadside parking as well as rapid recharging infrastructures.

  However, for an electric vehicle to be "green", the electricity used for charging must also be green. Priority for charging must therefore be given to the periods in which energy sources with low CO_2 emissions are available. Peak periods must also be avoided as the electricity grid is already experiencing very high demand for all other uses. This is why Schneider Electric is developing energy management solutions adapted to grid cycles.

  Finally, the variety of charging environments, whether public or private, individual or collective, requires information and invoicing systems to be put in place for businesses and car service providers;
- demand-response: consultancy and implementation of software platforms to share data and for load shedding aimed at energy operators.

Sustainable Cities

Context

Cities are where the world's sustainable development battle will be won – or lost. Cities need to ensure resource efficiency over the long-term as well as social inclusiveness, while providing more efficient urban services to their constituents.

As cities improve the efficiency of their underlying urban systems (electrical distribution, gas distribution, water distribution, public and private transportation, buildings and homes, waste management), they increase the performance of the public services they provide, thus improving their livability and attractiveness to residents, commuters and visitors alike.

Offerings

Our hands-on, bottom-up approach to urban efficiency combines solutions to all key systems of a city, integration capabilities, innovative financing mechanisms such as performance contracting as well as a strong collaborative mindset, with both global players with complementary capabilities and local players with deep knowledge of each city's specifications.

Our technology offering comprises products, systems, services and software, backed by strong process expertise, to improve the efficiency of the operation and information architectures:

- solutions for smart energy: smart grid automation, flexible distribution, metering management systems, integration of renewable energy sources, real-time software suites;
- solutions for smart mobility: electric vehicles charging infrastructure and supervision services, traffic management systems, tolling and congestion charging systems, multi-modal transportation management system;
- solutions for smart water: distribution management system, leak detection, power, control and security systems integration, stormwater management, urban flooding management;
- solutions for smart buildings: energy efficiency and security solutions and services for high-performance buildings, home energy management systems;
- solutions for smart public services: public safety through video surveillance and emergency management system, digital city services platforms, street lighting management system;
- solutions for smart integration: EcoStruxure integrated architecture for power, security, IT, building and process management systems, integrated mobility management platform, security systems and management, intelligent weather forecasting, energy and environment management information system.

Recovery service for equipment containing SF_6

Since 2009, Schneider Electric has been looking to create SF_6 gas recovery processes for end-of-life products in Europe and Asia. SF_6 is a gas used as an insulator and/or breaker in medium voltage devices. SF_6 is an extremely powerful greenhouse gas and therefore requires special treatment to prevent atmospheric emissions. Schneider Electric has significantly reduced its SF_6 emissions during the manufacturing of new products over the last years.

But the first devices containing SF_6 gas sold by Schneider Electric started reaching their end-of-life at the start of the 2000's. The objective is to develop commercial offers that allow customers to dispose of their end-of-life (EoL) SF_6 containing devices, in order to completely extract the gas and also recycle it.

At the end of 2012, ten countries had implemented a recovery process with a local service manager, a recovery solution (Schneider Electric or partner), and appropriate customer tariffs: Australia and France (since 2009), Sweden (since 2010), Germany, Austria, Belgium, Spain and the United Kingdom (since 2011), Switzerland and New Zealand (since 2012).

In 2013, Schneider Electric continued structuring and reinforcing industrial processes robustness around the “EoL” program through appropriate first class partnerships with Hazardous Waste licensed carriers and recycling companies. In addition, Schneider Electric continued expanding the SF_6 end-of-life product recovery available offers. The indicator counting the number of countries proposing EOL offer has integrated three new countries having joined the program and completed the implementation of a recovery process: Ireland, the Netherland and Mexico. For 2014, the goal is to reach a total of 15 countries.

Norway implemented a public recovery process in 2001. SF_6 recycling is a legal enforced obligation in this country and Schneider Electric's customers' work with the public organizations in charge of electrical and electronic waste recycling. This country is not included in the indicator.

EoL is a service offer that can meet the need for timely recycling of old appliances (standalone mode) or be grouped with an offer to upgrade ECOFIT™-type installations (replacing old appliances with new, higher performance appliances).

The SF_6 release to the atmosphere has been taken very seriously by Schneider Electric for years now, from new offer design and manufacturing to the EoL of obsolete products.

2.3 Relations with subcontractors and suppliers

Approach

As a Global Compact signatory, Schneider Electric has been involved in an ambitious approach to include sustainable development challenges in the supplier selection and working processes. This approach is all the more important as Schneider Electric's purchases volume represents more than EUR11 billion.

Schneider Electric has published a charter for its suppliers, called the Supplier Guide Book, which includes a large section on expectations with regard to sustainable development in the following four areas: health and safety, human rights, ethics and the environment.

Since 2004, the Group has been encouraging its suppliers to commit to a sustainable development process. A key performance indicator was defined in the Planet & Society Barometer for the duration of the 2009-2011 One program: at the end of 2011, more than 50% of Schneider Electric purchases were from suppliers who had signed the 10 Principles of the Global Compact or the EICC (Electronic Industry Citizenship Coalition). With the Connect program, Schneider Electric is placing itself in a continuous improvement process by encouraging our Suppliers to make progress according to the guidelines of ISO 26000. Amongst the key objectives, Schneider Electric is aiming at being Conflict Free.

This approach is strengthened by the General Purchasing Terms and Conditions to which all suppliers must conform: the supplier undertakes to adhere to and to apply the principles and guidelines of ISO26000 international standard, the rules defined in the ISO 14001 standard, and is informed that energy performance of the supply has been considered as part of the selection criteria. Suppliers also commit to respect all national legislation and regulations, the REACH regulation and the RoHS directives, and, more generally, the laws and regulations relating to prohibition or restriction of use of certain products or substances. Last, supplier are expected to report the presence and country of origin of any and all conflict minerals in the supplies in accordance with the requirements of the US Dodd-Frank Act of 2010 known as "Conflict Minerals" law.

Action plans

Schneider Electric's approach to its suppliers in the area of sustainable development centres around three main action plans.

Integration of the sustainable purchases approach into the selection of new suppliers

Schneider Electric uses a qualification process called Schneider Supplier Quality Management to select new suppliers. It is based on an evaluation questionnaire combined with on-site audits by Schneider Electric quality specialists.

This process includes a specific section on the environment and sustainable development and aims to assess supplier suitability with regard to the Group's expectations in three areas:

- social responsibility: ISO 26000 guidelines and in particular the Conflict Minerals regulation;
- environment: ISO 14001, ISO 14062 on eco-design, REACH and RoHS;
- safety: health, safety standards, accidents and severity rate.

Sustainable development criteria account for nearly 15% of supplier evaluation. In addition, all these criteria have a minimum level, below which a supplier will not be retained to work with Schneider Electric. Schneider Electric carried out more than 225 audits of this type in 2013.

This qualification process applies to all new suppliers and to existing suppliers in certain cases. All assessed suppliers have an action plan, registered in our central database. Those are tracked by our supplier leaders with the suppliers on a monthly or pluri-annual basis depending on the severity of the action plan.

Promotion of a continuous improvement process based on ISO 26000

A statement on the importance of sustainable development is made by the Group purchasing pilot to each major supplier of Schneider Electric after the supplier has been trained in the approach. For these suppliers, in 2012 Schneider Electric began an approach that is based on an evaluation carried out by a third party.

The sustainable development goals have become one of the 7 pillars used to measure supplier performance since 2011; this has the particular advantage of allowing the highest-performing suppliers to become "recommended", or for the best suppliers, "preferred" Group supplier. The performance resulting from the external evaluation is one of the key points of this pillar. The Group aims to engage 90% of its recommended suppliers in a process of continuous improvement on this pillar. Recommended suppliers represent 48% of Schneider Electric purchases volume. At the end of 2013, 18.8% of the recommended suppliers have pass the 3rd party evaluation process.

This assessment process requires that the suppliers put in place a corrective action plan and provides for a follow-up with purchases team during business reviews. This tracking supposes an improvement from the supplier.

In 2013, our assessment process allowed us to detect 10 suppliers with low performance on the sustainable development axis and for all of them action plans were engaged. Half of these action plans were closed before year end, one supplier was demoted all others are closely tracked.

Additionally to the external assessments, we have defined "off-limit" situations which are environmental pollutions, safety risks, and child labor. Each supplier leader is expected to open his "eyes for sustainability" when visiting a supplier's site. Off-limit cases must be treated immediately; or escalated if any doubt.

To support the approach, trainings were made available to purchasing teams: basic training on ISO 26000 for all purchasing actors is now part of the standard purchaser curriculum; and more advanced training on how to challenge our recommended suppliers during the business reviews (whether assessed by third party or not).

For off-limit situations, we favored a “hands-on” training approach, based on case studies to ensure our purchasers have a clear understanding of situations that are unacceptable per Schneider Electric standards. This also includes how to react if/when such a situation is encountered.

Rollout of eco-responsible initiatives

Schneider Electric is rolling out several eco-responsible initiatives with its suppliers.

For example, Schneider Electric has chosen to go further than the European REACH and RoHS regulations. The approach is therefore rolled out in the Group over the whole product portfolio and all suppliers, regardless of their geographic origin. To support the REACH and RoHS projects, Schneider Electric has implemented a Data Collection process supported by a dedicated team to gather required information from our suppliers. This has allowed us to significantly reduce our response time to collect such information and therefore be quicker to respond to our customers' inquiries.

Schneider Electric has also made available for all its customers and stakeholders, its position regarding conflict minerals. It can be found at:

http://www2.schneider-electric.com/sites/corporate/en/group/sustainable-development-and-foundation/social-commitments/conflict-minerals.page

Furthermore, Schneider Electric launched an update in 2013 to the carbon impact analysis of company purchases (as part of the Group carbon footprint). Schneider Electric has used this approach to raise awareness on the importance of this subject among purchasers and certain suppliers in the most relevant purchasing sectors.

Another example is Schneider Electric's commitment to support the small and medium enterprises network. This support is given through an approach to work adapted with certain suppliers. In France, Schneider Electric is a major player of the International SME Pact and in France Schneider Electric recently ranked 2nd place for best Supplier to Customer relationship. Amongst the criteria used, were the respect of the contractual clauses, respect of payment terms and overall quality of the dialogue between the parties.

Finally, by the very nature of its activity, the Group continually encourages its ecosystem (including customers and suppliers) to implement energy efficient solutions.

Global Supplier Day 2013

A global Supplier Day organized in July 2013 for “preferred” suppliers emphasized the importance that Schneider Electric places on aspects linked to sustainable development. During this event, Schneider Electric rewarded the highest-performing suppliers, particularly in the environmental and social responsibility category for which a trophy was awarded.

2.4 Our Principles of Responsibility

The company is constantly interacting with all the stakeholders throughout the world: its borders are expanding, its environment is changing ever faster, its activities are becoming globalized and its social responsibilities are growing.

Schneider Electric wants to reaffirm its desire to respect the laws and regulations in all the countries in which it works.

The challenge is to gain and maintain the highest confidence of its customers and – in a wider sense – of its stakeholders. To support each employee in this approach, the Group emphasizes the importance of placing responsibility at the heart of its corporate governance.

The Group currently has around 160,000 employees worldwide. Following the Group's various acquisitions, it has been able to integrate this exceptional professional and cultural diversity. Driven by Group values, the Responsibility & Ethics Dynamics program forms the basis of common references. Schneider Electric's mission therefore takes its meaning from engaging with individuals and organizations in order to help them get the most from their energy.

A common frame of reference: Our Principles of Responsibility

Our Principles of Responsibility is a 15-page document that is as pragmatic and realistic as possible, a synthesis of the Group's common commitments to employees, partners, shareholders, the planet and society. *Our Principles of Responsibility* do not claim to cover all ethical dilemmas, but rather serve as a general guideline. They are adapted locally to meet local practices or legal requirements.

Our Principles of Responsibility were prepared in compliance with the 10 principles of the Global Compact, the corporate governance principles, the Universal Declaration of Human Rights and theInternational Labor Standards. As a result, these principles comply with international standards such as the anti-corruption principles.

Today, *Our Principles of Responsibility* document has been translated into 30 languages and sent to all Group employees.

A clause was added to all employment contracts, specifying that new arrivals were aware of *Our Principles of Responsibility* when they joined Schneider Electric.

Adapted processes

The Responsibility & Ethics Dynamics program provides each employee with a method for asking the right questions and seeking out the right people according to two approaches:

- a detailed questioning process to take the right steps in delicate situations. This may be broken down into three stages:
  1. consulting the program's Intranet site,
  2. contacting one's manager and/or a member of the concerned department (legal, financial, human resources (HR), environment, etc.),
  3. contacting the entity's *Principles of Responsibility* advisor;
- an alert process to guide employees step-by-step towards the right bodies:
  1. contact their line managers,
  2. use existing in-house outlets (legal, financial, HR, environment, etc.),
  3. contact the Group Compliance Committee.

Three tools accessible to all employees for educational and prevention purposes

- An Intranet site accessible to all employees from the global Intranet home page, providing all information on the program and *Our Principles of Responsibility*, as well as news and progress in the field.
- Frequently Asked Questions – FAQs. This tool which is continually powered was introduced following a collection of reports written by the managers after the program and *Our Principles of Responsibility* were presented to their teams.
- An online e-learning module. The aim is that, at the end of the session, the trainee will be familiar with *Our Principles of Responsibility* and more comfortable using them in his or her job. At the end of 2013, more than 50,000 employees participated in the module: 94% rate it as good or excellent. This training is ranked number one in the Top 10 e-learning modules.

A professional alert system

To allow each employee to exercise their right to report a problem, a professional alert system has been deployed since 2012.

In compliance with local legislations, this market solution is provided by an independent company and proposes alert categories, a questionnaire, and information exchange protocol between the person issuing the alert and the person responsible for investigating it. The main players in this process are the Compliance Officers (see "Dedicated teams and organization").

Implementation for the whole Group is accompanied by an internal communication plan that identifies the persons responsible for investigating alerts received.

Dedicated teams and organization

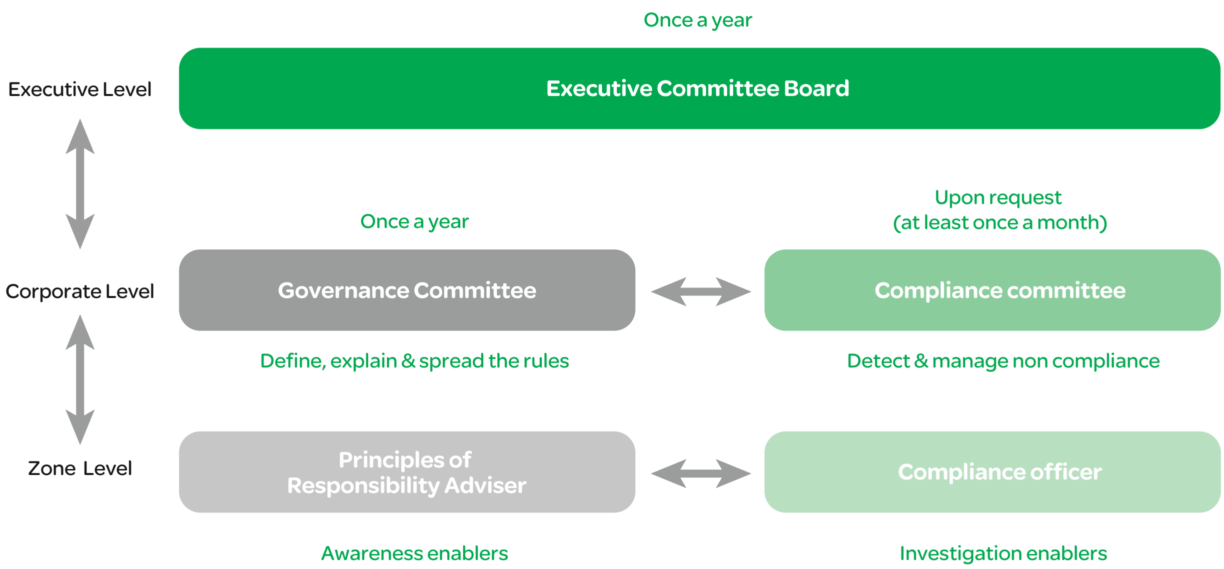
The program requires implementation of an organization including the following:

- a governance committee and a network of *Principles of Responsibility* Advisors;
- They are responsible for the implementation and roll out of the Responsibility & Ethics Dynamics program;
- a Compliance Committee and a network of Compliance Officers.

They are responsible for detecting and managing cases of non-compliance with the processes defined, in line with local laws and regulations and *Our Principles of Responsibility*.

Stakeholders and committees exercise their authority within activities of influence and control.

In particular, the governance committee must ensure coherence with the Group's strategic goals. It provides Executive Committee members with information on trends that, for example, implement the company change program.



Measuring rollout and effectiveness

The Responsibility & Ethics Dynamics program is primarily the subject of regular internal communication. The objective is to inform all the employees and remind the management teams of the priority actions that they must drive forward, depending on the risks to which they are exposed in their countries of operation.

In addition and since the program was launched in 2010, it has been the subject of an assessment conducted by Internal Audit.

Our Principles of Responsibility were rolled out in all the Group's entities in 2010. The results of the Internal Audit communicated at the end of 2011, which included the findings of a survey of 19 countries (the most exposed countries according to the perception index of Transparency International) of more than 30,000 employees, were:

- 75% of the employees surveyed are familiar with *Our Principles of Responsibility* (83% if a recently acquired entity is excluded);
- 84% of survey participants stated that the information given was useful and comprehensive.

Beyond the figures, the audit revealed two very important points:

- on the one hand, regarding the means of communication judged the most effective;
- and on the other, on the level of perception of *Our Principles of Responsibility* by position within the company.

Since 2012, these lessons are driving us to integrate communication into the Schneider Electric University training programs and to use supplementary action for the job posts where the result is weakest.

Personal data protection

Building a global organization requires the pooling of our information systems (human resources, customer relationship management, suppliers, etc.) and globally sharing our databases among all entities. However, personal data protection regulations restrict cross-border flows of personal data by subjecting them to strict constraints requiring the signing of contractual agreements between the entities concerned.

Schneider Electric chooses to provide legal certainty for cross-border flows by developing a code of conduct for the protection of personal data (Binding Corporate Rules), an option proposed to multinationals by the personal data protection authorities in Europe.

Schneider Electric's Binding Corporate Rules were approved on November 27, 2012 by the personal data protection authorities in 26 Member States of the European Union.

These data protection rules will be applicable to all Schneider Electric subsidiaries worldwide. The communication plan, e-learning module and practical guides will be available to allow for harmonized deployment of the Binding Corporate Rules, which will be binding on all employees. Their implementation will be subject to an annual audit, whose report will be available to the personal data protection authorities.

This code of conduct publicly affirms Schneider Electric's commitment to protect the personal data of its employees but also of its customers, which is a measure of a digital strategy that reconciles economic business objectives and respect for the fundamental right of people to protect their data and their privacy.

Policies in high-risk areas

As a global and responsible company, Schneider Electric has strict policies and practices in areas identified as high-risk and its operations, in these areas, have been significantly reduced or eliminated. The Group strictly respects all applicable embargos and regulations. It prohibits "Dual Use Goods" – products which potentially could be used for sensitive applications such as military. It screens the parties it engages with against applicable denied parties lists to ensure it does not support or fund activities unintentionally. It restricts its business to activities that help the countries improve their electrical distribution infrastructure.

Award for excellence 2013

The Group is proud of having been included in The Ethisphere Institute's World's Most Ethical Companies indicator for the third year in a row.

Schneider Electric is among 100 international companies recognized for their ethical commitment and behavior. The performance measure looks at the existence and consistency of governance, the reputation and influence of the company, the quality of actions promoting citizenship and social responsibility, and the culture and actions promoting ethics. This recognition is reassuring for the Group as it implements the Responsibility & Ethics Dynamics program.

Achievements in 2013 and outlook for 2014

Program rollout continued along various axes:

- continuing communication actions and training for employees in countries most susceptible to breaches of ethics;
- continuation of implementing simple measures to enable employees to understand ethical dilemmas in an operational context and to help them place themselves above the risk level to which they may be exposed. To this end, with the Purchasing and Human Resources functions, in 2013 the Sustainable Development Department established the first training kits for managers of the Group. Each kit, for use at team meetings, includes an ethical dilemma placed in a real-life context, three examples of typical behaviors and an explanation of the behavior recommended by the Group. For 2014, the goal is to continue building these kits with other functions and ensure their proper use;
- working with the *Principles of Responsibility* Advisors to forge closer ties between the principles and the operational procedures and directives that should be readily available to all Group employees. The operation of networks formed on the subject of ethics and responsibility is a priority for 2014.

2.5 Fight against corruption

Approach and action plans

Schneider Electric is subject to investigation, controlled by ratings agencies and investors on sustainable development practices, which often include questions on very specific subjects, such as our anti-corruption policies. The Group makes an effort to respond to all questions with full transparency.

The governance committee, presided over by the Executive VP for Strategy, applies a seven-point improvement plan based on the Responsibility & Ethics Dynamics program:

1. identify high level employees to monitor the rollout of the Responsibility & Ethics Dynamics program;
2. define best practices to prevent illegal actions, strengthen management's major role and promote use of the professional alert system;
3. ensure that all policies comply with *Our Principles of Responsibility*;
4. inform employees of standards and procedures;
5. implement monitoring, audit and reporting systems;
6. establish disciplined practices in the implementation of standards and procedures;
7. in the event of a breach of the ethics principles, take the corrective measures necessary, including the consolidation of procedures.

Examples

In full coordination with the Responsibility & Ethics Dynamics program, the awareness-raising actions linking the Sustainable Development, Legal, Security and Internal Audit functions were led by the entity line managers and with employees of certain functions in 2013.

Various other anti-corruption initiatives have been implemented, at the national or regional level:

- for example, an information session dedicated to the managers of the key countries in terms of consolidated sales generated was established to review and explain the implications of the various anti-corruption regulations, such as the UK Bribery act and other similar texts; training materials and specific awareness-raising materials have been developed for a number of functions, such as the Purchasing function;
- in France, Schneider Electric is involved in defining ethical standards as part of the Business Ethics Commission of Gimélec, a grouping of manufacturers of electrical equipment, control systems and related services;
- many training courses have been rolled out on understanding and preventing risks of corruption in Egypt, Nigeria, South Africa, Algeria, Morocco and France: an overview of the legal context, presentation of legal cases related to corruption, exchange of best practices);
- communications in the form of Lessons Learned were conducted with the Chairmen of subsidiaries in cases of alert detected that were the subject of investigation in order to explain and give instructions on how to prevent unethical acts.

3. Schneider Electric's commitment to environmental performance

This chapter deals with the environmental impact of the Group's industrial activities. The products and solutions offered by Schneider Electric which help reduce the environmental impacts of our customers' activities are described in part 2 (page 62).

3.1 Overview

Context and aims

Schneider Electric does not produce nor distribute energy. It conceives and builds electrical products and proposes integral solutions for a number of market segments. The great majority of these products are installation components for energy management. They consume little energy compared with the devices they control, and the losses through dissipation are negligible compared with the energy in transit. Production activities, for their part, mainly call on assembly and control techniques and only minimally integrate procedures with a significant environmental impact, such as the transformation and treatment of metals.

With a company presence in more than 100 countries resulting from a continual rhythm of internal development as well as acquisitions, Schneider Electric applies a common environmental policy to all its entities and rolls out the same programs for certification, reporting and performance objective throughout all its geographical locations.

Schneider Electric commits to protecting the environment and health through the following objectives contained in the Connect company program:

- to roll out ISO 14001 certification and the Group's environmental reporting to 100% of the industrial sites and logistics centres (more than 50 people) within two years after their creation or acquisition, and to the large tertiary sites (more than 500 people);
- to roll out energy efficiency monitoring solutions to sites larger than 5,000 m² and to several strategic sites (*i.e.*, a total of more than 300) covering 90% of the Group's total consumption, and reduce the energy consumption at these sites by 10% in three years (Energy Action program);
- limit leaks of SF_6 to 0.75% of the consumption of that gas at those sites;
- reduce the CO_2 emissions associated with transportation paid by the Group by 10%;
- reduce the Group's water consumption with specific objectives and action plans for the sites with the highest water consumption and those located in areas of water stress, and control the deviations (+/-10%) of all sites that report water consumption;
- monitor VOC emissions (Volatile Organic Compounds) for all ISO 14001 sites holding emissions permits or emitting more than one ton per year;
- achieve an 85% industrial waste recycling rate;
- achieve 75% of product revenue from products that have a life-cycle analysis and controlled and limited chemical substance usage (Green Premium eco-mark).

For this section, three key performance indicators were set in the Planet & Society Barometer for the duration of the Connect program (2012-2014):

Objectives for year end 2014	2013	2012	2011
1. **10%** CO_2 savings on transportation	16.7% ▲	14.8%	-
2. **75%** of our product revenues achieved with Green Premium	68.7% ▲	65.5%	63%
3. **10%** energy consumption savings	8% ▲	6.1%	-

The 2011 performance serves as a starting value for the Planet & Society Barometer Connect program between 2012 and 2014.
▲ *2013 Audited Indicators.*
Please refer to pages 105 to 108 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 74 for indicator 1, 75-77 for indicator 2 and 72-73 for indicator 3).

Organization

At the corporate level, the Sustainable Development Department establishes the Group's sustainability strategy and leads the corporate environmental players, jointly with the Global Supply Chain Management. The Sustainable Development Senior Vice-president is ranked below the Executive Vice-president of Strategy & Technology (member of the Group's Executive Committee).

The Environment VP, reporting to the Executive Vice-president of the Global Supply Chain (a member of the Group's Executive Committee), defines and rolls out the environmental policies and programs; this person reports the results and leads the environmental manager network comprising:

- for product management: environmental managers in each business who are responsible for integrating environmental concerns in line-up management, environmental representatives who are responsible for assessing the impact on marketing, and environmental specialists with expertise in integrating environmental aspects into product design;
- for site management: environmental managers in each major zone, environmental managers in each large region with significant business volume, and environmental managers in each plant or supply chain centre.

In 2013, the organization within Global Supply Chain evolved from three regions to the following regions: EMEA (Europe – Middle East – Africa), North America, South America, India, China, EAJP (East Asia – Japan – Pacific). For each region, a Safety & Environment VP has been appointed. Each one is responsible for implementing the Group's policies in these fields for all sites within their geographical area and for reporting on progress plans. The VPs meet every quarter to ensure coherence in the Safety and Environment policies for the entire Group. To implement these policies, the Safety & Environment VPs lead a network of more than 200 managers responsible for the environmental management of industrial, logistic and administrative sites.

This network has access to a wide range of management and experience sharing resources including directives, application guides, an intranet site and databases.

The Transport Director, within Global Supply Chain Management, is in charge of measuring and reducing freight CO_2 emissions at Group level.

To educate all employees on environmental issues, e-learning modules have been developed, including the eco-responsible management of energy and environment. These modules complement the existing technical training employees receive. In addition, an Intranet environment is accessible by all employees and expanded continuously to inform everyone at all levels about our programs and the contribution of each one.

3.2 Reduction of CO_2 Emissions

Approach

Schneider Electric is not subject to European quotas on carbon emissions since it is an industrial business that globally produces few emissions in comparison to energy intensive industries. Schneider Electric is therefore classified in the low emissions sector by CDP.

The ranking of the company in CDP progresses every year. In 2013, Schneider Electric scored 97/100. The Group has been selected in the Carbon Disclosure Leadership Index and the Carbon Performance Leadership Index.

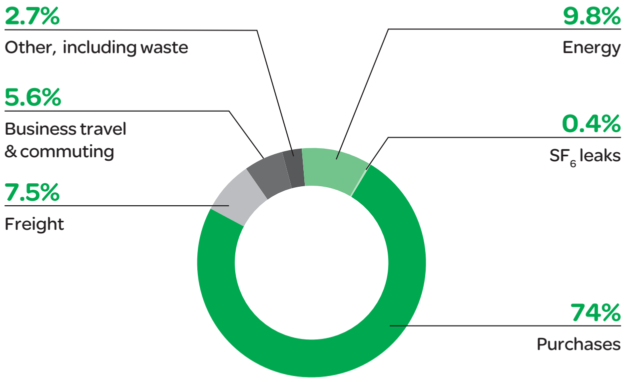
The Group has defined measures to continuously reduce its carbon emissions.

In 2013-2014, Schneider Electric updated the carbon footprint assessment performed in 2012 (based on 2011 data)from its upstream suppliers to its downstream distribution chain.

The main sources of emissions remain the same: purchase of raw materials and equipment represents 74% of the total. Logistics, including upstream freight from first tier suppliers and downstream freight to first tier customers, represents 7.5%, of which the main part comes from road freight. Emissions in Group buildings (scopes 1 and 2) represent around 10%. More modest items – employees' travels and waste – represent 6% and 1% respectively.

Since the last assessment, the Group has been able to improve the coverage of its carbon impact, in particular thanks to a better accuracy in the measurement of its real estate and purchases. As a result of this wider coverage, the raw emissions of these two items have increased on a current basis.

The three items on which the Group has set action plans and targets had their raw emissions decreased between 2011 and 2013: transportation paid by the Group (-12%), waste (-10%), and SF_6 leaks in industrial processes (-36%).



As a reminder and to highlight the trend, during the previous company program over 2009-2011, Schneider Electric set the following objectives:

- reduce CO_2 equivalent emissions of 30,000 tons per year for all scopes 1 and 2 as defined in the GHG Protocol[1] *i.e.* by approximately 15% over three years on a constant basis compared to 2008;
- implement a recovery process for SF_6 gas in 12 countries. The first devices containing SF_6 gas sold by Schneider Electric reached their end-of-life at the start of 2000. The objective is to develop commercial offers structured around the "EoL" (End of Life) program that allow customers to dispose of their end-of-life, SF_6 containing devices in order to completely extract the gas and recycle it.

At the end of the company program 2009-2011, Schneider Electric saved nearly 162,000 tons of CO_2 equivalent. The reduction target of 30,000 tons per year (*i.e.*, 90,000 tons over the three-year period of the program) was exceeded, thanks to following actions undertaken:

- the carbon footprint (scopes 1 & 2) was reported monthly to the Management Committee of the Global Supply Chain Management by the Group's Environmental Director and the three Safety & Environment (S&E) Directors;
- in 2010, the carbon footprint reduction target was included in the performance incentives of all Global Supply Chain Management personnel who receive a bonus;
- in 2011, the reduction of the carbon footprint and the energy efficiency programs was included in the performance incentives of the Executive Committee member in charge of Global Supply Chain.

After the success of the company program 2009-2011, Schneider Electric worked on defining its new carbon emission reduction targets for the 2012-2014 period within the scope of the company program Connect. The Group's approach is based on measuring, controlling and reducing CO_2 emissions, starting with the most direct ones upon which the Group has most impact and greater reliability in terms of metering (these correspond to scopes 1 and 2 defined in the GHG Protocol) followed by more indirect emissions (corresponding to scope 3 of the GHG Protocol).

Consequently, for the 2012-2014 period, Schneider Electric:

- continued to set a challenging objective (below 0.95%) each year to limit leaks of SF_6 gas used in the manufacturing of new products;
- confirmed its Planet & Society Barometer objective of achieving 10% savings on its energy consumption;
- expanded its ambition on measuring and reducing its scope 3 by integrating into the Planet & Society Barometer a specific objective of a 10% reduction in CO_2 in transportation paid by the Group.

All CO_2 savings indicators and results are presented p. 113-115

Action plans

Actions to reduce SF_6 emissions and achievements

CO_2 savings realized by Schneider Electric over the 2009-2011 period were mainly due to the reduction of SF_6 leaks in the production processes. A Failure Modes, Effects and Criticality Analysis (FMECA) was deployed for manufacturing processes with SF_6 gas; there were also improvements in processes and measurement on certain highly emitting sites.

By the end of 2011, leakage of SF_6 gas has reached 0.95%. Therefore, in 2012 the Group set the objective of maintaining this rate at a maximum of 0.95% of SF_6 leakage.

By the end of 2012, the Group exceeded its objective with an achieved SF_6 leakage rate of 0.75%, equivalent to about 10,400 tons of CO_2 emissions avoided compared to 2011 (data corrected for production level). Therefore, in 2013 the Group reinforced the challenge by setting the objective at 0.75%.

By the end of 2013, the Group exceeded again its objective with a global SF_6 leakage rate reaching 0.56%, equivalent to about 11,500 tons of CO_2 avoided compared to 2012 (data corrected for production level).

In parallel, in 2013, 669 kg of SF_6 were recovered from customers' products through our "EoL program" (see page 64).

Energy savings

In general, Schneider Electric sites are low consumers of energy, compared with more energy intensive industries. However, Schneider Electric wishes to set an example in the reduction of energy consumption by applying its own solutions.

Energy Action program

Schneider Energy Action is a program for the continual reduction in energy consumption in all of the Group's sites. The objectives are:

- reducing waste of electricity, natural gas and oil, and thereby lowering costs;
- deploying Schneider Electric's energy efficiency solutions at its own sites;

(1) *The Greenhouse Gas Protocol (GHG Protocol) is the most widely-used international accounting tool for CO2-equivalent emissions. Scope 1 corresponds to greenhouse gas emissions from sources held or controlled by the Company. Scope 2 corresponds to emissions for the generation of electricity consumed by the Company. Scope 3 corresponds to all other indirect emissions of the Company from sources that it does not hold or control (transport, use of products and services, etc.).*

- demonstrating Schneider Electric's expertise to its customers;
- raising employees' awareness about new energy efficiency solutions and their own contribution to product development.

Around 10% of total Group emissions come from energy consumption at its sites (according to the carbon footprint of 2013). Since 2005, Schneider Electric has fixed annual objectives for reduction and publishes (internally) the energy consumption of each of its production and logistics sites each year, as part of the Schneider Energy Action program. The Group met and in some cases exceeded its objective of reducing energy consumption per production site employee by 10% between 2005 and 2008. The 2009-2011 objective of -4% per year and per employee was also achieved overall at the end of 2011.

The 2012-2014 company program, Connect, includes the following objectives:

- reduction of energy consumption by 10% over three years compared to 2011;
- reporting of energy bills and roll-out of the StruxureWare Resource Advisor software for all sites with more than 5,000 m^2;
- roll-out of StruxureWare Energy Operation at those sites for real-time monitoring;
- certification of energy management systems pursuant to the ISO 50001 standard for 20 sites;
- identification of opportunities to reduce energy consumption over all sites as a result of the Energy Action audits.

The Schneider Energy Action program uses Schneider Electric energy service activities to identify opportunities in key areas which are HVAC (Heating, Ventilation, and Air Conditioning), certain equipment (such as air compressors), lighting and specific industrial processes.

Many initiatives and awareness campaigns are implemented internally to improve understanding of the short and long-term benefits of energy efficiency. There is also a dedicated Intranet site that provides information on progress and the results obtained as part of Schneider Energy Action.

The program resulted in the following achievements from 2011 to end-2013:

- adjusted energy savings of 8% in 2013 compared to 2011 (climate and industrial businesses) for the 204 highest-consumption sites, covering 85% of total Group energy consumption (on the reporting perimeter p. 113-114);
- connection of 334 sites to StruxureWare Energy Operation;
- connection of 263 sites to StruxureWare Resource Advisor;
- ISO 50001 certification of 65 sites;
- 221 sites with an energy manager and an energy reduction action plan;
- around EUR11 million invested in energy efficiency projects, generally with a return on investment of less than three years;
- around EUR2.7 million monetary savings and 40 million kWh energy savings.

Energy Operation and Resource Advisor are software suites that are part of the Schneider Electric StruxureWare platform, which helps customers in any market segment and across all geographic areas to maximize their business performance while conserving their resources, including energy. Energy Operation is applied at the operations level and Resource Advisor is applied at the company level.

Resource Advisor is Schneider Electric's enterprise-level StruxureWare software application and part of the EcoStruxure architecture. Resource Advisor provides secure access to data, reports and summaries to drive energy and sustainability programs.

Energy Operation is Schneider Electric's operations-level StruxureWare software application, part of EcoStruxure. Energy Operation provides a data visualization and analysis application that aggregates volumes of raw energy data into actionable information. As a cloud-based software as a service (SaaS) model, it gives reduced solution cost, increased data storage capacity, and a very flexible and mobile energy solution enhanced by Schneider Electric expert services.

The Green IT program

Green IT is a program to reduce the electrical consumption of Schneider Electric's IT infrastructure (data centers, servers and IT devices). It addresses all phases of the life cycle of IT devices and involves a close partnership with our equipment and services suppliers to reduce their carbon footprint.

The main objectives are:

- to optimize the number of data centers and their energy management using Schneider Electric products and solutions;
- to ensure the continuous training of our IT teams, implementation of continuous improvement plans and best practices to reduce the use of electricity of all IT devices from the data centers to the end user;
- to increase the percentage of virtualization by moving physical servers to virtual server instances leveraging virtual and / or private cloud where possible.

The following measures were implemented in 2013:

- In Europe, business-facing infrastructure from Ballerup (Denmark) and Nykoping (Sweden) have been centralized to a global datacenter reducing the energy consumption. The London Bridge legacy datacenter has been moved to the Swindon green datacenter taking advantage of its high Power Usage Effectiveness (ratio between the total energy consumed by the data center and the energy consumed by the servers themselves) rating of 1.08. Further decommissioning and virtualization of physical servers have resulted in over 80% of virtualization of Wintel servers.

  Backlight display has been optimized on 15,000 France IP phones to reduce energy consumption.
- In North America, a transformation program to virtualize and centralize infrastructure began in 2013. One of the benefits of this program will be the reduction of power consumption in the distributed, less efficient sites by virtualization and centralization to a more efficient hosting option in the existing Saint Louis datacenter. The virtualization percentage in the Saint Louis datacenter is greater than 70 percent, most of this residing on the VCE VBlock infrastructure, a solution provided by Schneider Electric IT Business to its customers. In 2013, between virtualization and decommissioning, the Group has retired 65 physical servers which account for approximatively 20kW or 175,000 kWh peryear.

The virtualization goal for the end of 2014 is to be greater than 80 percent across the entire region covering 25 sites.

- In Asia Pacific, customized power option settings have been deployed for over 15,000 PC's providing over 160 tons of CO_2 per year savings. A major infrastructure transformation project is aiming at further virtualizing up to 70% by the end 2015.
- In Iberian, South American and North African regions, optimized power option settings have resulted in over 460 tons per year of CO_2 savings for over 12,500 PC's, 1,400 printers and 1,000 Wintel servers.
- Migration of over 120,000 PC's from Windows XP to Windows 7, started in 2013 to be completed in 2014, will enable more advanced energy management with the built in client management features.

Actions to reduce emissions linked to freight

Target at Group level

In the framework of the three-year Connect company program and the Planet & Society Barometer, reducing emissions in freight transport has been the subject of a particular monitoring and was applied to the entire Group in 2012. A goal of a relative reduction in emissions of 3.5% during the first year was validated, with the target of achieving a reduction of 10% over three years.

At end of 2013, reduction in CO_2 emissions linked to freight exceeded the target and reached 16.7% compared to 2011, thanks to the optimization of long distance freight modes (data covers 78% of paid transportation).

The program contributed to save 180,000 tons of CO_2 and more than 7 million euro since end-2011, while the investment required was closed to zero (no special equipment was required, and a professionalization of the staff on the program was conducted).

Since 2011, raw emissions have decreased despite an increase in 2013 due to the rise of volume shipped.

Long distance freight

Our Air/Sea tool, that determines the standard transport mode according to an ABC/FMR analysis, is applied worldwide and helps to be permanently aware of what the combined economical & environmental optimum is.

In 2013, air freight tonnage represents 13.8% of joint air and sea tonnage, against 13.3% in 2012, 17.9% in 2011 and 20% in 2010. The cumulative reduction in CO_2 emissions in this area is 31%.

In parallel, starting in the second semester of 2013, a US initiative for a switch from domestic air freight to road/rail transport mode delivered the first benefits in at the end of 2013 and will be tracked through 2014.

Other local initiatives have been conducted, such as:

- implementing a manager's approval workflow to challenge the decision of air usage (India, Dubai);
- validating that only the Supply Chain Manager is allowed to change the shipping mode (Israel);
- aligning Air/Sea Ratio targets with Inventory Management teams to ensure common goals (EMEA);
- collaborative processes internally and externally: with the Sales Forecast team to anticipate logistic implications of specific events; with the Projects team to promote sea shipment (Brazil); with the suppliers to anticipate any demand increase; and to quickly go back to sea shipping mode after a period of shortage; with the final customer who can accept an economical shipping way in case of huge and no forecasted demand (Brazil); with the forwarder who can alert in case of unusual volume requested to be shipped by air.

Short distance freight

In 2013, the performance on ground transportation is positive; total CO_2 emissions on road decreased by 6.5%. The cumulative reduction is 4%.

Starting in the second semester of 2013 in our mature markets, consolidation of our volumes on a few strategic logistics service providers equipped with transport optimization functionalities will secure another reduction potential for the next 3 years and start to deliver measurable results by end 2014.

In BRIC countries, implementation of Transport management systems (TMS) tools which aims to also optimize the transport network are currently implemented and will deliver full CO_2 reduction benefits in 2014.

Local initiatives have also been conducted in some countries such as: clubbing of dispatches resulting in Full Truck Loads (FTL) instead of Express (LTL) mode (India); Direct to Customer program, increase in the number of direct shipments to large customers (Netherlands to UK and Germany); improvement in packaging to maximize shipment size and therefore increase load factor (Netherlands); use of correct capacity vehicles that flexes with Schneider Electric sales volume variation (Australia); moving as much traffic from road to short sea and road (Europe to Russia); elimination of Sea-Road solution from Barcelona to Jordan (via Lebanon) by implementing direct sea flow between Spain and Jordan (Aqaba port); load schedule optimization by reducing the delivery frequency (Rectiphase in France, Barcelona in Spain).

Participation in several key initiatives

In road transport, which produces the most significant portion of Schneider Electric's emissions, the Group continues to play an active role in the Green Freight Europe initiative. Today, more than 100 shippers and major logistics multinationals are involved in this initiative that aims to promote a European framework to address the issue of CO_2 transport emissions. Schneider Electric is particularly involved in the working groups in charge of the development of a tool for reporting carbon dioxide emissions on a simple shared basis.

Schneider Electric is also actively involved in the French Shippers' Association where it is presiding the Transport & Environment Commission strongly committed to sustainable development in transport.

Special training on CO_2 emissions in transport

In 2013, two distance-training modules (e-learning) were launched. The first deals with climate warming in general and the harmful effects of greenhouse gas emissions. In 2013, 735 Schneider Electric employees had passed one of these e-learning modules.

One of the modules was also recognized by an e-learning trade association in Asia Pacific.

A third module, consisting of an on-site training day was designed to help managers of the transport activity to establish action plans mainly in the area of road transport. This module is now completed and will be deployed in 2014.

3.3 Eco-Design

Approach

While there is no general legal obligation on eco-design, the pressure on the use of natural resources, climate change and respect for biodiversity encourages the public and private players to mobilize around these questions.

It is unusual for customers to explicitly specify environmental criteria for a product, but having a "green supplier" is becoming a prerequisite.

Global customers, particularly in the green construction or transport sectors or the authorities, need support to implement their environmental policies, especially to:

- calculate and reduce their carbon footprint;
- anticipate and ensure conformity with statutory provisions, especially with regard to chemical products;
- facilitate eco-design of their products and services by supplying all the appropriate information;
- reduce management costs of end-of-working-life installations for the customer by optimizing recycling.

In order to continue and strengthen its commitment to sustainable development and to be the first to supply its customers with all the environmental information they need, Schneider Electric developed Green Premium – a unique eco-mark based on criteria clearly defined either by environmental regulations or by international standards. These criteria include easily and globally accessible *ad hoc* environmental information on its products.

A product falls under the Green Premium branding if it satisfies the four following criteria:

- complies with the RoHS European directive, *i.e.*, it does not include one of the six substances stated in this directive;
- has information relating to the presence of Substances of Very High Concern (SVHC) within the scope of the REACH European regulation and referring to the last updated published list;
- has a Product Environmental Profile (PEP) providing a list of materials, a recycling rate and a calculation of eleven environmental impacts such as raw material and energy consumption, carbon footprint and damage to the ozone layer; this environmental profile is established over the whole product life cycle, from manufacture to end of working life;
- contains a guide identifying and locating the subsets or components required for a particular recycling process, referred to as the End-of-Life Instruction (EoLI).

As part of its new Connect company program, Schneider Electric is strengthening its eco-mark Green Premium and renewing its communication through the Planet & Society Barometer.

Green Premium is the foundation of Schneider Electric's Eco-design approach. Through knowledge of the substances in its offerings and evaluation of environmental impacts, "Green Premium snapshot" allows Schneider Electric to target and engage improvements in the environmental footprint of its future offerings. Compliance to Green Premium criteria also contributes to the conservation of biodiversity.

Action plans

Green Premium Eco-mark

The Schneider Electric Environment Marketing campaign was rolled out during 2012, promoting the Green Premium eco-mark. During 2013, each axis of promotion has been reinforced and completed by new environmental information:

- Schneider Electric web catalogue: the Green Premium offerings are clearly identified and environmental information is collected appropriately;
- direct access from Schneider Electric web portal: the Green Premium web pages explain in detail Schneider Electric's approach and each environmental criterion addressed by Green Premium;
- one and only "Check a Green Premium Product" web portal: RoHS compliance information, REACH SVHC content information (SVHC – "Substance of Very High Concern"), Product Environmental Profile and End-of-Life Instruction are available on simple request regarding the trade references of Schneider Electric. This information can also be downloaded.

In 2013, more than 270 Product Environmental Profile (PEP) documents and more than 170 End-Of-Life Instructions (EoLI) were generated in addition to the hundreds of documents already available.

Linked to more than 85% of revenue taken for the RoHS compliant offers and with the REACH information available, Schneider Electric's target was to consolidate this in 2013 with 71% of global product sales made through Green Premium offers, based on 2012 sales.

Check a Product website was checked worldwide on average more than 3,600 times per month and more than 23,000 reference products were checked monthly for their RoHS and REACH environmental status and their PEP and EoLI environmental information.

As part of the development of new Schneider Electric offerings, Green Premium is an integral part of the creation and development process for Schneider Electric's offers as a critical deliverable for marketing product offers.

Substance Management

Schneider Electric is subject in particular to European environmental regulations, with particular emphasis on the use of toxic substances.

REACH regulation requires traceability of dangerous substances and RoHS directive requires elimination of six substances: lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBBs) and polybrominated diphenyl ethers (PBDE).

Schneider Electric has implemented RoHS and REACH programs by applying these European regulations.

RoHS program, started in 2006, aims to eliminate the six substances from all products. By deciding to eliminate these substances from all its products, whether or not affected by the directive or sold on the European market or worldwide, Schneider Electric has exceeded the directive's requirements.

During 2011, the European Commission has published a new RoHS Directive n°2011/65/EU so called RoHS2. Beginning of 2013, this Directive repealed the previous one.

Immediately after the publication of this new RoHS2 Directive in July 2011 and without waiting the transposition by the EU States, Schneider Electric decided to adapt its RoHS policy worldwide as it did for RoHS1. The main evolutions concern the scope toward an "open" scope even though there are several exclusions, the technological exemptions with expiry dates (presence of banned substance above the threshold tolerated) and the CE mark since the RoHS2 Directive is now covered by the EU New Legislation Framework. In 2013 Schneider Electric has performed many studies with its suppliers to define substance substitution solutions removing the exemptions used until now.

Efforts to bring products into compliance continued in 2013, particularly for the new entities having recently joined Schneider Electric. For specific offers that have little to do with the scope of RoHS directive, such as the medium voltage equipment of ex-Areva Distribution activities, RoHS compliance will be continued during the years to come. Any new offer is developed in compliance with the RoHS directive.

Directives similar to RoHS European directive are now in force or being discussed in several countries. Schneider Electric's decision to generalize the application of RoHS to all its products worldwide has helped anticipate developments in regulations all over the world and Schneider Electric is able to offer products which comply with RoHS directives on all its markets (China, India, South Korea, Japan, etc.).

REACH program, initiated in 2008, aims to:

- ensure that substances used by Schneider Electric and its subsidiaries are registered and authorized for the applications in question, in accordance with regulations;
- specify the information to be provided to customers about the presence and level of Substances of Very High Concern (SVHC) in Schneider Electric products;
- perform the substitutions of SVHC which are listed in Annex XIV (Substances under Authorization for commercialization); even if those substances could be used in our products, our EcoDesign policy declares them as substances to substitute;
- notify the quantities of SVHC put on the EU market when they are over 1 ton per year and per EU State;
- adapt the Safety Data Sheet management process to REACH requirements.

In 2013, REACH program continued to take into consideration the updates to the list of Substances of Very High Concern published by the European Chemicals Agency (ECHA). At the end of November 2013, the communication of the presence and content of these substances included 144 hazardous substances.

CRESCENDO project, initiated in 2011, which aims to integrate substance management within our information systems, was finalized in 2012 and implemented in 2013. The automation of REACH and RoHS reports enables Schneider Electric to continue to provide SVHC information to its customers despite the growing of the SVHC list every 6 months. The CRESCENDO project accelerates the dissemination of information to our customers while anticipating the impact of obsolescence on our offerings.

Environmental information

The Green Premium eco-mark guarantees customers the availability of environmental information relating to Schneider Electric product offers such as the Product Environmental Profile (PEP) or the End-of-Life Instruction (EoLI).

As an integral part of the eco-design approach, **the PEP program** provides customers with the environmental impact of products during their life cycle according to the ISO 14040 standard. This program applies to all offers developed by Schneider Electric.

There is an independent certification by the PEP ecopassport association, based on ISO 14025, and providing a second level of checks and verification.

The EoLI program integrates the idea of recycling into the design of products in order to promote recovery of end-of-life materials. Schneider Electric has developed a design rules guide in order to optimize end-of-life costs and the potential recycling rate of its products.

These practices result in the publication of information and recommendations to facilitate recycling of subsets or components stated in the WEEE (Waste Electrical and Electronic Equipment) European directive. Even though the vast majority of Schneider Electric product offers do not fall under this directive, Schneider Electric makes the End-Of-Life Instructions information sheets available to its customers. This allows customers to identify and locate the subsets or components so that they are able to recycle those using suitable processes that are environmentally friendly.

Eco-Design Strategy

By focusing its efforts to improve the environmental footprint of its offerings on the protection of people and the environment, climate change and resource scarcity while addressing environmental issues with its suppliers and its manufacturing processes and logistics, Schneider Electric consolidated its Eco-design strategy in line with its Environment policy in 2012. Schneider Electric, by enforcing its EcoDesign policy, is committed to:

- reduce the environmental impact of its products and solutions throughout their lifecycle;
- therefore design products and solutions that respect the environment through a continuous improvement ecodesign approach;
- involve its suppliers and partners in the continuous improvement process to minimize the upstream supply chain impacts;
- measure and communicate to all stakeholders in its extended supply chain about the environmental impact of the company's offer.

Compliance with WEEE and equivalent legislation

A number of political commitments and regulations address the issue of waste from electrical products. One example is the European Waste Electrical and Electronic Equipment directive (WEEE), which has been transposed into law in each Member State. Similar regulations have been adopted or initiated in Japan, China, India and the United States.

The WEEE directive's main objective is to increase the recovery rate for the largest types of electrical waste, such as televisions, refrigerators and lighting systems, as well as for short-lived IT and telecommunication equipment. Industrial electrical and electronic devices and electrical distribution equipment are only very marginally concerned as of now. Under the directive, the equipment manufacturer is responsible for setting up and financing dedicated solutions to collect and process discarded equipment. The directive sets minimum rates for recovery and recycling.

Schneider Electric is actively involved in a responsible approach even though virtually none of its products are covered by the directive.

As a responsible company, Schneider Electric must be able to prove the existence of established end-of-life solutions. These must be financed and certified for collecting, processing and recycling end-of-life products in a way that respects both human health and the environment.

Carried out in close cooperation with all Group partners, the approach is deployed at the national level in each host country. This involves identifying, certifying and in some cases organizing solutions for processing waste from electrical equipment, with the application of the appropriate indicators.

Green Plastic Program

The aim of this technological innovation program is to develop next generation plastic having in mind to improve health profile as well as to minimize environmental footprint in order to offer products and solutions today in accordance with the principles of sustainable development. In effect, plastic is present in almost all Schneider Electric products and the amount of CO_2 equivalents needed to produce the plastic is estimated at 550,000 tons per year. The Green Plastic program is carried out in collaboration with the businesses and the teams in charge of material purchasing and design, and is part of the Group's actions for sustainable development.

The program follows a unique strategy for each type of plastic focusing around three successive progress plans. A "green" plastic must therefore:

1. be exempt from potentially toxic substances and have an end-of-life evaluation scenario that respects the environment (material or energy); during 2013, a project has been successfully managed to design an alternative monomer for styren based composite materials. Additionally post consumer recycled plastics from WEEE origin have been successfully formulated to enable rigid PVC specification;
2. come from a production sector that has low CO_2 use (recycled plastic or plastic from renewable sources) and be capable of limiting fossil fuel demand as well as energy and water; during 2013, two range of innovative plastics – respectively from renewable origin and from recycled origin – have been validated for wire and devices offer (socket, outlets);
3. come from a resource that does not compete with the food sector either directly or indirectly, in the case that the Green Plastic solution makes good use of a raw material from a renewable source. Schneider Electric is now involved in a collaborative project called Polywood and based on cellulose bio refinery. Such a project is dedicated to enable sugar based building blocks for performance polymer without food competition.

The added value that customers expect from "green" plastics lies in two major areas:

- applications exempt from substances of very high concern, particularly including non-PVC and non-halogen flame retardant plastics product ranges;
- energy efficient or electric vehicle offers that use plastics with a very low environmental impact.

Schneider Electric uses a partnership approach in order to make progress in research in this area. The Group therefore participates in collaborative platforms such as the Paristech Mines Bioplastics Chair, the Axelera competitive clusters initiative (in sustainable chemistry), the Plastipolis cluster (in plastics engineering) and the POLYNAT Carnot Institute. Co-development approach with best in class suppliers is also a very fruitful approach.

By actively participating in the Polywood project, Schneider Electric has solidified its commitment to bio-plastics from non-food resources. Under the acronym Polywood, this collaborative project encompasses the development of a bio-refinery fueled by wood by-products provided by the paper industry.

3.4 Eco-Production

Approach

Schneider Electric has rolled out the ISO 14001 certification for all its manufacturing sites comprised of more than 50 people and large tertiary sites. All these sites contribute to reporting and therefore to the Group targets. The certification objective helps focus continuous efforts to reduce the main environmental impacts of the sites, shown in the table on pages 113-114:

- energy consumption;
- CO_2 emissions;
- amount of waste produced;
- percentage of waste recovered;
- consumption of water;
- VOC emissions (Volatile Organic Compounds).

Action plans

ISO 14001 certification of Group sites

As soon as the ISO 14001 environmental management standard was published in 1996, Schneider Electric decided to certify its sites. For several years the Group has demanded that all industrial and logistic sites comprised of more than 50 people be ISO 14001 certified within two years of their acquisition or creation.

The extension of this internal directive to the major tertiary sites was launched in 2010. The headquarters of the Group in Rueil-Malmaison, France was certified in 2010. This extension was reaffirmed for the 2012-2014 period for all tertiary sites comprised of more than 500 people.

At the Group level, the scope of certification covers about 70% of employees.

The challenge for the future is to maintain this performance level by certifying all the new industrial sites within two years of their acquisition or creation and to continue the new certifications of large tertiary sites.

Management of industrial consumption

Water consumption

The Group provides a detailed breakdown of water consumption that takes into account groundwater and water from the public network. Water drawn for the sole purpose of cooling and immediately released without alteration starts also to be monitored and is subject to separate reporting starting for some sites in 2012 and expanding in 2013.

Since January 2013 Schneider Electric reports on the quantities of water consumed by its sites on a monthly basis and, in addition, the different water usages are also reported (process, HVAC, Sanitary, Canteen, Irrigation). We continue to monitor the per capita consumption of water on a like-for-like basis in order to evaluate the improvement performance from one year to the next.

In 2013, the overall eco-production approach allowed the Group to reduce its per capita consumption of water by 9,3% by the end of 2013 in relation to 2012 on a like-for-like basis. The target of 3.3% has been exceeded. Note: Water used for cooling is not included in this calculation for 2013.

Water is not generally a critical resource in Schneider Electric's industrial processes.

Water is essentially used for sanitary purposes, sometimes for cooling and in certain sites for surface treatment. In the last case, industrial water discharge is subject to treatment that is suitable in terms of its pollutant potential and discharge into the natural environment or in a plant subject to a monitoring plan.

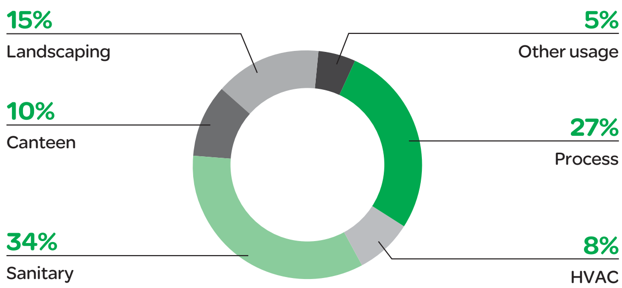
As Schneider Electric industrial production is mainly based on manual assembly processes or automatic processes for electrical components and subsets, it has low water consumption and a negligible impact on water quality.

Nevertheless, in 2011 the Group initiated an analysis of industrial site positions relative to water stress in different regions throughout the world using the WBCSD tool (World Business Council for Sustainable Development).

The company's "Everblue" project was launched in 2012 and designed to better understand the uses of water within the Group, and therefore its exposure to water-related risks and reduce consumption. Particular attention is paid to the highest-consumption sites and those located in areas of water stress, where the objectives of reducing water consumption accompanied by specific action plans are reviewed site by site on a monthly basis since January 2013.

In 2013 EverBlue encompasses 45 sites that represent 53% of the Group total consumption.

Thanks to a new reporting system, the detailed water usage is reported. Here is the breakdown of the Group water use:



Notes: Other usage includes exceptional water usage like water used for construction of new buildings

HVAC = Heating, Ventilation, Air conditioning

That information enables more focused and dedicated action plans for water reduction and also enables normalization of information for more accurate performance management in the next company program: for instance, water used for sanitary and canteen will be impacted by headcount evolution and water used for process will be impacted by the evolution of production levels.

Finally, on EverBlue perimeter, the reduction of water consumption in 2013 reaches 15% versus 2011 baseline (data normalized on for headcounts and activity evolution). In only 2 years, the overall Group objective of 10% reduction in 3 years has been exceeded.

Energy consumption

See the Group's energy consumption action plans on pages 72-73.

Raw material consumption

Schneider Electric focuses on making its devices more compact to conserve natural resources so that customers have more environmentally friendly products to choose from. The Group has developed design tools for managing thermal and electrical constraints so that it can optimize the amount of materials required in production. Each device's Product Environmental Profile (PEP) lists the materials used. To facilitate end-of-life processing, Schneider Electric chooses materials that are easy to recycle and clip-together components that are easy to disassemble. Life cycle analyses and recyclability assessments also help the Group identify areas for improvement.

For more information on the Schneider Electric global action plan relating to PEP and to end-of-life instructions, see the chapter dedicated to Green Premium on pages 75-77. Also, see Green Plastic program on page 77.

Schneider Electric's desire to reduce its environmental impact has driven its focus towards the use of recycled raw materials. For example, about 85% of cardboard used in Europe, 100% in Asia and 60% in North America comes from recycled material (source: Purchasing data). With regard to metals that Schneider Electric purchases globally, these include recycled material from recovered waste. A UNEP (United Nations Environment Program) report was published in 2011 addressing the situation with regard to metal recycling rates. On a global level, 18 metals have a recycling rate of over 50%: lead, gold, silver, aluminium, tin, nickel, zinc, copper and iron among others, and 34 elements have a recovery rate below 1%, including rare earth elements. The UNEP recommends that priority be given to product design in order to facilitate disassembly and recovery of metals at end of life and to emphasize recycling electrical and electronic equipment (WEEE). Schneider Electric participates in the recycling systems via the recovery of its own waste, with a target of 85% in 2013, and the End-of-Life Instructions for its products.

Management of waste, emissions and industrial pollution

Waste

Because waste is a major source of pollution but also a potential source of raw materials, waste management is a priority in environmental protection.

Most of Schneider Electric's waste is solid waste. Continuous improvement plans have been deployed to manage this waste. This approach is fully in line with the framework of ISO 14001 certification that all Schneider Electric production and logistics sites worldwide are required to follow.

The target through 2009-2011 was to recover 85% of hazardous and non-hazardous waste.

In 2012, Schneider Electric confirmed the challenge of maintaining this objective in the new company program through 2012-2014, in addition to better understand the root causes of the 15% not recovered.

Therefore, in 2013 the Group began to consolidate hazardous waste at group level but, as classification systems vary widely from country to country, the Group is under fine tuning the consolidation methodology by category of waste.

In addition, thanks to a specific survey enabled by its new reporting system, the Group confirmed that the waste from metal was recovered at close to 100%.

Data is processed to ensure local traceability. All waste is channelled to the appropriate treatment facility.

Schneider Electric notes the quantities of waste produced and recycled on a six monthly basis and monitors this production per capita, on a like-for-like basis in order to evaluate its performance from one year to the next.

The overall eco-production approach helped reduce our production of waste per capita in 2013 compared with 2012 on a comparable basis and to increase the proportion of waste recycled from 85.6% at the end of 2012 to 86.7% at the end of 2013 on a comparable basis (target of 85% was actually exceeded).

Conditions of use and contamination of soils

Virtually all Schneider Electric sites are located in urban or industrial areas and do not affect any notable biotopes. None of the Group's businesses involve extraction or land farming.

No substances are purposely released into the soil in the course of site operation. Workshop flooring at risk is given a waterproof seal using a suitable treatment (resin retention). Hazardous substances are systematically stored and handled in areas equipped with retention tanks in compliance with regulations. As a result of developments in legislation, retention systems are being designed more and more to compensate in the event of malfunctions or emergencies, such as fires.

In 2013 Schneider Electric conducted its annual review of pollution risks at all manufacturing sites as part of ISO 14001 tracking. No major incidents were reported in 2013.

Discharge into the water and air

Because Schneider Electric is mainly an assembler, its discharge into the air and water is very limited. Mechanical component production workshops are carefully monitored, in keeping with their ISO 14001 certification. Their releases are tracked locally as required by current legislation. No major spills or discharges were reported in 2013.

Emissions of NOx and SOx and particles into the air are monitored site by site according to their heating activity; monitoring of these emissions is verified via ISO 14001 audits. Emissions are then monitored by the site managers with respect to the thresholds defined in local legislation and monitored by the heads of the geographical areas (see organization page 71). These emissions are not subject to consolidation at Group level.

The VOC emissions have been identified as representative of Group levels and are therefore included in Group reporting.

Finally, the CFC and HCFC emissions are monitored through our air conditioners in accordance with legislation. They are not linked to our industrial activities.

Noise and odors

All Schneider Electric sites comply with noise and odor limits.

Environmental risk management and prevention

The Group takes a proactive approach to managing environmental liabilities associated with both current and historical operations. Through our ISO14001 program, we actively manage the potential for impacts to the natural environment at our operating facilities. No Schneider Electric sites are Seveso classified. Our focus on environmental compliance and continuous improvement of our significant environmental impacts minimizes any impacts on the environment. Regarding management of environmental impacts associated with historical operations or acquisitions, this is managed at the regional level. Each region uses external experts to investigate and address historic impacts to the environment according to the local requirements and to minimize any impacts to human health and the environment. In 2013, no new material environmental impacts were identified. As a result of all of these actions, no compensation has been paid out in application of the legal ruling in 2013.

The Group's industrial sites, in connection to the objective to have 100% ISO 14001 certification, have procedures in place to prevent emergencies and respond effectively if necessary. Preventive and corrective action plans are based on an analysis of non-standard situations and their potential impact. This analysis draws in part on hazard reviews for classified installations.

For examples, certain sites that handle large amounts of chemical compounds are equipped with balloon-type containment systems to avoid any pollution through the water systems; others, located next to a river, have floating beams.

Drills are held regularly throughout the year to ensure that supporting procedures are ready and effective.

A national organization has been set up to track sensitive sites. Their managers systematically receive training in environmental crisis management. Directives, procedures and national guidelines concerning environmental crisis management, historical and current operations management, pollution risk prevention and other topics are available on the intranet. Internal audits verify that these procedures are applied correctly.

4. Committed to and on behalf of employees

4.1 Overview

Context and aims

Schneider Electric's people are critical to its success. The Group motivates its employees and promotes involvement by making the most of diversity, supporting professional development, and ensuring safe, healthy working conditions.

Human Resources play a key role in supporting the development of Schneider Electric in the changing context of its activity. This growth is characterized by a sustained internationalization, numerous acquisitions, the increase of headcounts dedicated to selling solutions and services, while maintaining a share of blue collars close to 50%.

Schneider Electric's HR policy is founded on a strong sense of commitment and shared services:

- all Group entities participate in the drawing up of HR policies and in their application. This guarantees coherence and facilitates consideration for local economic, legislative and cultural realities;
- all employees are treated equally on the basis of their skills, notably with regard to employment, recruitment, talent identification, mobility, training, remuneration, health and safety (common processes and policies);
- particular emphasis is placed on communicating the Group's broad strategic plans to the employees in order to enhance individual participation;
- training is also a priority so that employees have the opportunity to adapt to developments within the company.

Schneider Electric encourages each employee to actively manage their own career in collaboration with their line manager, their HR manager and using the tools provided, particularly on the Group's intranet. This allows each employee to play a key role in their own performance and in their advancement.

Three key performance indicators were set in the Planet and Society Barometer for the duration of the Connect program (2012-2014):

Objectives for Year-End-2014	2013	2012	2011
1. **30%** reduction in the **Medical Incident Rate** (MIR)	-47% ▲	-23%	-
2. **63%*** result in our **Employee Engagement Index**	60% ▲	55%	-
3. **30% women** in our talent pool (~2,500 people)	28% ▲	27%	23%
4. **1 day of training** for each employee every year	67% ▲	-**	-
5. **300 sites** recognized **"Great place to work – Cool sites"**	224 ▲	-**	-

The 2011 performance serves as a starting value for the Planet & Society Barometer of the Connect program between 2012 and 2014.
▲ 2013 audited indicators.
** A new target has been set from 2014 for this indicator: 63% instead of 70% at end-2014. With 63%, the Group gives itself the challenge to be 10 points above its industry average (source: Aon Hewitt).*
*** These indicators are reported from 2013. The reporting tools have been deployed during 2012.*
Please refer to pages 105 to 108 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 81-83 for indicator 1, 83-84 for indicator 2, 89 for indicator 3, 87 for indicator 4 and 84 for indicator 5).

Organization

Since 2009, the Human Resources Department has been structured around three principal roles to better respond to their missions:

- HR Business Partner assists managers on a day-to-day basis in setting out their business strategies and in assessing the human resource requirements needed to meet their business targets. HR Business Partner also plays a pivotal role in anticipating skill requirements and employee development, and in the management of employee relations;
- HR Solutions creates and develops comprehensive solutions to the organization's strategic challenges in key areas, such as compensation, benefits, human capital development, training and performance management. Regional teams are leveraged to effectively shadow the Group's globalised operations;
- HR Operations handles the logistics and administrative responsibilities relating to payroll, sourcing, mobility and training programs, mainly through shared service centers designed to optimize efficiency and costs.

Since 2012, the Group has created a more coherent HR Business Partner (HRBP) structure for front offices at a country level. With this step, all HRBPs supporting front office businesses reported to the Country HR. The Group put this structure in place for improved coverage and consistency and for access to a broader local job market. These HRBPs will have a dotted line to their business (line or HR) to respect and represent what is specific about that business. The same model has been applied to Finance Business partners.

Business Partners remain attached to the relevant Finance and HR SVP/VP or Line Manager for: Supply Chain, R&D, Global Functions, Lines of business.

Regional roles have not been immediately impacted but will be reviewed by the Group to see if adaptation is necessary.

4.2 Employee health and safety

Approach

Schneider Electric holds the health and safety of its employees as a core value. The Group's working philosophy is "one person injured is one person too many". To that end, it continues to build on its well-established health and safety systems and processes, such as its Occupational Health & Safety (OHS) management systems and the Schneider Production System (SPS), to improve upon and consistently apply workplace safety on a global basis. Its Global Safety Directives and Employee Handbook set the direction for the safe manufacture, assembly, and distribution of its products. Its Safety Mandates are as follows:

- safety is everyone's responsibility;
- all injuries and occupational illnesses can be prevented;
- management has a responsibility to train all employees to work safely;
- working safely is a condition of employment;
- preventing safety incidents and injuries contributes to business success.

Action plans

In 2013, reviews of hazards and employee injuries led to action plans around four focus areas:

- the safety of the growing services organization, especially in terms of electrical safety;
- standardization of safety practices regarding powered industrial trucks (PITs);
- standardization of safety practices regarding lockout and tagout of equipment; and
- employee safety while commuting to and from the workplace.

The resulting action plans have improved the processes and procedures involving job site safety, electrical safety, the management of PITs, and the safe servicing of equipment, which has led to consistent, global application of these practices. Many of the most serious injuries occurred when an employee was travelling between work and home. For this action plan, the focus was on reviewing the risks around our sites and communicating about safe commuting practices. Schneider Electric deployed a campaign consisting of communication activities and built an internal online training course to help reduce the potential for commuting incidents.

Additional actions for 2013 included:

- Safety Alerts – the introduction of a global alert system to quickly communicate serious events and their associated corrective actions;
- Annual Safety & Environmental Assessments (ASEA) – the action plan was to continue to implement the ASEA globally; the ASEA is an internal audit system focused on critical safety and environmental elements that are applied on a global basis to ensure conformance to standardized OHS and environmental processes, practices and procedures;
- Schneider Production System (SPS) – to ensure continuous improvement in safety and ergonomic programs, phase I of the SPS action plan was released in 2013; the action plan includes a global focus on key ergonomic themes such as work practices, training, material handling and communications;
- GlobES (Global Environment and Safety) – this is the first full year for the implementation of the new safety and environmental data management system;
- OHSAS 18001.

Objectives

Schneider Electric uses three primary indicators to measure Occupational Health & Safety performance. The first of these indicators is the Medical Incident Rate (MIR) which measures the number of medical cases per million of hours worked. This measure allows for a deep evaluation of workplace hazards, and the resulting corrective actions assist in the elimination of recurring incidents and the prevention of injury. The Group has used the MIR as a key performance indicator on a global basis since 2010 with a target to reduce the MIR by 10% year over year.

The second and third indicators are the Lost-time Incident Rate (LTIR) and the Lost-time Day Rate (LTDR). The LTIR measures the number of medical cases that incur lost-time work days per million hours worked. These lost-time cases are indicators of a more serious type of medical case. The seriousness of these cases is indicated by the LTDR which measures the number of days lost due to the lost-time medical cases per million hours worked. Schneider Electric has used the LTIR and LTDR as key performance indicators on a global basis since 2012, replacing similar indicators at that time. Both indicators also have a target reduction of 10% year over year.

The 2013 results for MIR, LTIR and LTDR are as follows:

- MIR 2012 = 3.44; MIR 2013 = 2.36; reduction of 31%;
- LTIR 2012 = 1.42; LTIR 2013 = 1.18; reduction of 17%;
- LTDR 2012 = 47.98; LTDR 2013 = 38.67; reduction of 19%.

Certifications

In 2009, Schneider Electric began the implementation of occupational health and safety management systems that meet or exceed the requirements of ILSO/OHSAS 18001 standards. In 2011, the Group revised the requirement to specifically include certification to OHSAS 18001 (or equivalent) at 100 percent of its manufacturing and logistics sites (sites with more than 50 people and within two years of creation or acquisition). The deployment of this program is 78 percent complete at end of 2013.

Training and Communication

Training and communication are key components of the Health & Safety program at Schneider Electric. The Group is committed to providing awareness level and task specific training for its employees and contractors to ensure a strong knowledge base to work safely. In 2013, a new emphasis has been placed on ensuring all employees receive a minimum of seven hours of training per year (see page 84), including OHS related training. New global safety courses continue to be added to the safety training program housed in the global training database, My Learning Link, which tracks course requirements and course completions.

Communication is vital to an effective global OHS program and we are using many communication methods to share OHS concerns, best practices, successes and more. New communication opportunities implemented in 2013 include a new web-based tool, Spice, and a document sharing tool, Box. Training and communication has also been improved through the use of webinars covering safety related training topics, performance reports, and action plan updates. Most of these webinars are recorded for continued use as training material and are shared on a global basis. Regional newsletters, global performance results, Safety & Environment alerts, training material and more can be found on the website, strengthening the OHS ties between countries and regions.

Focus on stress management

Stress at work is managed by the Human Resources organization within the Group. Effective measures are in place locally to address stress reduction in the workplace. In North America for example, Human Resources promotes stress reduction via incentives and communications on the healthy lifestyle program in place (exercise, proper diet, smoking cessation, stress management, preventative medicine, etc.) which is encouraged both on and off the job. In Asia Pacific, Human Resources promotes stress reduction via health lectures, yoga class, sports club, stretching program and annual health fairs.

In France, a special program is in place to focus on psychosocial risks induced by stress at work, with the identification and the address of risk factors. Schneider Electric has developed and deployed a management tool to prevent psychosocial risks. It includes a training module, a collection of indicators and a reading guide to identify factors contributing to psychosocial risks in a work organization. So far, 39 sites have received training, 28 are under diagnoses, and 25 are implementing corrective action plans. A second management tool is deployed to maintain employment for people with occupational health problems and prevent the sources of work stress that may impact physical and mental health. An agreement on the prevention of the psychosocial risks has been signed by the management and unions and defines a framework for the action plans to deploy within Schneider Electric Industries and Schneider Electric France. Creating awareness among employees, managers and RH is a priority of the 2013 training plan. Training paths were created and adapted to the needs of the businesses.

In our "One Voice" Employee Engagement survey, one question regards work-life balance: "The balance between my work and my personal commitments is right for me". At the end of 2013, the satisfaction rate is 61% at Group level on this question.

Accomplishments

For the first time, Schneider Electric has set aside a day to recognize and celebrate safety in all of its locations. It celebrated its first Global Safety Day on November 20, 2013. The purpose of the Global Safety Day is to celebrate accomplishments, raise awareness, remember those lost, and commit to prevention. Locations celebrated with remembrances, recognition of achievement and pledging to commit to working safely.

Schneider Electric also continues to receive high recognition both externally and internally for its strong Health & Safety program. Recognition received in 2013 included more than 250 awards from the National Safety Council for Schneider Electric sites around the globe.

4.3 Employee engagement and talent attraction

Approach

Attracting and developing talent is crucial to the ongoing success of Schneider Electric. The Group is working to become the “best company” to work for, and constantly strives to provide the environment and motivation for its employees to take control of their own career progression, through access to training and development and the latest job opportunities, and through readily available resources.

The Group is also looking to establish a strong name as an employer, and communicates around its Employer Value Proposition which is closely aligned with the values of the Schneider Electric brand. As a global organization, Schneider Electric offers opportunities across a wide spectrum of career paths that make a real difference personally, socially and commercially. By constantly defining the “essence” of Schneider Electric, careers can be enhanced and potential delivered in line with corporate objectives and values.

Schneider Electric brand values

Schneider Electric’s values are the core principles that define the Group and its brand:

- We Care for our customers, our planet and one another.
- We Connect our people through a collaborative work environment, focused on our customers’ needs.
- We Challenge ourselves to be open and flexible and our teams to be innovative and find the right solutions for our customers.
- We Commit to make the most of your energy to offer sustainable development to our planet.

Total Employee Experience

The Total Employee Experience program is a collaborative approach that enables employees to take ownership of their own careers. Total Employee Experience provides managers with the tools to manage motivated employees and provides Human Resources to play a strategic role in building a thriving global organization. It is articulated around seven dimensions: Attract (Employer branding), Start (Facilitate onboarding and embed employees in the company’s culture), Perform (Measure employees’ individual performance), Appraise (Focus on feedback), Recognize (Expose and reward employees), Develop (Develop skills and competencies through training and learning culture) and Move on (Foster internal mobility and career planning). Each of these dimensions comes with processes and tools.

Action plans

Employee engagement

Set up in 2009, the OneVoice internal survey was designed to measure employee satisfaction. The survey has evolved to include the level of employee engagement on top of employee satisfaction to derive a more holistic view of employee sentiment on the ground.

Our “One Voice” Survey in numbers:

- 100% of employees surveyed 2x a year *i.e.*;
  - 87,000 emails sent,
  - 53,000 people reached via “kiosks” on 288 production sites,
  - 2,500 managers receiving a dedicated report;
- a constantly improving participation rate from 62% in 2011 to 66% in 2013.

Employees are asked to fill out a short questionnaire evaluating their engagement, 6 drivers and their willingness to recommend Schneider Electric as a model employer. This process helps the Group identify key avenues for improving major employee engagement factors.

Analyzed by country and by unit, the survey results help to steadily improve employees’ commitment to processes and projects, the proper execution of which is crucial to both successfully implementing the Group’s strategy and satisfying its customers.

Managers are also involved in this process: over 2,500 managers (with more than 20 people in their team and more than 10 respondents) receive a customized report. Following communication of the results, they have to organize feedback sessions with their team in order to foster dialogue and build relevant action plans.

A key performance indicator for the Group is the Employee Engagement Index, which is also registered in the Planet & Society Barometer. This Index enables Schneider Electric to compare itself with the best employers in the industry and the best employers in key regions of the world. In 2013, the Employee Engagement Index at Group level is 60%, above the industry average (53% - source: Aon Hewitt). A new target has been set from 2014 for this indicator: 63% instead of 70% at end-2014. With 63%, the Group gives itself the challenge to be 10 points above its industry average. For this type of indicator that measures the engagement of employees, every point is a stake. For the record, the Group started the measurement of this indicator in 2012 at 55%.

More importantly, Schneider Electric looks very closely at the percentage of employees who are made aware of an action plan after the survey. Our objective, end of 2014, is to have at least 80% of our employees aware of actions. In 2013, the result was 73% (compared to 68% at end of 2012).

Flagship program: Cool Sites

The Group is making a positive impact on employees with its Cool Sites program which helps the Group's offices develop workplaces (sites) that are attractive, inspiring, and energizing for employees. Supported under the "Connect People", "Engaging Workplace" program, 'Cool Sites' aims to enhance wellbeing and better collaboration, enable employees to experience the Group's solutions and products, and give each Group site its own distinctive feel. 'Cool Site' certification is relaunched each year to ensure the sustainable quality of the program.

A first measure of the number of Cool Sites was done at end of 2012: the Cool Sites target of 60 sites (representing 20,500 employees) has been exceeded, with 82 sites in 25 countries representing a headcount of 33,600 employees having successfully achieved 'Cool Site' certification. This indicator has been included in the Planet & Society Barometer, with the first measures published and audited from 2013. The program has since gone on to reach over 78,000 employees working on 224 sites in 50 countries around the world.

By the end of 2014, the Group aims to impact a minimum of 80% of its global workforce. This means approximately 100,000+people on 300+sites within 60 countries.

Employer Branding

Our employer value proposition

As the Group evolves, so does its Employer Value Proposition. Making the emotional connection as to "Why Schneider Electric?" is fundamental in the ability to not only attract the best talent and be an "employer of choice", but also making that resonate with employees as a form of encouragement, motivation and inspiration. Employees understand that through their endeavors personal success will be achieved and careers enhanced. Articulating this through promoting Schneider Electric's culture of innovation, international reach and credentials in energy management, allied to personal empowerment, are at the centre of the approach. An ongoing program of work is underway to reflect this in our employer branding activity.

Flagship program: Go green in the City

Launched in 2011 by Schneider Electric, Go Green in the City is an annual international business case challenge for university business and engineering students around the world to find innovative solutions for energy management. It is now established as a global initiative to attract female graduates for internship and/or ongoing talent fulfillment objectives. In 2013 the competition expanded its scope by opening its gates to students in 19 strategic countries – Brazil, Russia, India, China, France, USA, Germany, Turkey, Poland, Taiwan, Thailand, Indonesia, Malaysia, the Philippines, Korea, Vietnam, Singapore, Canada and Mexico; and in more than 90 target schools.

Candidates were asked to present a case study on the subject of efficient energy solutions in the cities. In pairs with at least one woman, students proposed viable solutions for energy management in five key areas of a city: residential, universities, trade, water and hospitals. The best proposals reconciled the increased demand for energy, social progress and environmental protection.

Partnerships with universities

Since 2011, multiple partnerships have been set up with the world's largest universities, including Moscow Power Engineering University, Cairo University, INSEAD, HEC, ParisTech, Supelec, BMS College of Engineering (Bangalore), Shanghai JiaoTong University, Peking TsingHua University, University of Toronto, University of California Berkeley and Northwestern University Kellogg. In 2012, more joint effort with global target schools were made, business and HR leaders were actively involved in students visits, campus promotion was done in the area of energy management.

Schneider Electric sponsors the International Student Energy Summit

Schneider Electric was the associate partner of the 2013 International Student Energy Summit that was hosted by the Norwegian University of Science and Technology. This event gathered more than 400 international students from 64 countries discussing and challenging the current energy landscape.

Proving that the company truly understands and supports emerging markets, Schneider Electric decided to sponsor the attendance of students from BRIC countries to participate in the three-day event.

By interacting with students from the world's leading energy institutions, Schneider Electric showed its commitment to research and encouraged the youth to brainstorm and articulate creative thoughts about the impact our world will have on the global energy landscape in the future.

Award and recognition

In 2013, the Group ranked among the UNIVERSUM Global Top 50 of the World's Most Attractive Employers for the second year running. It ranked 45 among engineering students and has been distinguished as an ideal employer in the Engineering and Manufacturing industry.

The rankings are based on the nominations of almost 200,000 business and engineering students from top universities in the world's 12 largest economies: Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Russia, UK and USA. The research was conducted by Universum, a leading global research and employer branding consultancy.

Schneider Electric Career Portal – TalentLink Recruitment

As part of the project to centralize the Group's existing websites and portals, the Schneider Electric Career Portal has been updated in the form of TalentLink Recruitment to more effectively attract all categories of potential candidates including the internal job market amongst current employees. Particular emphasis is placed on the Group's specialization in energy management.

4.4 Fostering talent and competences

Connect company program initiatives such as digitization, simplification, growing services business or customized supply chain, etc., demand ongoing adaptation and skills enhancement. Learning, therefore, is at the heart of Schneider Electric's Human Resources policy.

Approach

Schneider Electric places a strong focus on the Acceleration of its global Talents. As part of this Acceleration, the Group not only focuses on new economies and gender diversity, but also on enhancing managerial ability to identify and mentor employees who show exceptional potential.

To this end, performance management tools were deployed at all levels of the Group's organization. These include individual skill reviews known as Development reviews, annual performance appraisals, mid-year reviews to assess progress and adjust targets, and "people reviews". All of these resources help the Group continuously monitor and accurately evaluate individual as well as collective performance, and identify high potentials. The use of these tools has made for more objective and individualized decision-making in the area of career management, remuneration and recognition. In 2013, the Group started to work on enhancing these processes through the design and deployment of a new HR information system which will be implemented for talent management processes during the course of 2014.

Action plans

"3E" Program

The "3E" program was implemented to foster optimal skills development. It involves relevant work experience (Experience), managerial coaching and feedback structures (Exposure) and appropriate training investment (Education).

The Group's aim is to give all employees the opportunity to draw up a personalized skills and career development plan in collaboration with their managers, complemented by regular career and competency reviews. A "3E" tool which guides employees and managers in selecting "3E" activities was also deployed to some countries.

Innovation in training

Collaborative Learning: A number of learning communities utilizing web and social media tools to build collaborative learning groups are active. These groups are centered on communities with common topics of interest such as New Hires, Action Learning Project Teams, Corporate leadership programs etc.

Digital learning: Some academies such as the Global Supply Chain or the Offer Creation Academy have been working hard to transform their in-class offer into e-learning or blended programs. Transversal skills such as foreign language are taught through online self-study while virtual classrooms for online coaching have been developed to support the "One Leadership" program.

Mobile devices: Conscious of the need for online availability, the Group has launched studies to define action plans to increase the number of Learning offers accessible through mobile devices.

Our Learning & Development organization

Global academies

The academies' curriculums are built using the outcome of workforce planning (see page 87). Schneider Electric benefits of a network of Learning Solution internal consultants, they are in the different geographies and support managers and HR officers in identifying the relevant Learning Solution for the needs of their employees.

We have "business academies" who train customers and employees on our products, solutions and services.

One example is the Solutions University. The HR organization in charge of Learning Solutions partnered with the Solutions & Strategic Customers Department and the business leaders to develop the Solutions University in order to accelerate the development of strategic skills in solutions and services. Certifying career paths and Coaching & Managers programs are offered to employees (account managers, sales representatives, solutions architects, projects and services teams, etc.). By the end of 2013, 5,000 people in 70 countries will have received a certification and more than 12,000 people have been enrolled in the certification path.

Our global training offers are designed by the "Academies" in close cooperation with business leaders. In addition to Solutions & Leadership skills development, Schneider Electric has initiatives in key functional areas such as:

- Global Supply Chain (GSC): The Global Supply Chain Academy was set up to provide every professional within the GSC function the opportunity to learn and develop their functional knowledge, capability and competencies in the seven domains of Safety and Environment, Customer Satisfaction & Quality, Purchasing, Manufacturing, Supply Chain Planning, Logistics and Industrialization. In 2012, the Group strengthened the Global Supply Chain Academy which currently has members in each region in order to better understand the needs from both strategic GSC orientation and local needs and constraints, design an offer adapted to them and manage its deployment in all the local GSC entities. Over 20,000 GSC employees have been trained, 10,000 of whom have received more than 1 day's training, and on average, each white collar employee has spent more than 6 hours on e-learning, which reflects strong progress and acceptance of digitized learning within Schneider Electric;
- research & development: The Offer Creation Academy addresses the competency needs of the Offer Creation Process (OCP) to ensure the right competency levels of R&D employees globally. Our range of learning offers covers the entire OCP lifecycle, addressing skills such as project management, design and testing, R&D processes, software tools, etc. 2013 saw the launch of a new offer on cyber security as well as the development of online courses for System-Engineering focused on the integration of technologies. Our 2014 training development program will be mainly oriented towards closing the gaps of competencies of OCP critical roles which will be identified through career and competency reviews;
- Sales through Partners: The Sales Excellence Academy is set to prepare the transactional Sales force for the future, in coordination with Business strategies and Geographies. It develops training paths both for Sales Engineers/Representatives and Managers in order to impart knowledge, skills and behavior for Sales people selling through partners (about 12,000 employees). The curriculum being developed aims to cover both "Foundational competencies" for all Sales people in contact with customers and "advanced courses" to address sophisticated sales environments or coaching skills. Modules are aligned with key sales competencies and are integrating changes driven by digitization. New releases for 2013 include cross-businesses training to accelerate field service sales, and an advanced course for price negotiation offered jointly to Purchasing and Sales Engineers.

Leadership Development

"One Leadership" is a suite of programs deployed on a global level by the Leadership Academy to support the leadership development needs of managers at all levels. In 2013 the programs have been refreshed and aligned to the Connect program. Approximately 3,000 managers globally participated in the different offers for managers and senior managers. The Academy is also moving to a blended learning model and has launched a new program "Leading Managers" utilizing customized simulations, in-program coaching, virtual classroom and webinars.

LEAP (Leadership Excellence Acceleration Program) is the regional high potential program of One Leadership, and has received great feedback from participants and business leaders particularly on its "3E" approach (Experience, Exposure and Education) and inclusion of real business problem solving. About 400 high potential leaders have attended these regionally run programs so far.

The focus of leadership development in 2013 has been the Front Line Manager population and considerable time and effort has gone into understanding their needs and competency gaps as managers to a large population of employees. Development programs and initiatives are being deployed to support this focus: one such initiative is "My Virtual Coach", a toolbox of management ideas, tips and videos, accessible to managers on My Learning Link.

In 2013, an extensive review of leadership competencies was initiated. This review will define the Schneider Electric Leadership Brand which will be launched in 2014.

Learning in "Connect"

There is a strong focus on Learning in our "Connect" 2012-2014 company program. Within this program, "Learn & Grow" defines strong ambitions in training.

The "Learn & grow" program was launched under the larger overall Connect program to foster a culture where employees take the initiative to learn, grow their competencies and drive their career development. Employees should feel able to do so regardless of their origin (education, background, nationalities, gender, business, level, etc.).

The following indicators have been defined to track progress in this direction: the percentage of employees who receive a minimum of one day's training each year is measured, as well as the number of employees who express their satisfaction via the OneVoice survey on the fact that they "have appropriate opportunities for personal and professional growth".

Another key component of Connect is the Engaging Leaders Program which is focused on driving front line engagement. Schneider Electric works to ensure its employees are highly engaged and can understand/articulate how they contribute to the vision and mission of the company. As such the Group relies on its leaders to drive this engagement by 'living' the Schneider Electric Leadership brand. A specific initiative was launched in 2013 targeting front line managers who are regarded as having a more direct impact on employee engagement. Focus groups were held globally and more than 600 manager2 discussed and gave their feedback on various aspects of their role, development, communication and engagement. Specific actions will be deployed in 2014 as an outcome from these focus groups.

Global tools and enablers

"My Learning Link"

My Learning Link, Schneider Electric's global learning platform which integrates e-learning, webinars, social learning, classroom learning, assessment and full certification paths, has been progressively deployed in all countries in 2013.

Academies and country-level courses have been progressively registered all over the year:

- there are more than 10,000 modules of learning content available in 7 languages to date.
- 120,000 employees have access to the system.
- 54,300 learners have completed e-learning modules, of which 32,300 have clocked more than 3 hours' worth of learning.
- 59,000 employees followed at least one day training (Instructor-led Training and digital learning).

2013 being a deployment year, these figures show how digital learning has started to take off within Schneider Electric.

More than 80 learning paths have been created from these courses to develop soft skills in different fields. No managerial approval is required for employees to register for online courses; employees are actively encouraged to take the responsibility for developing their competencies.

My Learning Link has become Schneider Electric's single global learning offer repository for internal employees in 18 months with the next step being to also progressively include training programs delivered to Schneider Electric customers.

This platform is instrumental in developing the skills of the workforce at all levels, supporting business strategies by targeted learning activities as well as enabling them to become a stronger actor in their own development.

The platform is also instrumental in reaching the Group objective of one day of training per employee per year, which is part of the Planet & Society Barometer.

Spice

Spice is Schneider Electric's social media platform; it also creates a learning environment in which many internal communities can exchange, share knowledge, experiences and documents.

4.5 Anticipating workforce needs

As the Group's strategy continues to evolve, the Group has been working to widen and strengthen its Strategic Workforce Planning practice across businesses, functions and geographies. Since the creation of a small team dedicated to Strategic Workforce Planning in 2011, a solid workforce planning method has been deployed. Numerous new entities are deploying the practice to translate their business strategies into workforce implications. Entities which previously implemented workforce planning are now starting to review and refresh their plans on an annual basis and are focusing on the implementation of the workforce actions that enable the execution of their business strategies.

Approach

Schneider Electric's Strategic Workforce Planning method systematically connects the business strategy to the key workforce implications and enables concrete decision-making and precise action-planning around recruiting critical roles, developing critical competencies and evolving workforce productivity. The practice relies on a strong collaboration between the business leader, the human resource business partner and the finance controller. This collaboration enables a high quality translation of the business strategy into the most important workforce priorities and ensures financially sustainable decisions.

The Group prioritizes the deployment of the workforce planning practice for those businesses and functions where the strategy and transformation drives significant implications for the workforce. For example, a collective force encompassing the solution business strategy, focus on the services business, software, the Global Supply Chain transformation and the digitization transformation, drives the need for identifying critical gaps in the workforce.

The workforce planning practice emphasizes the mobilization of the expert teams in Talent Acquisition and Learning Solutions. Talent Acquisition supports the businesses to apply aligned talent-sourcing strategies that ensure internal talent is identified and leveraged, and external talent is brought in through the right channels such as graduate recruitment or targeted experienced recruitment for critical roles. Learning Solutions design the relevant development paths to up-skill candidates for critical roles and competencies as well as supporting effective onboarding and integration of external talents into the Schneider Electric business.

Action plans

All action plans serve to make workforce planning part of Schneider Electric's management DNA. This means that the deployment to new functions, businesses and countries is continued and that existing workforce plans are continuously refreshed and subsequently implemented. In 2013 and 2014, the Group has, and will, continue to introduce workforce planning for numerous country organizations in both emerging and mature economies following a business strategy campaign that was deployed during the year. Today, the method reaches now two thirds of the countries where Schneider Electric operates. Workforce planning has also been systematically applied to the prioritized business segments with a focus on solution oriented critical talents. Furthermore, the Group continues to make progress with the R&D function as well as spreading the method across the Global Supply Chain division.

Alongside the continuous deployment, a development program has been launched for HR Business Partners and other key HR Leaders to strengthen their business acumen and their ability to derive workforce implications and apply aligned workforce planning within their entities.

4.6 Diversity

Approach

Since 2002, diversity and equal employment opportunity have been an integral part of Schneider Electric's Principles of Responsibility, and have been inspired by the company's vision:

- having a talented and diverse workforce is a key competitive advantage;
- the wide array of perspectives that results from such diversity promotes innovation and business success;
- in treating all people with respect and dignity, we strive to create and foster a supportive and understanding environment in which all individuals realize their maximum potential within the company, regardless of their differences.

By promoting the integration of new talents and a wide range of skills, diversity represents a source of innovation, performance and competitiveness: over and above this observation, Schneider Electric intends to move beyond its simple promotion to take a pragmatic approach to the management of diversity day by day.

Diversity and equal employment opportunity are enshrined in the Connect company program, with two primary objectives:

- strengthen the role of managers in rolling out the Group's diversity strategy;
- consolidate the place of equal employment opportunity in HR management practices.

Several global processes have been developed to support Schneider Electric's diversity policy:

- people review process to detect talent and promote equality and diversity at all levels of the company, ensuring that professional development is based on equality. In 2011, the people review process was extended to all Schneider Electric entities, including latest acquisitions, thereby enabling the use of a single process for all employees to manage their development and career;
- talent pool to foster talent development throughout the world and the access of women to key positions;
- recruitment policies, succession planning, access to training, talent and promotion management, which pay particular attention to gender balance and new economies representation;
- training leading to diplomas and qualifications for OATAM employee categories (Manual Workers, Administrative Employees, Technicians and Foremen), this has a major impact on promotion and remuneration of women, particularly manual workers and assistants;
- working session training on diversity for members of the Executive Committee and their management teams;
- online training program dedicated to the promotion of Gender diversity, launched globally in 2009.

Action plans

Diversity & Inclusion policy

In 2013, a new Diversity & Inclusion policy has been launched. At Schneider Electric, all our employees can expect us to respect and value their uniqueness and welcome them as they are. This is an undertaking that is clearly defined in our newly-launched Diversity & Inclusion policy, and backed by initiatives to make diversity an integral part of Group management and HR processes. The company has a particular focus on Gender.

The Women@Schneider Initiative is based on two main pillars: programs supporting women's professional development and programs educating leaders.

Gender balance

In its diversity policy, Schneider Electric places particular emphasis on equal career management for men and women as the best means to develop the values and skills required to meet the economic and societal challenges of the 21st century. Schneider Electric shares the conviction that gender differences in the workplace (leadership style and personality among others) complement each other, foster innovation and provide a wealth of benefits to customers.

From an operational point of view, the strategy consists of:

- promoting women in the talent pool and in positions of key responsibility;
- ensuring equal access to training and developing the conditions for genuine diversity in the workplace;
- curtailing average wage differentials by allocating a specific annual budget (in France – see below);
- creating favorable working conditions for both men and women by adopting measures designed to enhance work-life balance.

At the global level, the Women Initiative has been launched with three main pillars:

- processes: ensuring that our HR processes and KPIs are aligned with our gender balance policy. For example, succession planning for key positions in the company must include at least one woman. Along the same line, the promotion of women is monitored, as is their participation in leadership development programs;
- the development of women potential: a specific program, "Women in leadership", has been launched and deployed in three regions (Asia, Europe and North America). By end-2013, 230 women have attended this program;
- leaders' commitment:
  - to cascade the Gender balance Executive Workshops (half-day seminars focusing on gender balance launched in 2010 with the Executive Committee members and their teams), we have launched a new wave with the Gender Workshop for leaders targeting the Management Committees of the main entities and main countries; this cascading process has started in Asia end of 2012 with 150 leaders. In 2013, 100 leaders have attended this workshop: Italy, Turkey, Global Supply Chain leadership teams, and Partners team,
  - in addition, we have launched the "Mentoring for Leaders" program involving all Executive Committee members and key leaders. By end of 2013, 110 key potential women have been mentored during 10 months by top leaders.

A key global result of this initiative is the creation of local Women Networks. In October 2013, the first Schneider Women Networks summit was organized, during which representatives of women networks from 8 countries (India, China, Brazil, France, UK, Turkey, US and Spain) presented current actions for creating a more gender-balanced company. Over 400 people attended this virtual event.

Under the Connect People program, which runs through 2012-2014, two key performance indicators are the percentages of women in key positions and in the talent pool. The latter is also included in the Planet & Society Barometer which aims to have women constitute 30% of the talent pool by the end of 2014. In 2013, within the 2,218 talented employees identified across the Group, 28% are women (up 1 point compared to 2012).

Nationalities

Schneider Electric has always promoted cultural diversity and inclusion as a key enabler of the strategy.

In 2012, six nationalities are represented within the Executive Committee (French, American, British, Spanish, and Chinese). The Group also focuses on diversity of nationalities for Country Presidents, expatriates, and all employees.

These developments are a result of the Group's careful and committed policy. In addition, Schneider Electric received the Human Capital Award in 2011 within the Internationalization of Management category, from among the CAC 40 companies.

Emphasis is also placed on representation of new economies within the Group's talent pool: among the Key Position Potentials and Key Position Holders identified at the end of the 2013 People Review process, 27% are located within the new economies. This indicator is a key performance indicator established in the company program for the 2012-2014 period.

Focus on France

Agreements

In 2004, Schneider Electric France formalized its commitments to equal employment opportunity in a first company agreement, renewed and signed the Diversity Charter.

In 2007, Schneider Electric was awarded France's Equality Label and signed the Parenthood Charter the following year.

Gender diversity

- Gender Equality Agreement (since 2004 and renewed in 2012);
- partnership with the Ministry of Women's Rights for the development of professional equality in France (April 2013);
- Equality Label (since 2007 and renewed in 2010);
- Parenthood Charter (launched in 2008).

Disability

- Disability Agreement (since 1987 and renewed end-2012 for the 2013-2015 period).

2

Age diversity

- Intergenerational Device Agreement (signed in 2013); a commitment in favor of the young and seniors' employment and in the support of the transfer of knowledge and skills;
- Apprenticeship Agreement (renewed in 2013).

Diversity of origin (social, cultural, nationality, backgrounds, etc.)

- Convention related to "Jobs of the Future" (Emplois d'Avenir) signed in October 2013. A commitment to hire 70 "Emplois d'Avenir" in France between 2013 and 2014 in favor of young people without suitable qualifications for employment;
- Convention "Entreprises & Quartiers" signed in December 2013 (to develop the employment of people coming from underprivileged districts);
- Partnership with the "Nos Quartiers ont des Talents" association ("Our neighborhoods have talent");
- "100 chances – 100 emplois" program for professional integration of young people suffering from discrimination.

Equal pay for women (France)

Salary equality is fundamental to the equality of treatment that Schneider Electric is committed to guaranteeing for all its employees, both male and female.

In France, this commitment has been put into action since 2006 by allocating a annual budget (0.1% of the salary total) dedicated to fix gender salary gaps. In 2011, Schneider Electric designed an innovative methodology to analyze remunerations versus competencies, responsibilities and the professional pathway. This methodology, renewed in 2012 and 2013, allowed identifying and increasing 794 people.

Disability

Schneider Electric focuses on training and adapting workstations to foster the independence of employees with a disability and to ensure that all are accorded the same opportunities to succeed. Schneider Electric is committed to ensuring maximum independence for employees by adapting the organization and workstations and providing access to the best technologies available to compensate for their disabilities. Schneider Electric also works on preventing disabling situations.

All its teams cooperate to change behavior, improve practices, and involve all personnel in actively providing equal opportunities for the disabled:

- the Recruitment and Mobility Unit utilizes partner firms and monitors compliance with equal treatment at all stages of the recruitment process;
- the Occupational Health Department is responsible for preventing individual and group disabling situations (ergonomics, desktop adaptation, musculoskeletal risks…), retaining disabled employees and disability compensation;
- the Purchasing Department specifies its requirements to temporary employment agencies and ensures compliance with commitments in terms of subcontracting to the protected employment sector.

Schneider Electric subcontracts to the *Établissements et Services d'Aide par le Travail* (ESAT – Assistance through Employment Entities and Services) for industrial work, landscaping services, catering and seminars. In Europe, the amount subcontracted to the protected employment sector represents EUR34 million in 2013, including: EUR16.5 million in France, EUR11.2 million in Spain, EUR6.3 million in other Western European countries.

Schneider Electric signed its ninth Disability Agreement in France in December 2012. The three-year Agreement is directed and promoted globally and throughout the country through a network of internal and external members (Purchasing Department, Employment Management Department, Occupational Health Department, Communication Department, corporate partners and specialist agencies) with local rollout by "Disability Officers".

In France, Schneider Electric recruits through work-study programs for positions that are predominantly technical, and also for service sector positions ranging from the Certificat d'Aptitude Professionnelle (skills training certificate) to engineering degree level. The company aims at recruiting 20 persons with disabilities each year: 15 on work-study contracts (learning and/or professional development) and 5 persons on a fixed-term contract.

In 2013, 14 people with disabilities were recruited on work-study contracts and 2 on permanent contracts. In all, employees with disabilities accounted for 6.23% of employment at Schneider Electric in France in 2013, 2.96% of these in indirect employment (subcontracting to the protected sector) and 3.27% in direct employment. The mobilization of internal actors and the cocreation of projects led to an improvement of practices; thus, the objective of 6% set by the law was reached for the fourth year in a row.

Within the scope of the Disability Agreement, Schneider Electric committed to a voluntary approach to improve all of its industrial and tertiary establishments in France and make them accessible. In compliance with the French law of 2005 promoting the principle of equal access to all and for all, the program encompasses:

- carrying out an audit of existing sites;
- ensuring compliance with legislation and going beyond;
- taking in account accessibility to people with disabilities in future construction and renovation projects;
- making expert occupations more professional in terms of disability access;
- constantly working for improvement using a measurement indicator: the accessibility index.

Finally, within this project that ended in 2013, 34 industrial sites have been audited, including 2 analyses from plans, and 32 tertiary sites.

Generational diversity

In terms of intergenerational balance and devices, the global objectives of our employment policy are:

- to ensure the preservation and evolution of key skills within the company;
- to ensure dynamic management of the population pyramid by first integrating young people from apprenticeship level who have been trained on the job in tension or in growth;
- to develop a dynamic career path for our employee, allowing them to develop along the transformation of the company.

To reach these objectives, Schneider Electric commits to four major pillars:

- integration of new employees: At least 50% of recruitment is filled by young people coming from apprenticeship or are less than 30 years of age. Young people with little or no qualifications are recruited with the aim to bring them into employment by way of providing them with a job, a sponsor and training leading to a qualification;
- anticipating and addressing workforce needs: Develop skills and flexibility for internal mobility with the aim of helping employees to take on a new job/role while driving the necessary transformation;
- employees receive guidance for preparing their 2nd plan career by helping them to build a new career either internally or externally; Professional counselors advise employees on planning their professional paths forward;
- progressive preparation for retirement means managing the end of a career properly to ensure the transfer of key skills or the sharing of experiences before the retiree leaves the company.

4.7 Compensation and Benefits

Approach

Schneider Electric is committed to providing a comprehensive compensation and benefits offering that is competitive and cost effective in each market and country in which the Group operates in order to attract, motivate and retain talent.

Schneider Electric ensures that all compensation and benefits decisions and policies are based on the principles of fairness, equity and non-discrimination.

Compensation

Schneider Electric rewards employees' contributions based on a pay-for-performance principle, competitive market positioning and scarcity of skills. Industry market data is gathered on a country basis via third-party surveys to support compensation decisions.

Schneider Electric has built and implemented a global job architecture to support and align Rewards and Human Resources programs so that Schneider Electric can develop and move talent across different businesses and geographies.

In line with our pay-for-performance philosophy, our compensation structure can include fixed and variable elements. The short-term variable element is made up of individual and collective performance criteria and is designed to foster a sense of belonging and collaboration. The long-term variable component is discretionary and is designed to motivate and retain specific groups of targeted employees who demonstrate potential and possess critical skills.

Benefits

Benefits are an essential component of our reward offering and reflect the diverse needs of our employees.

Since employee benefit plans can vary significantly between countries due to different levels of social benefits provisions and diverse tax and legal regulations, Schneider Electric's benefits approach is primarily country-driven.

Schneider Electric has a Benefits and Pension Funds Corporate Committee whose responsibilities are to review Benefits Policy Principles compliance and evolution and to monitor asset return and validate investments long term strategy both at a corporate and country level. This Committee meets twice a year.

All compensation and benefits policies follow local statutory and collective agreements.

Employee Health and Welfare policy principles

2013 has been an important year for Schneider Electric to review and update its employee health and welfare guiding principles. As an outcome of this review the Group has agreed to reaffirm and upgrade its policy commitment. Schneider Electric's underlying objective is to protect the basic health and welfare of all of its employees and to provide adequate security to their dependents in the event of their death. In practice, this means that Schneider Electric will offer a global security standard to ensure that at least a multiple equivalent to one year's salary is paid to an employee's dependents in the event of their death by any cause.

Human Resources have defined its roadmap to meet this objective and it plans to be fully compliant by 2015. In addition, immediate action has been taken to establish cover for employees in all countries with no cover or which are classified as high risk by Schneider Electric Global Security.

Sustainable development criteria in performance incentives

Since 2011, sustainable development components have been added to the personal performance incentives of all members of the Executive Committee. These components are directly linked to the Planet & Society Barometer targets. They are personalized according to the areas of involvement for each (e.g., Green Premium targets for the members of the Executive Committee in charge of the activities).

In 2012, the criteria for sustainable development in the personal performance incentives were extended to the Country Presidents of the five principal countries of Schneider Electric and in 2013 also applied to the Heads of central functions (Finance, HR and Business Development) in the Global Operations. For all the other Country Presidents, it is not a personal objective in their bonus, but it is part of their key objectives for their 2013 annual performance.

Since 2010, the CO_2 reduction target has been taken into account for the performance incentives of all Global Supply Chain Management personnel who receive a bonus.

The reduction in the occupational accidents Severity Rate and in the Medical Incident Rate is taken into account for the performance incentives of all managers at industrial sites and logistics centers who receive a bonus.

Since December 2011, a portion of the award under the annual long term incentive plan that will be definitely granted at time of vesting is subject to the achievement of a sustainable development target. This target is defined as the Planet & Society Barometer score at the end of the year following the annual grant (*i.e.* score at the end of 2014 for 2013 annual grant). As a reminder, the Barometer is published externally and its components are audited.

In June 2012, the profit-sharing incentive plan was signed for the years 2012-2014 for the French entities Schneider Electric Industries and Schneider Electric France. For the first time, the allocation of profit-sharing for the employees of these entities includes achieving the annual targets of the Planet & Society Barometer. The reduction in the occupational accidents Severity Rate is also taken into account in the profit-sharing incentive plans of 12 other French entities.

Employee share ownership

Schneider Electric believes that employee share ownership is instrumental in strengthening companies' capital (both financial and human), and that employee shareholders are long-term partners.

The Group has been building an international employee shareholder base since 1995 that is representative of the Group's diversity. Employees should hold around 5% of the capital in 2015. Employees in 60 countries have already benefited from a share ownership plan over the years.

Employee share ownership plan 2013

Schneider Electric has ramped up its in-house communication to employees to ensure that they have a clear understanding of the challenges facing the company, its policy and its financial results. In recognition of our communication efforts, Schneider Electric was awarded the 2013 prize for the quality of information and training to employee shareholders and employee shareholder representatives by FAS (Fédération Françaises des Associations d'Actionnaires Salariés et Anciens Salariés). In view of the dynamism of the employee share ownership program, the "2013 Plan" was again enlarged and proposed in 33 countries. More than 31,000 employees subscribed shares for a total of EUR133 million with nearly 7,000 new investors.

The employee shareholding at December 31, 2013 represented:

- 4.19% of Schneider Electric SA's capital and 6.52% of the voting rights;
- over 37% of the employees worldwide.

In 2014, the Group expects to launch a new global Plan which will cover 124,000 employees in 39 countries.

Socially responsible investment fund

In November 2009, Schneider Electric created the "Fund Schneider Energie Solidaire" (a dedicated mutual fund). Information sessions on this fund are held on a regular basis, providing the opportunity for employees in France to learn about and contribute to the ideas and actions of Schneider Electric outlined in its BipBop Access to Energy program (see pages 95-96).

Investment in this fund has reached EUR 7 million, thereby enabling 3,287 employees to take part in social welfare projects in France and abroad which have been developed as part of the BipBop program.

4.8 Social dialogue and relations

Approach

Schneider Electric considers freedom of association and collective bargaining as fundamental rights that must be respected everywhere and therefore commits in its "Principles of Responsibility" to complying with local law in every country where it operates. Updated in 2013, this common reference shared with all Schneider Electric's employees worldwide relies on the 10 principles of the Global Compact, the corporate governance principles, the Guiding Principles of the Organization for Economic Cooperation and Development, the Universal Declaration of Human Rights and the International Labor Standards.

The respect of trade union right is expressly mentioned on page 10 of the Principles of Responsibility, through Principle 3 of the Global Compact: "Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining". The "Principles of Responsibility" is communicated on a global basis to all employees of Schneider Electric.

Social dialogue is managed at Country level by the HR leaders with the employee representative bodies and unions, and at transnational level with the European Works Council which covers most of geographical Europe. Social dialogue is also taken into consideration by our social reporting system, where local HR teams report the presence of trade unions, works councils and Health and Safety Committees every year.

Action plans in major localizations

European Works Council (EWC)

Schneider Electric senior management and the employee representatives of the European countries set up the Schneider Electric European Committee (renamed "European Works Council") under the terms of a collective agreement signed on January 28, 1998 (revised in 2011).

This European channel for dialogue has enabled the management to make more efficient decisions by giving employee representatives the opportunity to be informed of such decisions and to understand their reasons, as well as to put forward proposals to supplement or improve them.

It has also fostered the emergence of a strong identity, combining different cultures and having the common aim of working towards social and economic progress within the companies in the Group at European level. The European Works Council now covers almost all European countries as it involves European Union member states and officially recognized candidates to membership, European Economic Area countries and Switzerland, for a total employee number of more than 50,000.

In 2013, the European Works Council met seven times in three different locations in Europe: six restricted committee ("*Bureau*") meetings and one plenary session. Three out of the six Bureau meetings were held through conference calls as Amendment no. 3 opened this possibility for information-only meetings. This allowed an active social dialogue at European level along with the in-depth discussion on key topics.

Group Works Council, France

The Schneider Electric Group Works Council France is a forum for economic, financial and social dialogue between senior management and the representatives of the employees from all French subsidiaries.

In 2013, the Group Works Council for France enhanced its transversal information and understanding of business stakes and strategy of Schneider Electric, through two meetings during the year which dealt, among other topics, with Schneider Electric's industrial policy and organization.

For the same purposes, the Group Works Council also visited the newly built SETBT plant in Rennes.

Social dialogue in the United States

In North America, regular communication takes place with both union and non-union employees on key business topics and trends affecting their jobs. Company officials meet on a semi-annual basis with key international union leaders to inform them of competitive issues impacting the company's business, and to ensure alignment with the company's business strategies and challenges, on a local, regional and global basis.

September 2014 marks the end of the three year collective bargaining agreement with the three international unions in the United States as well as with the union that represents the employees at Juno Plant in Chicago. Meetings are held twice a year with the international representatives of these unions to maintain communications and to review business strategies.

Social dialogue in Mexico

In Mexico, Schneider Electric leaders have regular communication with the employees on topics related to their jobs: this communication takes place in different ways, including large communication meetings and small group conversations. There is also continuous communication with the Union leaders and delegates of three national Unions which represent unionized employees. Schneider Electric keeps them informed of internal and external issues impacting the company's results, listens to their concerns and looks for alignment with the company strategy and challenges. Schneider Electric and the Unions review the collective contract every year.

In 2013, Schneider Electric Mexico was certified by CEMEFI as a "Socially Responsible Company". The mission of CEMEFI is to foster and enhance the culture of philanthropy and social responsibility in Mexico and strengthen the organized and active participation of society in solving community problems. Different topics are evaluated during the certification process, including active labor relations points.

This certification confirms previous awards that had been granted to Schneider Electric Mexico around social responsibility, diversity and family policy in the previous years.

Social dialogue in China

The Group has 38 entities and over 100 sites in China. Unions are set up in 23 of them. Unions give input in the review of the local policy relating to employees' remuneration. Unions also take a key role in leading employee events and activities. The Group has discussed the collective contract with Unions for several plants. Four entities have already signed the collective contract.

Social dialogue in India

Schneider Electric India has a strong social dialogue culture with both unionized and non-unionized employees. In 2013, as in the previous years, Schneider Electric India has had cordial Industrial relations throughout its factories. This harmony has been achieved through time-tested collective bargaining process involving Unions or Workers Representative Committees. In some of the units where there is no recognized unions, this bargaining process is continued with elected Employee Committees such as Welfare (Works Committee), Health & Safety, Canteen, Sports, Transport, etc., including a special committee for women employees (fully compliant to the prevention of sexual harassment as per local laws, duly represented by external women leaders with legal background). These committees provide a platform for employees to represent their concerns, collective grievances and workplace related issues to the management. All employee engagement programs are run through these committees with the active participation of every employee.

The process of social dialogue also includes employee communication in small groups as well as through Town Hall communication on Company performance, strategy and challenges.

In 2011, Schneider Electric Global Supply Chain India successfully negotiated an agreement through collective bargaining with two Unions (Nashik and Chennai). Following this, Schneider Electric agreed to fix all the terms on wages and benefits for the next four years (valid until 2014).

Child Labor & Human Rights

Schneider Electric commits in its "Principles of Responsibility" to complying with local law in every country where it operates. Updated in 2013, this common reference shared with all Schneider Electric's employees worldwide relies on the 10 principles of the Global Compact, the Guiding Principles of the Organization for Economic Cooperation and Development, the Universal Declaration of Human Rights and the International Labor Standards.

Regarding Child Labor & Human Rights in particular, Schneider Electric's Principles of Responsibility mention explicitly the first, second and fifth principle of the Global Compact, which respectively provide that "Businesses should support and respect the protection of internationally proclaimed human rights, Make sure that they are not complicit in human rights abuses" and that businesses should uphold "the effective abolition of child labor."

The application of these principles is ensured by a management system including the worldwide deployment of a training module that all employees must undergo an ethical alert process to report and prevent any breach. At country level, each Country President is accountable for Schneider Electric's compliance with the country's regulations and must ensure a follow-up of the potential evolutions of these regulations to maintain compliance.

5. Schneider Electric, an eco-citizen company

Schneider Electric has always been committed to playing an active role in the economic development of the communities in which it has a presence. This is reflected in the substantial involvement of the Group and its employees in supporting communities, particularly through its access to energy program, its "Schneider Electric Teachers" Foundation and NGO, and by helping people to enter the workforce.

5.1 Energy access program

Context and aims

In today's world, 1.3 billion[(1)] people, approximately 300 million households, do not have access to electricity; 590 million of these live in Sub-Saharan Africa, 293 million in India, 88 million in Bangladesh, 63 million in Indonesia and 56 million in Pakistan.

In general, these disadvantaged people live on less than USD 2 per day.

Their families' energy costs may run to more than USD 15 a month. Improved access to energy not only improves quality of life, but also facilitates access to healthcare, education and development for those who need it most.

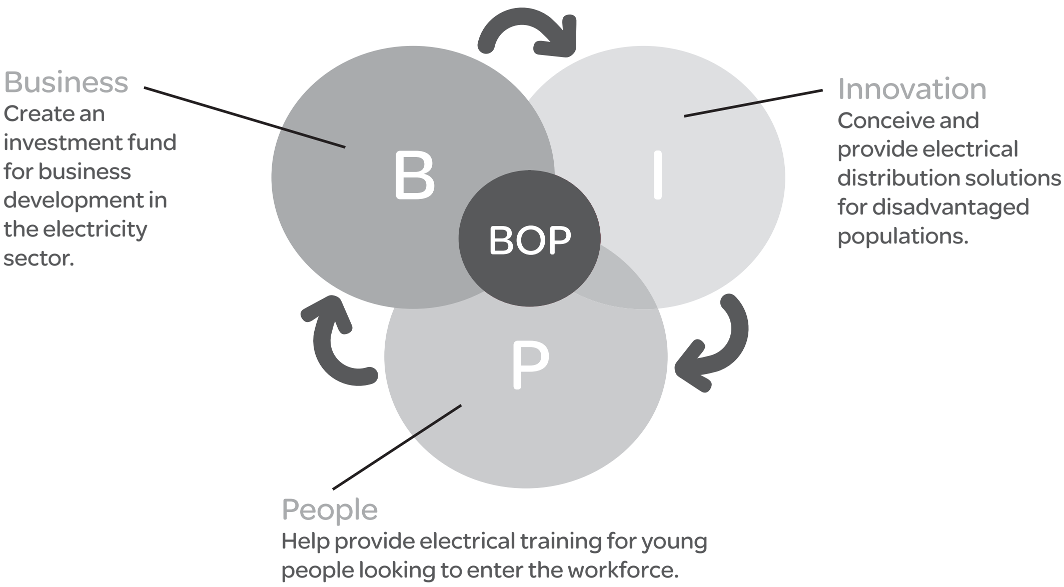
Through its energy access program BipBop, Schneider Electric wants to play a major role in helping people at the "Base of the Pyramid" to gain access to electricity.

Schneider Electric is involved in three specific areas:

- ***Business (Investment):*** manage an investment fund for business development in the electricity sector;
- ***Innovation (Economic Offerings and Models):*** design and deliver electrical distribution solutions for disadvantaged people;
- ***People (Training):*** help provide training for young adults looking to enter the electricity sector. This philanthropic effort benefits from the commitment of the Schneider Electric Foundation and contributions of its employees.

Created in 2008 and launched in 2009, the BipBop (Business, Innovation & People at the Base of the Pyramid) internal energy access program illustrates Schneider Electric's desire to create a virtuous circle combining business, innovation and social responsibility.

The "BipBop"program



(1) Source: International Energy Agency – World Energy Outlook 2013.

> **WHO IS A PERSON AT THE BASE OF THE PYRAMID?**
> Base of the Pyramid" is a term widely used today to refer to those with the lowest income either in the world or in a given country. Whether seen in absolute terms (income of less than USD 1.25 per day in purchasing power parity according to the World Bank) or in relative terms (income of less than 60% of the average income for the European Union), poverty affects people in marginalized situations (infrastructure, isolation, poor access to banking structures, etc.). Specific approaches are therefore required to meet these challenges and to contribute to reducing poverty. (1)

Organization

Management

The program is managed by the Sustainable Development Department. The program management team is now spread equally between France and India:

- a BipBop solutions Business Development Director;
- an Offering Creation Director based in Bangalore (India);
- a Welfare Investment Director, who manages the Schneider Electric Energy Access social welfare fund;
- a Training Programs Director;
- BipBop correspondents in key countries (India, Senegal, Nigeria, South Africa, Brazil, etc.).

Rollout

BipBop program operates through its local presence in the countries concerned by the energy access problem to achieve its goals. With a few rare exceptions, all projects initiated benefit from monitoring by employees of Schneider Electric entities operating in the country. These employees constitute a network of key contact people for the design, management and monitoring of projects.

Their involvement may be part time or full time. They contribute their knowledge of the local context (organization of civil society, local authorities, the private sector, etc.) and guarantee that the project is aligned with local needs. Their presence is of crucial importance for the long-term oversight of projects in which Schneider Electric is involved. The main areas targeted by BipBop are India, Bangladesh, China, South Asia, Sub-Saharan Africa and South America.

For this section, three key performance indicators were set in the **Planet & Society Barometer** for the duration of the Connect Program (2012-2014):

Objectives for year end 2014	2013	2012	2011
1. **1 million households** at the Base of the Pyramid with **energy access**	695,685 ▲	344,441	-
2. **30,000 people** at the Base of the Pyramid **trained in energy management**	32,602 ▲	10,517	-
3. **300 missions** carried out via the "**Schneider Electric Teachers**" NGO	228 ▲	66	-

The 2011 performance serves as a starting value for the Planet & Society Barometer Connect Program between 2012 and 2014.
▲*2013 Audited Indicators.*
Please refer to pages 105 to 108 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 97-98 for indicator 1, 99 for indicator 2 and 101 for indicator 3).

Social investment (Business)

In July 2009, Schneider Electric announced the creation of a global social welfare investment fund called Schneider Electric Energy Access (SEEA), with an initial capital of EUR3 million.

At December 31, 2013, the following amounts were managed by the fund:

- EUR3,000,000 in capital invested by Schneider Electric;
- EUR1,500,000 invested by Schneider Energie Sicav Solidaire (of which EUR700,000 in capital);
- EUR200,000 in capital invested by Phitrust Partenaires.

Approach

Created with the support of the Crédit Coopératif, the fund's mission is to support the development of entrepreneurial initiatives worldwide that will help the poorest populations obtain access to energy. It will invest in specific projects:

- help jobless individuals create businesses in electricity;
- The development of businesses that fight against energy poverty in Europe by promoting energy efficiency and the provision of efficient housing;
- promote the development of businesses that provide access to energy in rural or suburban areas in developing countries;
- support the deployment of innovative energy access solutions that use renewable energies for people at the Base of the Pyramid.

The SEEA fund brings together different stakeholders by encouraging Schneider Electric's employees and business partners around the world to play an active role in this commitment. This social welfare investment structure, designed by Schneider Electric to promote responsible development, constitutes a response to new French legislation on employee savings plans. On September 30, 2013, 3,287 Group employees in France showed their interest in the BipBop program by investing EUR7million.

(1) BoP indicators of the Planet & Society Barometer use geographical criteria; see methodology of indicators from the Barometer.

The aim of the SEEA fund is to promote development while protecting the assets under management. Accordingly, it has adopted strict management rules, such as:

- always invest in partnerships with recognized players;
- never take a majority shareholding;
- always ensure sustained company support (help develop a business plan, technical advice, etc.) to deliver the optimum social efficacy while minimizing risk.

> SEEA FUND INVESTMENT POLICY

	International projects	France projects
Sectorial specialization	• Access to energy sector • Sector of micro finance institutions funding the abovementioned sector • Social impact of businesses funded	• Job creation through electrical profession
Geographical targets	• Asia and Africa priority	
Methodological rules	• Always through joint investment • Minority participation only • Always provide technical and management support	• Always through joint investment • Minority participation only • Always provide technical and management support
Investment type	• Own funds • Tickets size: 100 to 400 thousand euros • Investment period: 5 to 7 years	• Own funds • Tickets size: 200 to 1,000 thousand euros • Investment period: 3 to 5 years

Action plans

Investments in France

La Foncière Chênelet is a Chênelet Group employment opportunity company formed to counter energy precariousness by creating energy-efficient social housing. Moreover, construction sites bring together employment opportunity companies and conventional firms to promote rehiring of the unemployed.

SIDI (International Solidarity for Development and Investment) is an investment fund that assigns priority to the impact on development rather than return. The fund is an important partner of SEEA and is particularly active in the microfinance sector.

LVD Énergie (formerly Solasyst) is a company of “La Varappe” employment opportunity group based in Aubagne, France. The company specializes in renewable energies solutions and has developed specific skills in integrated solar panel installation. Backed by SEEA’s investment, Solasyst will open two new branches in the south of France.

Partnership with the ADIE

Schneider Electric set up a project two years ago in partnership with the Association pour le *Droit à l’Initiative Économique* (ADIE) to help entrepreneurs start businesses in the electricity sector. The goal is three-fold:

- help individuals who have in some cases been out of the workforce for several years create their own jobs in a promising industry;
- contribute to the local economy;
- promote the electricity sector.

The project targets entrepreneurs and project sponsors who do not have access to bank loans, notably the unemployed and low-income individuals. Schneider Electric and Schneider Initiatives Entrepreneurs, an association that nurtures spin-offs, finance part of the microloans granted to electrical businesses through ADIE. Schneider Electric’s French sales division has also created a pact with dedicated technical training resources combined with support from a local sales representative to help these entrepreneurs.

Investments internationally

One transaction was concluded as part of the SEEA international portfolio in 2012:

- Simpa Networks, a company based in Bangalore (India) whose business is to make Individual Solar Systems available to disadvantaged people through a specifically developed prepayment system. Simpa relies on a network of partners such as Selco to distribute the systems.

Discussions are under way for other partnerships in Africa.

This international investment follows up on transactions carried out since 2011:

- Kayer SARL, a Senegalese company involved in the distribution of solar systems in rural areas. Its offering includes individual systems (SHS) as well as collective systems for supplying irrigation pumps or agricultural windmills;

- One Degree Solar, a company that designs and distributes small, inexpensive solar systems in Kenya. These systems enable users to benefit from lighting and to recharge their mobile phones;
- FENIX International: a company that designs and distributes solar systems in Uganda that enable users to develop a mobile phone charging business. This company has established distribution agreements with mobile operators and has developed a prepayment offering;
- Lumos International: this company designs and distributes medium-power solar systems intended to provide users with enough energy to power household appliances such as fans or televisions. These systems are intended to be distributed by mobile operators.

Offerings and economic models for the Base of the Pyramid (Innovation)

Innovation is reflected in the design and implementation of rural electricity offerings, products and solutions for disadvantaged people.

Approach

Innovation for Schneider Electric starts with the local needs and the socio-economic context of those with little or no access to clean, healthy and reliable electricity. With this in mind, the chief aims of its offerings and economic models are to:

- respond to the energy needs of villages to support sustainable economic and social activity;
- include and involve local populations in projects to guarantee their sustainability in the long term.

Schneider Electric sets out to provide comprehensive energy access solutions that support revenue-generating entrepreneurial activities, foster community services or meet domestic needs. Products and solutions are developed to meet a range of both individual and community needs across the energy chain, from lighting systems and charging equipment to decentralized small power plants and water pumping systems.

Action plans

Offer a wide range of services for all energy access needs

Individual lighting: In a program to extend access to energy, lighting is one of the first vital needs expressed by population groups denied access or reliable access to the electricity grid. Lighting makes it possible to study after the sun has gone down and to extend entrepreneurial activities into the evening. Building on its success in 2010 with the development of Homaya In-Diya, a low-power, very low cost, solar home lighting system, the offering was completed in 2013 with the launch of the Mobiya TS120S lamp, which resulted from collaboration on technical specifications with the Total Access To Solar teams. Mobiya TS120S is a portable solar light-emitting diode (LED) lamp that is both robust and affordable and offers up to 48 hours of lighting without recharging. Its shape and ergonomic grip allows you to position the lamp in seven different ways to adapt to various situations in daily life: practical activities such as lighting a room or a targeted area, marking a route, cooking, sewing, reading and charging a mobile phone. Its original design has already won three awards this year.

Individual electrification: Solar home systems (SHS) guarantee domestic households and small entrepreneurs' access to electricity for their day-to-day or income-generating activities. The central component of the SHS is the solar charge controller for connecting photovoltaic cells and batteries for powering small direct-current devices such as fans, radios or televisions, as well as low-consumption LED lamps and mobile phone recharging. In 2014, BipBop will extend its offering to provide a range of SHS dedicated to individual income-generating activities requiring higher-power alternating-current equipment.

Collective electrification: Schneider Electric originally developed Villaya Villasol, a micro solar power plant dedicated to the electrification of remote villages to meet collective needs, both domestic and entrepreneurial. In 2012, its range was extended with Villaya Villasmart, a micro hybrid power plant for optimized management of an energy source derived from an engine-generator through a combination of photovoltaic cells.

The collaborative MiCROSOL research project, begun in November 2011, aims to develop a unique and modular standard technology for the simultaneous production of electricity, potable water and heat primarily for the benefit of micro-industries located in rural areas in countries with strong sunlight, with Africa as the top priority. The project, led by Schneider Electric, brings together nine public and industrial partners and is supported by ADEME. Based on solar thermal technology, this type of micro power plant has the advantage of being environmentally friendly. In November 2013, the MiCROSOL project consortium opened the CEA (Atomic Energy Center) in Cadarache, the demonstrator of its energy access solution. While capitalizing on the three years of the project, the first live pilot site on the African continent is planned for 2014, beginning its sales phase in 2015.

Community energy services: The development of energy services helps bring added value to the users in a community. With its range of charging equipment for the Homaya In-Diya lighting systems, Schneider Electric has extended its offering with solar water pumping solutions.

The Villaya Water of the Sun solution, launched in 2012, is an automatic solar water pumping system designed to provide water at a reasonable price to people with limited or no access to electricity. It uses an advanced ATV312 Solar variable speed drive to regulate the speed of a three-phase engine depending on the energy supplied by the solar panels. Adaptable to all types of pumps, surface or submerged, using the Water of the Sun solution ensures greater system reliability, simplified plumbing and reduced maintenance. In 2013, several solutions were installed in India and Africa as part of collective electrification projects.

Training offering: For Schneider Electric, professionals must be supported by training in energy management from educational institutions through to vocational and continuing education worldwide. In partnership with Schneider Electric Training and BipBop People, an affordable range of BipBop Education teaching models and teaching tools has been developed to meet the needs of training organizations, particularly in emerging countries. The training offering covers the management of high and low voltage electrical distribution, building management, global energy management and process and machine management.

Ensure that the sustainable economic models are adapted to local contexts

Last mile distribution: Individual and residential products are deployed through our distribution networks, subsidiaries, and a number of NGOs and businesses in the sector of developing access to electricity. This new system is available practically everywhere in the world. Partnerships have been set up with local institutions and organizations to optimize deployment of the product and to target the poorest communities. In Nigeria, a partnership with Total Access to Solar enables us to distribute Mobiya TS120 lamps by taking advantage of the logistics, after-sales service and the distribution network of their service stations.

Partnerships: In 2011, Schneider Electric established a partnership with the Grameen Shakti organization based in Bangladesh. Schneider Electric aims to supply lighting products and power control systems that respond to the demand from Grameen Shakti. In the middle of 2013, Schneider Electric and the Philippine NGO Gawad Kalinga entered into a partnership to develop access to electricity in rural communities in the Philippines. Combining the social expertise of the NGO and the technical and economic expertise of the BipBop program, the partnership aims to support farmers, electrify remote villages, promote the production and intelligent management of energy for the "Enchanted Farms" of the association, and train and support local entrepreneurs in the field of energy access.

Microfinance: Microcredit enables people with low or irregular incomes to finance the purchase of solar lighting or individual electrification for the economic development of individuals and small businesses. In 2013, Schneider Electric, in partnership with the PAMIGA (Participatory Microfinance Group for Africa) association, launched the "Energy and Microfinance" project in Cameroon, Ethiopia and Tanzania. Schneider Electric provides solutions adapted to the needs identified by microfinance institutions (MFIs) that are members of the PAMIGA network, and engages its local partners (distributors, integrators, installers) to ensure the availability of affordable solutions to customers of MFIs, combined with high-quality service. Two types of loans are offered to customers of MFIs: "lighting" credits that offer low-consumption solar energy lighting solutions, and "energy" credits for providing solar solutions tailored to the needs of an income-generating activity. That same year, the project was selected among 20 projects selected to participate in "Forum Africa - 100 innovations for sustainable development" on the initiative of the French Ministry of Foreign Affairs, under the leadership of the Deputy Minister for Development, in partnership with the French Development Agency (AFD).

Micro-entrepreneurship: In India, Schneider Electric deploys an energy service sales model through the creation of a network of battery-charging entrepreneurs for the low-consumption lighting system In-Diya. In 2012, the network of more than 120 selected volunteer entrepreneurs at the start of a basic electrician training program offered this rental service to more than 1,000 households. In 2013, the project partnered with Indian associations focused on the "Village Level Entrepreneurs" model to allow its entrepreneurs to add a solar product distribution service to improve their income. The program guarantees them a logistics network necessary for their activity and provides them with technical and entrepreneurial training throughout the subcontinent.

Decentralized rural electrification: Rural electrification continues following the success of the projects launched since 2009 in Madagascar, Vietnam, Senegal, Egypt and Brazil. Schneider Electric provides expertise to municipalities for defining energy needs, sizing electrification solutions, mobilization of local partners for installation, and training of maintenance and after-sales service agents. The success of the electrification of a village in Nigeria in Ogun Province led to the electrification of 16 other villages in the same province. Schneider Electric set up off-grid solar power stations that powered community buildings and charging equipment. In 2013, the village of Pitti-Gare in Cameroon was equipped with a Villaya Villasol micro solar power plant that provides electricity to a farm mill for grinding cassava and for feeding the school and health center, and charging equipment for lighting and cell phones in domestic households. All micro-units are managed by an entrepreneur located within the community and trained by Schneider Electric to ensure maintenance and economic viability in the long term.

Training (People)

Approach

The key challenge of training in the electricity sector is to provide those at the "Base of the Pyramid" with the knowledge and skills to be able to carry out the task given to them in a safe and responsible way, as well as providing their families with the means for suitable subsistence.

It will also give them the ability, should they wish, to sell and maintain energy access offerings and to create their own small business in time.

Furthermore they are a vital and indispensable element for all responsible and sustainable rural electrification policies.

Schneider Electric's strategy for training in the energy sector of disadvantaged people at the Base of the Pyramid includes three key priorities:

- a few months of basic training, free and accessible to a large number of people; full-time or evening and weekend courses to be able to better adapt to the local situation; these training courses lead to the issuing of a certificate of competence by Schneider Electric;
- multi-year training leading to qualifications, in partnership with local Ministries of Education, included within the bilateral guidelines;
- training of trainers to support effective and quality roll-out of training down the line.

These actions are always implemented in partnership with local players and/or national or international non-profit organizations (NGOs, governments, etc.). They systematically work with the local subsidiary of Schneider Electric. The actions may be accompanied by funding for investments in materials and missions of the volunteers of the Schneider Electric Teachers association, which, if the need arises, enable the transfer of expertise.

The range of teaching BipBop Education materials launched in 2012 was expanded in 2013 to include new materials.

Since starting the BipBop program, more than 45,000 people have been trained, and at the end of 2013, there were 28 projects in 20 countries bringing hope of a decent life for thousands of young people.

Outlook

The large-scale expansion of the training projects initiated in 2013 will continue, with the objective of training 30,000 new people during 2014. New projects will be launched in Panama, Vietnam, Mexico, Ethiopia, Burundi, Côte d'Ivoire and Peru.

A comprehensive impact assessment and two country impact studies will shed light on the relevance of actions undertaken since 2009.

During the current year, 2014, the following activities are being continued:

- initiatives for direct donations of materials;
- the development of new projects in partnership with the French Ministry of Education;
- efforts towards transnational expansion.

The BipBop Education range will also be complemented by sales in the countries in which the BipBop program "modular offering" educational materials are used.

With its first experiences in supporting entrepreneurship, a BipBop Entrepreneurship pillar will be created in 2014 with the goal of about one hundred creations supported in 2014.

Signing global agreements that had not been completed in 2013 will be a priority during 2014.

5.2 The Schneider Electric Foundation

Approach

The Schneider Electric Foundation's aim is to contribute to the development of people and societies through education, awareness-raising and vocational training related to energy. Created in 1998 under the aegis of *Fondation de France*, the Schneider Electric Foundation acts anywhere in the world where the company is present, through four programs:

Access to energy

Since 2009, the Foundation has been supporting the BipBop (Business, Innovation and People at the Base of the Pyramid) program to improve access to energy in new economies through the development of vocational training in energy management trades for the most underprivileged.

Tackling fuel poverty

In 2013, it stepped up its commitment to tackle fuel poverty in mature economies by implementing information and awareness campaigns targeting households facing this type of poverty.

Raising awareness of sustainable development

Energy and climate change are crucial challenges for our planet. It is possible to achieve more with fewer resources, starting now! By supporting innovative projects, the Schneider Electric Foundation is committed to helping find solutions. It contributes to iconic international programs by providing energy management expertise through donations of equipment and/or skills.

Supporting local initiatives within the framework of mobilization campaigns

The Schneider Electric Foundation focuses on the involvement of company employees in all the actions it implements. It carries out its work through a network of 130 employee volunteers, known as delegates. These volunteers, covering 75 countries, are responsible for identifying local partnerships, presenting them to employees in their units, and to the Foundation and tracking projects once they are launched. Each project proposed is subject to a review process based on administrative and financial data by the Schneider Electric Foundation and by *Fondation de France* before funds are released.

With an annual budget of EUR4 million, the Foundation works to support its partnerships through Schneider Electric entities in which employees are also involved. A total of more than EUR10 million have been invested in this way to benefit local communities (see pages 121-122).

Organization

The Foundation's network structure is an original and very suitable mean for engaging local, human and lasting sponsorship. It also reinforces the energy of the people involved. In each site, the choice of delegates is made based on recognized and formalized participation via a letter of engagement signed by the head of the site and that of the Foundation for a duration of two years. In 2013, the Foundation had 130 delegates covering 75 countries for a mission, which includes:

- selecting an association dedicated to employing young adults;
- defining a project and supporting this partnership;
- organizing local events adapted to the country's culture, to better boost employee morale;
- informing employees of Foundation activities at their site.

The delegates also coordinate the organization of the Schneider Electric Foundation's annual campaign for international mobilization called Luli. This week takes place in June/July and is an important time in the life of the Foundation and the company with local partnerships taking center stage at an international level.

In 2013, 38,633 employees in 50 countries took part in this campaign.

Governance

A legal connection to the Fondation de France

The *Fondation de France* is a non-profit organization that, since its creation in 1969, has been working to promote links between donors/founders and field structures to support projects in all fields of public interest. Each year, through the donations it receives, the *Fondation de France* backs more than 8,000 projects. In addition, it assists other foundations under its umbrella (more than 700), which are both governed and run separately, but are legally part of the *Fondation de France*. It is responsible for ensuring that their actions comply with its articles of association and the legal framework of the sponsorship. The *Fondation de France* has an Executive Committee that defines broad guidelines for its actions and the projects that it supports. The decisions of this Committee are then notified to the *Fondation de France*, which verifies their compliance and implements them (checking and signing all agreements with partners, paying funds to beneficiaries after verifying documentation demonstrating proper functioning of their structures and their eligibility for the sponsorship scheme, checking the communication tools of the Schneider Electric Foundation, and so on).

The Executive Committee

The Schneider Electric Foundation's Executive Committee meets twice a year. It is made up of members of Schneider Electric, staff representatives and other qualified individuals.

The current composition of the Schneider Electric Foundation's Executive Committee is as follows:

- President: Henri Lachmann
- Members: Charles Bouzols (external expert), Guy Dufraisse (Schneider Electric), Michel Crochon (Schneider Electric), Xavier Emmanuelli (external expert), Annie Hery (staff representative, Schneider Electric), Jean Kaspar (external expert), Cathy Kopp (external expert), Jean-Pierre Rosenczveig (external expert), François Tarricone (staff representative, Schneider Electric), Jean-Pascal Tricoire (Schneider Electric).

An operational team and a selection committee

The members of the operational team are: Gilles Vermot-Desroches, General Delegate; Patricia Benchenna, Director of Programs; Morgane Peloille, Administrative Assistant. The selection committee is made up of three members: the General Delegate of the Foundation, the Director of Programs of the Foundation and the Director of the 'People' pilar (people at the BoP trained in energy management) of BipBop program. It meets every month.

The international network of Foundation delegates

Human relationships are at the heart of our sponsorship approach: keen to make more than just a financial donation, the Foundation encourages the establishment of links between the partner organizations, young people and the company. Links are also built and strengthened between the staff taking part in a given volunteering project. Whether regional or international, the Foundation's contribution is always complemented by the hands-on work of the staff volunteers and the Foundation delegates, who forge strong and lasting bonds. The Foundation's network structure is an original and highly effective way of engaging in sponsorship, which is overseen at the global level yet has a close and enduring human dimension. It also boosts the vitality of the people who take part. On each site, the representatives are chosen based on previous voluntary work and are issued with an official letter of appointment (valid for two years), signed by their line manager, the site/country manager and the General Delegate of the Foundation.

Action plans

Training and opportunities for young adults

To facilitate the integration and professional training of the most under-privileged young adults, the Schneider Electric Foundation continually encourages and supports national and international integration associations or electrical profession educational organizations.

To fulfill this mission, the Foundation also participates in the Group's commitment to sustainable development. In particular, it also contributes to the BipBop energy access program (for Business, Innovation and People at the Base of the Pyramid) started in 2008. The Foundation supports the People aspect of the program, dedicated to training with priority given to the target developing countries.

This training and integration program captures around 70% of the annual funding allocated by the Foundation. All of these actions are monitored and measured on a quarterly basis within the scope of the Planet & Society Barometer through a key performance indicator: For the 2009-2011 period, the objective was to train 10,000 young adults at the Base of the Pyramid in energy management professions. The objective was surpassed, with more than 12,000 young people trained. Over the 2012-2014 period, the Connect company program again includes this training objective, but with the target tripled: the objective is to train 30,000 people. From 2012 to 2013, 32,602 people at the Base of the Pyramid were trained in the energy management professions.

Raising awareness about sustainable development

Energy and climate change are at the heart of the issues facing our planet. Doing more with fewer resources is now possible. By supporting innovative projects, the Schneider Electric Foundation voluntarily helps raise awareness to different stakeholders participating in the challenges of climate change. The company invests in emblematic and international programs by making its knowledge, notably in energy systems management, available through donations in resources and/or knowledge. Through its projects and the commitment of its employees, the Schneider Electric Foundation wants to emphasize:

- the desire to contribute and provide solutions.

  Safe, reliable, efficient, productive and green energy management solutions are now available and operational, even in the most extreme conditions. Through its Foundation and alongside the International Polar Foundation as well as the Fédération française des clubs alpins et de montagne, Schneider Electric contributes to implementing innovative and exemplary smart networks within the environmental domain;
- the ability to build together, to break down barriers.

  By forging links with NGO partners, Schneider Electric aims to develop solutions that will serve the project by extending its scope, adapting to needs and to different ways of collaborating that are new and sometimes unexpected;
- setting an example for employees, but also for the wider community.

  Faced with the issues of our planet and particularly the challenges posed by energy resources, Schneider Electric always wants to aim higher: through its ambitious initiatives that may sometimes seem idealistic, these adventurous solutions show that it is possible to meet the challenges.

Mobilization campaigns and volunteering

Emergency relief and reconstruction aid

Acting as intermediary in rallying its employees, the Schneider Electric Foundation regularly brings its support during natural disasters. The Foundation above all wishes to maintain long term involvement. The aid takes place at two times: during the emergency the teams mobilize immediately to support the specialized NGOs and to meet the initial needs of the populations. The second stage is then implemented, which can take time. This stage aims to contribute to the reconstruction in the medium term. The actions supported and developed by local partners focus on construction projects, reconstruction and rehabilitation of the technical training centers for energy management professions. This is the part of the program that mobilizes the essential available resources. The Schneider Electric Foundation considers it fundamental to share its skills in electrical professions in order to actively contribute to aid in catastrophe-hit zones so that reconstruction can be sustainable.

The “Schneider Electric Teachers” NGO

Since the Schneider Electric Foundation was created in 1998, it has placed Group employee involvement at the heart of its work. Either Foundation delegates or employee volunteers are the link between the company, the Foundation and the supported organizations in more than 70 countries.

The creation of the Schneider Electric Teachers organization at the start of 2012 resulted from the desire of Schneider Electric and the Foundation to do more to support voluntary work of Schneider Electric current and retired employees in the teaching and professional training programs. The main objective was to provide a new contribution to the BipBop training programs and to undertake 300 missions in three years. This indicator is included in the Planet & Society Barometer 2012-2014.

Governance

The Schneider Electric Teachers association lodged its articles of association with the prefecture in France in February 2012. Its board is composed of former Schneider Electric directors and members of the Sustainable Development Department involved in the BipBop energy access program. Specifically by name: Christian Wiest (Chairman), Dominique Devinat (Vice-chairman), Francois Milioni (Secretary), Christophe Poline (Treasurer), Bernard Lancian (member), Gilles Vermot Desroches (member).

The board met 8 times in 2013 and the General Assembly was held on December 2013.

Though less than two years old, 30 partners from 25 countries have joined the initiative. The volunteer community comprises more than 500 people, and 162 missions have been carried out in 2013.

Operations and players

This is a shared contribution between the Foundation, Schneider Electric entities and employees/retirees for the benefit of non-profit structures in the field of education and vocational training:

- the employees/retirees volunteer their time and make their skills available;
- the partners look for skills to support their activities, specify their needs and support volunteers in carrying out their mission;
- the Schneider Electric Teachers association coordinates, connects and organizes the process and covers costs related to carrying out missions;
- the Schneider Electric entities host the volunteers when the mission takes place outside their country of residence.

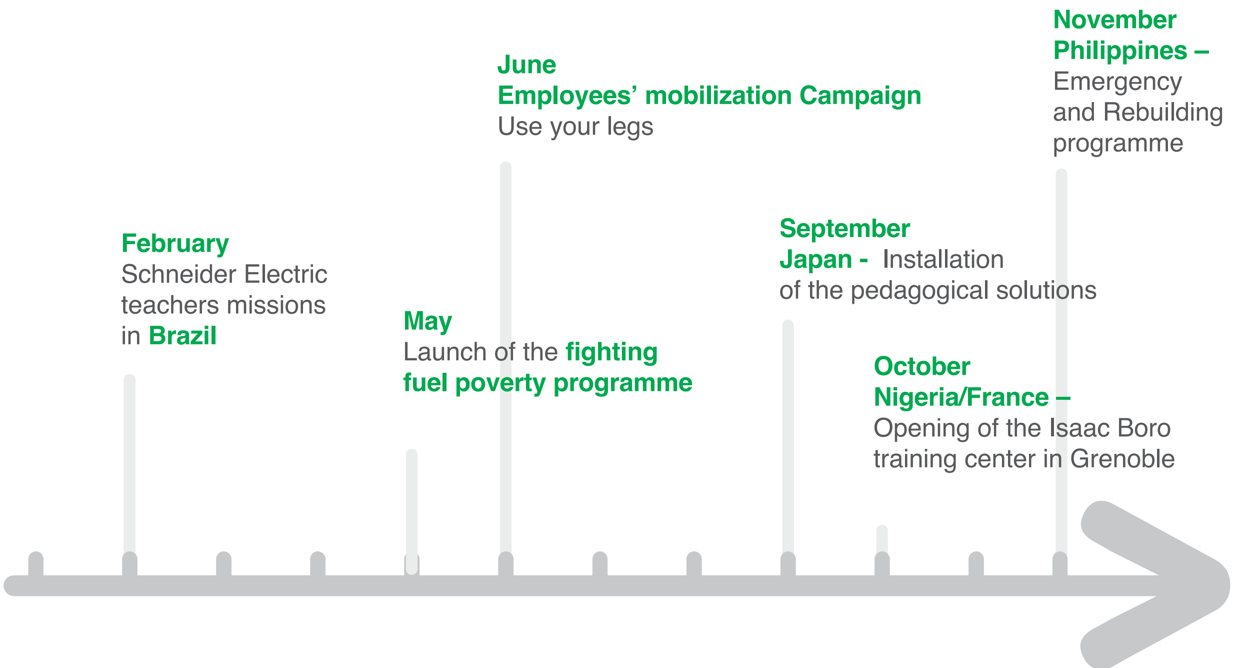
The missions

- missions to educational and professional training facilities (professional training center and/or technical schools, universities, etc.);
- tutoring, classes, events, work practices, equipment installation, discovering a profession, trainer training, optimization of standards, etc.;
- volunteer missions at associations and entrepreneurs in the field of access to energy;
  - who have supported the Energy Access social welfare investment fund,
  - or who began work after training;
- management control, finance, communication, fundraising, management, human resources, technical, etc.

For more information visit: *www.fondation.schneider-electric.com and www.teachers.schneider-electric.org*

2

Highlights of 2013 for the Schneider Electric Foundation



Initiatives in North America

American culture places a lot of importance on community involvement. Schneider Electric North America has the following commitments:

- one of the flagship programs of the Schneider Electric Foundation North America is the "matching gift program", through which the company matches employee donations to the organizations of their choice. In 2013, the North America Foundation provided USD3.5 million of funding to various charitable and community organizations, employee match and employee giving programs, and to programs in which employees worked significant hours of volunteer service;
- Pelco by Schneider Electric, the Group entity specialized in building security and video surveillance, is developing a program called Pelco Community Partnership Program which encourages employees to get involved and volunteer in selected associations for up to 40 hours per employee per year;
- APC by Schneider Electric implements a program every year called Community Impact which gathers employees from the head office and others to support local associations with community service (donating or recycling computer equipment, assisting handicapped people, etc.).

The most significant commitments in the United States, Canada and Mexico, in terms of funding, product donations and employee involvement, were focused on: Habitat for Humanity, Red Cross, American Hearth Association, American Cancer Society, National Safety Council, and Junior Achievement.

These initiatives are consolidated at the level of the Schneider Electric Foundation and are taken into account in the different reports and indicators.

5.3 Territorial positioning and impact on economic and social development

Wherever it operates, Schneider Electric makes a strong commitment to community partners and civil society through positioning itself in a way that is indispensable for a global enterprise that wants to keep in touch with the employment pool of its industrial facilities. Numerous projects under way and on the drawing board demonstrate Schneider Electric's desire to be engaged, notably in the area of employment, and to contribute fully to local economic development.

Business creation in France – Support for business creation with Schneider Initiatives Entrepreneurs (SIE)

Approach and action plans

For more than 20 years, Schneider Electric has supported employee projects in France to create businesses or buy going concerns through Schneider Initiatives Entrepreneurs (SIE), a dedicated structure demonstrating the Group's commitment to promoting entrepreneurship, promoting actions to support local economic development, proposing and supporting employees in reliable career paths that are external to the Group.

Schneider Initiatives Entrepreneurs provides support for Schneider Electric employees during all stages of business creation, as well as afterwards, with a follow-up period of three years.

SIE's dedicated team of seasoned managers is responsible for reviewing the financial, legal, technical and commercial aspects of business creation or purchase projects to ensure they are viable and sustainable.

Specific support is offered for energy-related projects, which can benefit in particular from the support of the Sales and Marketing Department. These accounted for almost 20% of all supported projects in 2013. The support of the Sales Department is also provided to electrical designers from EDF and ADIE.

The SIE structure is represented directly or indirectly in local business networks. To enhance the quality of services offered, it has teamed up with associations such as the EGEE, ECTI, Boutiques de Gestions, ALIZE, the local Entreprendre networks and other local associations.

SIE is very active in the promotion of expansion, by chairing the DIESE Network, an association formed of major groups that support their employees in project creation or takeovers.

More than 1,000 project sponsors were supported, including electricians, bakers, consultants, graphic designers, asset managers, florists, etc. These projects have generated more than 3,000 jobs.

SIE also offers to support employees who want a professional pathway external to the Group within NGO partners through a "Pass NGO" mechanism. This mechanism allows employees to be positioned on structured projects in NGOs, primarily under French law, in the context of long-term missions.

Examples

On January 16, 2013, during the fifth Schneider Electric *Vivez l'aventure !* (Live the Adventure!) competition, six heads of companies received an award to recognize and highlight their initiative.

Since the first edition of the "Live the Adventure" competition, 30 creations and takeovers of companies have been highlighted, with a survival rate of 83% and 126 jobs created or saved.

SIE was honored with the special jury prize "CSR Challenges Prize" on April 17, 2013.

Economic development of territories

The SIE teams manage many actions to contribute to local economic development, for example:

- specific missions within the fabric of the local SMEs (small and medium industries/enterprises) carried out by Schneider Electric senior experts;
- missions in the framework of skills-based sponsorship (Alizé system);
- membership in and promotion of the Pass Compétences tool, which allows the posting of experienced managers to long-term missions with SMEs in the Ile-de-France; these experts are invested in structured and strategic development projects for SMEs;
- support for organizations that open the way to creation of activities and companies (*Réseau Entreprendre, France Initiative*, etc.);
- financial aid for learning within the energy sector.

Other organizations such as ADIE (Association for the Right to Economic Initiative) are also financially supported through guarantee funds, loans or particular subsidies for electrical project creators. These electrical project creators can also access support for expansion from the Schneider Electric Sales Department.

Revitalization of local employment pools in France

The pilot SIE structure was used to implement the revitalization actions put in place during restructuring of certain industrial areas.

The involvement of teams in local economic networks optimizes the allocation of resources where they are needed most under these agreements defined in the GPEC, the employment safeguarding plans (PSE) or the future industrial restructuring plans.

Nine local employment pools were involved from 2011 to 2013. These actions result in support for employment, implementation of the Group's involvement policy, SME development aid, support for the energy sector, assistance for learning and other actions desired by the local economic and political authorities.

Within this framework, the SIE action also enabled the promotion and support of the recovery site St Pryvé, St Mesmin, and soon Barentin, to guarantee the industrial sustainability of these sites.

BipBop Entrepreneurship

The attachment of the SIE teams to the Sustainable Development Department enables it to promote its ambitions in the BipBop program and attract and support the creation of utilities in this context. The directions taken to date are already helping students in the BipBop training program ("People" pillar, see page 99) to prepare for the establishment of an independent business of electricity professionals. So far five countries are classified as priority.

Job creation for disadvantaged young adults in France

The diversity of backgrounds, cultures, profiles and experience is always a source of wealth, sharing, new ideas and innovation. In disadvantaged areas, there is a huge amount of talent that is eager to grow. Recognizing this, we believe that companies have a role to play. It is our duty to act, particularly in the heart of the markets in which we operate.

Convinced of the need to better support young people entering the workforce, Schneider Electric is involved in different ways: training, work/study programs for young adults entering the workforce from disadvantaged backgrounds, partnerships with schools and associations, financial support for young students, and participation in technical or general training courses, etc. These actions are undertaken by partnerships founded within the scope of the Schneider Electric Foundation.

The annual "100 chances - 100 emplois" campaign in France targets young adults aged 18 to 30 with a low level of education or qualifications that are susceptible to discrimination, come from "sensitive urban areas" (ZUS) and who are motivated to take part in a job opportunity program.

The objective is to open the door to lasting employment by offering personalized qualification pathways with the help of many companies brought together and led by the pilot companies

(Schneider Electric in Grenoble, Chambéry, Rouen, Rueil-Malmaison, Dijon and Nord-Isère).

The goal is to attain a positive outcome of 60%, meaning that participants obtain a fixed-term or temporary contract of more than six months, a permanent contract or a skills-qualification training or diploma contract, of which more than 50% in work/study programs.

The “100 chances - 100 emplois” campaign was launched in January 2005 in Chalon-sur-Saône.

At the end of 2013, 1244 young adults had obtained a permanent contract, a fixed-term contract of more than six months or a skills-qualification training contract, particularly work/study, and more than 2,181 other young adults are still supported by the program.

The “100 chances - 100 emplois” campaign targets the cities of Angoulême, Aubervilliers, Blois, Chalon-sur-Saône, Chambéry, Cognac, Dieppe, Dijon, Evreux, Grenoble, Marseille, Montereau, Montpellier, Nanterre, Nemours, Nice, Rouen, Rueil-Malmaison, Saint-Denis and Strasbourg.

With the same objective of integration, but for people with disabilities, a Platform of Orientation and Training was launched in Rhône-Alpes region with different public actors. This platform allowed to integrate 10 people in employment.

The **Interim policy** encourages our industrial facilities in France to develop interim employment contracts, supports sustainable employment, and encourages temporary jobs for those entering the workforce.

The signing of the **Pacte pour l’insertion et l’emploi** (Compact for Integration and Employment) with the *Comité national des entreprises d’insertion* (CNEI) is part of the desire to learn more about companies providing jobs for the unemployed and involve them in our purchasing policy.

Employment clauses are included on new (or renewal) processes, especially in the purchase of services and the construction of new sites, based on the example of the public markets, in order to engage our suppliers in this desire to help unemployed young people to find their place in society.

In this dynamic, we signed a partnership agreement with the Minister Delegate for Urban Affairs, a Future Employment agreement with the Ministry of Labor, Employment, Vocational Training and Social Dialogue committing us to recruiting and to training over 70 young people by the end of 2014.

Finally, Schneider Electric has partnered with many other organizations: *École de la Deuxième Chance, Nos Quartiers ont des Talents, Télémaque, Fondation de la 2e Chance*, etc.

6. Methodology and audit of indicators

6.1 Methodology elements on the published indicators

In the absence of any recognized and meaningful benchmark for companies involved in manufacturing and assembling electronic components, Schneider Electric has drawn up a frame of reference with reporting methods for the Planet & Society Barometer's indicators and for Human Resources, safety and environment data.

This frame of reference includes the scope, the collection and consolidation procedures and the definitions of this information. As it is engaged in a process of constant improvement, Schneider Electric is gradually supplementing this work to adapt its frame of reference for sustainable development indicators to changes in the Group. This document is regularly updated and additional information can be consulted at www.schneider-electric.com/barometre.

In keeping with its commitment to continuous improvement, Schneider Electric asked Ernst & Young to conduct a review in order to obtain a moderate level of assurance for certain human resources, safety and environment indicators. The audit work builds on that conducted since 2006 and was broadened to include more indicators, in particular all of the key performance indicators from the Planet & Society Barometer (See Independent verifier's report pages 111-112).

Human Resources, safety and environment indicators

The Human Resources, safety and environment data comes from several dedicated reporting tools, available on the Group's Intranet, including the One reporting tool for the Human Resources data and GlobES (Global Environment and Safety) for the safety and environment one. Its consolidation is placed respectively under the Global Human Resources Division and the Group's Global Supply Chain Management. Energy is managed with the Group's own solutions, Resource Advisor and Energy Operation. Data reliability checks are conducted at the time of consolidation (review of variations, inter-sites comparison, etc.).

The Safety data of the sites are included in the Group metrics after one complete calendar year following their creation or acquisition. A site joining the Group in year n will be included in the metrics on January 1 n+2, except in exceptional circumstances when contract language stipulates not to include the Safety data before 2 years. A gap can be thus recorded with the scope of financial consolidation.

Breakdown of workforce data (by gender, category, age and seniority), sites declaring employee representation, the number of collective agreements and training programs cover more than 83% of the total workforce. Performance or career interviews have taken place with more than 90% of the workforce.

This data is consolidated over all fully integrated companies within the scope of financial consolidation, when the Group has more than a 50% stake in the subsidiary.

Units that belong to Group companies which are fully consolidated are included on a 100% basis in reporting. Units belonging to proportionally consolidated companies are also fully integrated. Companies accounted for by the equity method are not included in the reporting.

The scope of environmental reporting is that of ISO 14001 certified sites, and certain non-certified sites on a voluntary basis and without interruption in time. All production and supply chain sites with 50 or more employees must obtain ISO 14001 certification before the end of the third full calendar year of operation or membership in the Group. Administrative, R&D and sales sites with 500 employees or more also have to obtain ISO 14001 certification. Other sites may seek certification and/or report on a voluntary basis. A gap can be thus recorded with the scope of financial consolidation.

Indicators from the Planet & Society Barometer

The Barometer data is used and consolidated under the departments directly concerned by the indicators (Human Resources, Environment, the Foundation, etc.) and each represented by a driver.

The global performance of the Planet & Society Barometer is calculated by the Group's Sustainable Development Department. The indicators from the Planet & Society Barometer have a Group scope with specific levels of coverage for each indicator.

10% reduction of CO_2 emissions in transport

This indicator includes emissions from the transport of goods purchased by Schneider Electric, covering close to 80% of the total transport costs of the Group.

The measurement of CO_2 equivalents combines the impact of CO_2, CH_4, N_2O, HFCs, SF_6, PFCs, NOx and water vapor.

Two methods are used by carriers to measure CO_2 equivalent emissions: energy-based method (preferred) and activity-based method (accepted).

The data is corrected for activity, in tons transported.

This indicator was audited by Ernst & Young.

75% of our product revenues achieved with Green Premium

A Green Premium product is defined by the following four criteria:

- an Environmental Product Profile available online;
- an End-of-Life Instruction available online;
- the list of substances of concern according to the European regulation REACH available online;
- the observance of the thresholds imposed by the RoHS EU Directive on hazardous substances.

The indicator measured the share of sales made with a Green Premium offer from sales figures for the year n-1. All Activities involved in energy management are included in the program (CST is not in the scope). The North America Partner offers defined as NEMA are exempt even if a dedicated program aims at speeding up the RoHS compliance of those offers. In the same way, Medium Volatge offers (Energy Business Unit) are also exempt to take in account Areva integration and the migration toward RoHS compliant offers.

This indicator is audited by Ernst & Young.

10% energy savings

The goal is to reduce energy consumption each year (201220132014) by 3.3%, using Schneider Electric solutions. The program is available for all Schneider Electric sites. The internal customer is Global Supply Chain Management. The Energy Management Services teams are the internal provider.

In 2013, the program addresses Schneider Electric's 204 most energy intensive sites (based on energy consumption in 2012). By 2014, it will include all sites larger than 5,000 m². In case of acquisition, the sites concerned will be included in the program the following year.

The "energy savings" refer to standardized data; a model for each site is built to take into account climatic variations and changes in production.

All energies (gas, electricity, oil, etc.) are taken into account and converted into kWh.

This indicator is audited by Ernst & Young.

+7 points of growth with EcoXperts above Group growth

The objective is, through "EcoXperts" partners selected by Schneider Electric, to develop energy efficiency and renewable energies activities suitable for small and medium-sized buildings.

Schneider Electric aims to outperform Group growth by seven points with the EcoXperts activities, measured quarterly year-to-date.

The program provides end users access to:

- a network of local partners accredited by Schneider Electric;
- energy efficiency and renewable energies solutions based on tested, validated and documented architectures;
- a volume of sales supported by the experience of a specialist in energy management.

The indicator incorporates country results after six months in the EcoXperts program (annually from January 2012).

This indicator was audited by Ernst & Young.

1 million households at the Base of the Pyramid connected

The indicator accounts for all sales of products and solutions that provide access to energy for people at the Base of the Pyramid that were developed within the BipBop program:

- products: lamps (In-Diya) and lighting products, power control systems, individual solar systems, inverters for CFL lamps, meters (BEC23 range);
- solutions: battery charging stations, solar water pumping systems, micro-solar power stations for generation off-grid electricity (Villasol, VillaSmart and DC Grid).

The Base of the Pyramid is the socio-economic segment of the world population with the lowest incomes. This population is defined in the indicator from a geographic perspective and business model perspective: the population living in non-OECD countries; accessing products and solutions through non-traditional distribution channels, appropriate marketing or a project approach developed by dedicated sales forces.

For products, the rule of one product per household was established. For solutions, the number of households is determined from the project specification documents.

This indicator was audited by Ernst & Young.

90% of our recommended suppliers comply with ISO 26000

The objective is to motivate "recommended" Group suppliers to roll out and monitor improvement plans conforming to ISO 26000. An assessment of recommended suppliers is carried out externally. Suppliers whose assessments are too low are excluded from the indicator. All assessments are monitored by Business Review with the Schneider Electric buyers, with a view to continuous improvement according to the guidelines of ISO 26000.

The total number of recommended suppliers to take into account for the year is fixed at the beginning of the year. The number of recommended suppliers evaluated during the year was stopped at January 31 n+1 in order to take into account the assessments at December 31 of the previous year.

The sustainable development goals have become one of the seven pillars used to measure supplier performance since 2011; this has the particular advantage of allowing the highest-performing suppliers to become a 'recommended', or for the best suppliers, 'preferred' Group supplier.

This indicator was audited by Ernst & Young.

Three major ethical stock market indices choose Schneider Electric

The indicator measures the presence of Schneider Electric in the following three ethical stock market indices:

- the Dow Jones Sustainability Index (DJSI) World;
- the Dow Jones Sustainability Index (DJSI) Europe;
- and, since 2013, the CDP (Carbon Disclosure Leadership Index or Carbon Performance Leadership Index), replacing the Advanced Sustainable Performance Index (ASPI) Eurozone, which was no longer published in 2013.

This indicator was audited by Ernst & Young.

300 sites recognized as “Great place to work – Cool site”

Schneider Electric wants to create motivating work environments for its employees, environments that are not only safe and effective, but also that are based on reflection on the values of Schneider Electric.

The “A great place to work” of the Connect program business defines the criteria for “Cool Sites”:

- as in a village, we gather around activities and events to celebrate and interact beyond simple business;
- develop services relating to everyday life for our employees;
- test the solutions and products we sell in order to better understand what we are all working towards.

The process starts with a self-assessment and a survey to the residents, based on pre-defined criteria. The Country President commits and validate the Cool Site.

This indicator was audited by Ernst & Young.

30% reduction in the “Medical Incident Rate” (MIR)

The Medical Incident Rate (MIR) is the number of work incidents requiring medical treatment per million hours worked. Incidents may or may not have resulted in a day off. Medical treatment does not include first aid.

All incidents reported on Schneider Electric sites are counted (including therefore incidents affecting subcontractors on site and temporary workers). All Schneider Electric sites are taken into account. Medical incidents do not include: visits to a physician or other licenced health care professional solely for observation or counceling; the conduct of diagnostic procedures, such as x-rays and blood tests, including the administration of prescription medications used solely for diagnostic purposes (e.g., eye drops to dilate pupils); or first aid.

This indicator was audited by Ernst & Young.

63% of the result of our “Employee Engagement Index”

During quarterly One Voice satisfaction surveys, Schneider Electric employees are asked a series of questions; six of them are used to generate the Employee Engagement Index (EEI). The EEI is a standard international index.

Employees are surveyed twice a year. All employees are surveyed (fixed-term contracts – including work/study participants – and permanent contracts). Employees are surveyed via email, for those who have a professional mailbox, or via kiosks installed in the plants for the survey (or an access to an IT room), for the other employees.

This indicator was audited by Ernst & Young.

30% of women in our talent pool (~ 2,500 people)

The talent pool consists of: Key Position Potentials, Key Position Holders (n-1 of the Executive Committee), Exceptional Potentials, Potentials, and Key Experts. The indicator, and therefore the goal of increasing the proportion of women, excludes Key Experts. The selection of talents is made through the people review process at Group level.

This indicator was audited by Ernst & Young.

One day of training per year per employee

The indicator measures the percentage of employees who received at least one training day during the year, the equivalent of seven hours in total.

All permanent employees, white collar and blue collar, are included in the indicator. Subcontractors, fixed-term contract employees, trainees and apprentices are excluded. Arrivals during the year are accounted for in the following year.

This includes all training activities: in person, individual or collective, tutored, e-learning, webinars, internal and external; all areas of training: Products, Management, Languages, Office, Security, Legal and Regulatory training, etc.; excluded from the count are: training that does not have a formal trainer, with no written learning objectives or notices and time spent on social media.

In 2013, the indicator covers North America, China and France.

This indicator was audited by Ernst & Young.

30,000 people in the BoP trained in the energy professions

Through the deployment of professional training programs in energy management dedicated to people at the Base of the Pyramid, the objective is to enable these people to acquire skills ensuring them to pursue a career that offers them, as well as their families, the means for a decent life.

In partnership with local and international NGOs, the Schneider Electric Foundation and local entities of the company provide direct or indirect contributions to professional training centers. The objective is to help them improve the level of their courses: full-time training for a minimum of 3 months, evening courses totaling 100 hours, with diploma or certification, in energy management.

These courses must benefit to disadvantaged people, being noted that each partner must be able to justify the BoP nature of the people trained, accordingly to the defined local benchmark.

Contributions may be (cumulative possible): funding of electrical products and didactical equipment, knowledge transfer through trainers training, and a support to future entrepreneurs training. As a technical partner, Schneider Electric does not pay long-term operating expenses.

This indicator was audited by Ernst & Young.

300 missions carried out via the “Schneider Electric Teachers” NGO

Missions undertaken are performed: by Schneider Electric employees and retirees; on a voluntary basis (on leave); in vocational or educational NGOs (vocational and technical training, schools and universities, etc.); primarily aimed at disadvantaged young people; in organizations and/or companies supported by the Schneider Electric Energy Access Fund; depending on the skills of the volunteer and the needs of the beneficiary (validation process in place); in the country of origin and/or abroad for variable periods of time (with a minimum of two weeks for a foreign mission). A mission corresponds to the departure of a volunteer, for a period of at least two weeks for a foreign mission, or a participation of at least one day for a local project.

The organization of these missions is coordinated by a specific NGO called “Schneider Electric Teachers”. It works closely with BipBop training teams (BipBop People), the Schneider Electric Energy Access fund and the Human Resources. It develops partnerships with local NGOs (Planet Emergency, ESF, etc.).

This indicator was audited by Ernst & Young.

6.2 Concordance of indicators with article 225 of the Grenelle 2 Act

The table below indicates the page numbers of the report in which the various indicators are mentioned.

1° Social information	Pages
a) Employment	
Total workforce and breakdown of employees by gender, age and region	116-117
Hiring and layoffs	117-118
Remuneration and its development	91-92, 146-157
b) Organization of work	
Organization of working time	116-119
Absenteeism	119
c) Social relations	
Organization of social dialogue – particularly information and personnel consultation procedures and personnel negotiation procedures92-93,0118	92-93, 118
List of collective agreements92-93, 118	92-93, 118
d) Health and safety	
Health and safety conditions in the workplace	81-83
List of agreements signed with unions or staff representatives regarding health and safety in the workplace	118
Work accidents, particularly their frequency and their seriousness…	118
… as well as occupational illnesses83,81	83, 91, 118
e) Training	
Training policies implemented	85-87
Total number of training hours	119
f) Equality of treatment	
Measures taken towards gender equality	89, 117
Measures taken towards employment and involvement of persons with disabilities	90
Anti-discrimination policy	88-91, 66-68
g) Promotion and respect of the provisions of the International Work Organization's fundamental agreements relating to:	
● respect of the freedom of association and the right to collective bargaining; ● eradication of discrimination in employment and profession; ● eradication of forced or obligatory labor; ● effective abolition of child labor.	57-58, 65-66, 66-68, 93

2° Environmental information	
a) General environmental policy	
Organization of the company to take into account environmental questions and, when necessary, environmental evaluation or certification approaches	70-71, 78, 113
Employee training and information actions regarding environmental protection	71, 67, 119
Environmental risk and pollution prevention means	80
Amount of provisions and cover for environmental risks except if this is likely to cause serious harm to the company in a pending litigation	42
b) Pollution and waste management	
Measures for prevention, reduction or repair of emissions in the air, water and ground with serious environmental effects	79, 113-114
Measures for prevention, recycling and removal of waste	79, 113
Consideration of noise pollution and any other form of pollution specific to an activity	80
c) Sustainable use of resources	
Water consumption and supply according to local constraints	78, 113
Raw material consumption and measures taken to improve the efficiency of their use	79
Energy consumption and the measures taken to improve energy efficiency and the use of renewable energies	72-74, 114
Land use	79

d) Climate change	
Greenhouse gas emissions	71-75, 114
Adaptation to the consequences of climate change	71-75, 78, CDP
e) Biodiversity protection	
Measures taken to preserve or develop biodiversity	79-80, 75-77, 54

3° Information relating to societal commitments in sustainable development	
a) Territorial, economic and social impact of the company's activity	
Regarding employment and regional development	95-99, 102-104
On bordering or local populations	95-99, 102-104
b) Relations with the persons or organizations involved in the company's activity, particularly involvement organizations, teaching establishments, environmental defense organizations, consumer associations and bordering populations	
Conditions of dialogue with these persons or organizations	52-53
Partnership or sponsorship actions	99-102
c) Subcontracting and suppliers	
Consideration within the company's purchasing policy of social and environmental issues	65-66
The importance of subcontracting and the consideration within relations with subcontractors and suppliers of their social and environmental responsibility	65-66
d) Loyalty of practices	
Anti-corruption actions taken	69
Measures taken towards consumer health and safety	75-77, 16
e) Other actions taken towards human rights, within the scope of this third indicator66-68, 93	**66-68, 93**

6.3 Independent verifier's report

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Year ended the 31st December 2013

To the shareholders,

In our quality as an independent verifier of which the admissibility of the application for accreditation has been accepted by the COFRAC, under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company Schneider Electric S.A., we present our report on the consolidated social, environmental and societal information established for the year ended on the 31st December 2013, presented in chapter 2 of the registration document, pursuant to the provisions of the article L. 225-102-1 of the French Commercial Code (*Code de commerce*), and on the Planet & Society Barometer indicators, hereafter altogether referred to as the "CSR Information".

Responsibility of the company

It is the responsibility of the management board to establish a management report including CSR Information referred to in the article R. 225-105-1 of the French Commercial Code (*Code de commerce*), in accordance with the protocols used by the company's HR and Safety reporting procedures in their version dated November 2013 and the environmental directive in its version dated November 1st 2013 (hereafter referred to as the "Criteria"), and of which a summary is included in the end of chapter 2 of the registration document (in "2.6 Methodology and audit of indicators") and available on request at the company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial Code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial Code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria.

Our verification work was undertaken by a team of five people between September 2013 and March 2014 for an estimated duration of sixteen weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the reasonable assurance report, in accordance with the international standard ISAE 3000[(1)].

1. Attestation of presence of CSR Information

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial Code *(Code de commerce).*

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial Code *(Code de commerce).*

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L. 233-1 and the entities which it controls, as aligned with the meaning of the Article L. 233-3 of the French Commercial Code *(Code de commerce)* with the limitations specified in the Methodological Note at the end of chapter 2 of the registration document ("2.6 Methodology and audit of indicators").

Based on this work, and given the limitations mentioned above we confirm the presence in the management report of the required CSR information.

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook about twenty interviews with the people responsible for the preparation of the CSR Information in the different departments involved, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

Concerning the CSR Information that we deemed most important(1):

- at the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- at the level of the representative selection of sites that we selected(2), based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 6% of the total workforce of the hours worked and between 6% and 24% of the quantitative environmental information.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information taking into account, if relevant, professional best practices formalised in the industry guide for CSR reporting of the Gimélec (Electrical Equipment, Control-Command and Associated Services Industries Group), dated February 22nd 2013.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, the 7th March 2014,
French original signed by:
Le Vérificateur Indépendant verifier

Eric Mugnier	Bruno Perrin
Sustainability Partner	Partner

(1) Societal, environmental and societal information: information and indicators marked with a « tick » ▲ in the text of chapter 2 « Sustainable Development » of the registration document including, for greenhouse gases emissions, scope 1 and 2 emissions, and emissions related to purchased transportation (included in scope 3).

(2) Lexington (USA), CMHL Huizhou (China), Cavite ITB (Philippines), Gebze ADH (Turkey), SE Thailand Ltd (Thailand), SBMLV (China), SET Manisa products (Turkey), SE SPA Stezzano (Italy), Telvent Madrid (Spain).

7. Indicators

7.1 Environmental indicators

The indicators below have a Group scope. They illustrate our industrial and logistics sites' environmental consumption, emission and waste in addition to certain major tertiary sites. The scope of environmental reporting is that of ISO 14001 certified sites, and certain non-certified sites on a voluntary basis and without interruption in time. All of the industrial and logistics sites with more than 50 people and the major tertiary sites with more than 500 people must be ISO 14001 certified within two years after their acquisition or creation. A difference can be established with the scope of financial consolidation. The scope of environmental reporting covers about 70% of the Group headcount.

Schneider Electric provides readers two pieces of information so that environmental performance can be compared from one year to the next:

- one part publishing constant scope indicators;
- and another part publishing indicators per employee to correct the changes in the company's activities. The sites' workforce includes Schneider Electric employees (fixed-term, permanent and work/study participants), temporary staff and on-site subcontractors.

Comments on the indicators are included in the corresponding chapters.

ISO 14001 certification of sites

	2013	2012	2011
Number of ISO 14001 Certified Sites	280 ▲	280	273
Industrial and logistics sites	UP	258	253
Tertiary sites	UP	22	20
New sites certified this year	20	11	36
Certified sites that have closed or consolidated this year	20	4	14

▲ *2013 audited indicator.*

Group sites consumption, emissions and waste

		Current Scope			Constant Scope	
GRI	**Indicators**	**2013**	**2012**	**2011**	**2013**	**2012**
	Number of Participating sites	281 ▲	283	281	260	260
	Number of employees	108,126 ▲	98,123[1]	102,991	99,776	96,438
EN22	Waste produced (in t)	139,044 ▲	134,814	135,392	135,619	130,341
	Of which hazardous waste	4%	NP	NP	NP	NP
EN22	Waste produced per employee (in t/p)	1.3 ▲	1.4	1.3	1.36	1.35
EN22	Waste recovered (in t)	120,490 ▲	115,382	112,611	117,839	111,182
EN22	Percentage of waste recovered	86.7% ▲	85.6%	83%	86.9%	85.3%
	Of which metal waste recovered	99.4%	NP	NP	NP	NP
	Target percentage of waste recovered	-	-	-	85%	-
EN8	Water withdrawn for consumption (m^3)	2,377,680 ▲	2,456,716	2,863,934	2,246,017	2,394,120
	Of which public water (m^3)	1,928,151	1,973,348	2,081,770	NP	NP
	Of which ground water (m^3)	397,843	483,367	782,164	NP	NP
	Of which surface water (m^3)	20,667	-	-	NP	NP
	Of which other sources (m^3)	31,019	-	-	NP	NP
EN8	Water consumption/employee (m^3/p)	22.0 ▲	24.8	27.8	22.5	24.8
	Change in water consumption per employee	-	-	-	-9.3%	-
	Target consumption of water per employee	-	-	-	-3.3%	-
EN8	Water withdrawn for cooling (m^3)[2] *restituted w/o impact*	727,679 ▲	722,709	NP	NP	NP

GRI	Indicators	Current Scope 2013	2012	2011	Constant Scope 2013	2012
EN19-20	VOC emissions (in kg) (estimates)	415,352[3] ▲	416,612	451,154	405,706	375,378
EN19-20	VOC/per employee (kg/p) (estimates)	3.8 ▲	4.2	4.4	4.1	3.9
EN3	Energy consumption (MWh equivalent)	1,207,613 ▲	1,166,497	1,204,580	1,133,325	1,139,404
EN4	Electricity (indirect consumption)	841,495	812,917	839,991	777,552	787,592
EN4	District heating (indirect consumption)	33,122	29,255	31,074	32,098	29,210
EN3	Fuel oil (direct consumption)	22,740	22,466	21,366	17,847	21,113
EN3	Gas (direct consumption)	306,783	297,114	307,705	302,365	296,819
EN3	Coal (direct consumption)	3,091	4,521	4,432	3,091	4,521
EN3	Renewable energy (direct consumption)	382	224	11	372	149
EN5	Energy consumption per employee (MWh)	11.2 ▲	11.8	11.7	11.4	11.8
EN16	CO_2 emissions linked to energy consumption (in t) (estimates)[4]	431,019 ▲	413,414	430,191	403,601	401,860
EN17	Electricity (indirect emission)	348,845	334,720	348,316	324,117	323,655
EN17	District heating (indirect emission)	12,317	10,403	11,728	11,805	10,326
EN16	Fuel oil (direct emission)	5,912	5,841	5,555	4,640	5,489
EN16	Gas (direct emission)	62,891	60,908	63,080	61,985	60,848
EN16	Coal (direct emission)	1,054	1,542	1,511	1,054	1,542
EN16	Renewable energy	0	0	0	0	0
EN16	CO_2 per employee in t/p)	4.0 ▲	4.2	4.2	4,0	4,2
EN16	SF_6 emissions (in CO_2 equivalent t)[5]	33,807 ▲	44,947	52,542	33,807	44,947
	SF_6 leakage rate	0,56%	0.75%	0.94%	NP	NP
	Target SF_6 leakage rate	0.75%	0.95%	1%	-	-
EN16	Total scope 1 CO_2 emissions (direct energy consumption and SF_6 emissions in t) *of reporting perimeter*	103,664 ▲	113,238	122,688	101,486	112,826
EN16	Total scope 2 CO_2 emissions (indirect energy consumption in t) *of reporting perimeter*	361,162 ▲	345,123	360,045	335,922	333,981
EN16	Total scopes 1 and 2 CO_2 emissions *of reporting perimeter*	464,826 ▲	458,361	482,733	437,408	446,807
EN16	Total scopes 1 and 2 / Turnover (t/€)	0.000019	0.000019	0.000022	0.000019	0.000019

▲ 2013 audited indicators.
UP = Unpublished.
(1) Headcount 2012 corrected in 2013 for one major site.
(2) Two sites taken into account in 2012, four sites in 2013. In 2012, Schneider Electric started to make change in methodology to distinguish the water used for consumption and water used for cooling (and returned to the environment). Schneider Electric plans to expand this differential reporting to all sites concerned.
(3) From 2013, only the sites that emit more than 1,000kg of VOC a year are reporting.
(4) The CO_2 emissions linked to energy consumption are considered estimates, because the indirect emissions are calculated on the conversion factors per country.
(5) 17 sites in 2011, 2012, 2013 and for the constant scope calculations.
Constant scope emissions are not corrected from activity level.

Key performance indicators from the Planet & Society Barometer

Objectives for year end 2014	2013	2012	2011
1. **10%** CO_2 savings on **transportation**	16.7% ▲	14.8%	-
2. **75%** of our product revenues achieved with **Green Premium**	68.7% ▲	65.5%	63%
3. **10%** energy consumption **savings**	8% ▲	6.1%	-

The 2011 performance serves as a starting value for the Planet & Society Barometer Connect program between 2012 and 2014.
▲ 2013 Audited Indicators.
Please refer to pages 105 to 108 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 74 for indicator 1, 75-77 for indicator 2 and 72-73 for indicator 3).

CO2 emissions in transportation (scope 3)

Indicators	2013	2012	2011
1. CO_2 emissions on **transportation** paid by the Group (in tons of CO_2e)	438,975 ▲	393,765	497,703

▲ 2013 audited indicators. Calculation based on a coverage of 81% extrapolated to 100%.
Please refer to page 74 for the presentation of this program.

For complete carbon footprint of Schneider Electric (scopes 1, 2 and 3), please refer to pages 71-72

Other key performance indicator

Objectives for year end 2014	2013	2012	2011
1. **15** countries are implementing a recovery process for SF_6 gas	13	10	8
i.e. SF_6 gas recovered and recycled (in CO_2 equivalent t)	15,996	29,583	UP

UP = Unpublished.
Please refer to page 64 for the presentation of this program.

7.2 Social indicators

The indicators below have a Group scope.

The Safety data of the sites are included in the Group metrics after one complete calendar year following their creation or acquisition. A site joining the Group in year n will be included in the metrics on January 1 n+2, except in exceptional circumstances when contract language stipulates not to include the Safety data before two years. A gap can be thus recorded with the scope of financial consolidation.

HR data cover 100% of the workforce from integrated companies (see rules page 105). Certain indicators cover 83% or 90% of the workforce; they are indicated by the footnotes at the bottom of the page. The precisions on the variations of scope are contributed at the end of the tables below and indicated by footnotes.

The social indicators count the people with fixed-term contracts, on work-experience and on permanent contracts. The indicators that also include temporary workers and/or subcontractors on site are indicated by footnotes.

The calculation methodology of the absenteeism rate varying from a country to the other, in this domain Schneider Electric communicates at Group level the number of lost days and the number of hours worked (Safety data).

The comments on the indicators are given in the matching chapters and indicated in the tables below.

The table below indicates the matching of indicators with the Global Reporting Initiative.

Key performance indicators from the Planet & Society Barometer

Objectives for Year-End-2014	2013	2012	2011
1. **30%** reduction in the **Medical Incident Rate (MIR)**	- 47% ▲	- 23%	-
2. **63%*** result in our **Employee Engagement Index**	60% ▲	55%	-
3. **30%** women in our talent pool (~2,500 people)	28% ▲	27%	23%
4. **1 day** of **training** for each employee every year	67% ▲	-**	-
5. **300** sites recognized **"Great place to work – Cool sites"**	224 ▲	-**	-

The 2011 performance serves as a starting value for the Planet & Society Barometer of the Connect program between 2012 and 2014.
▲ 2013 audited indicators.
** A new target has been set from 2014 for this indicator: 63% instead of 70% at end-2014. With 63%, the Group gives itself the challenge to be 10 points above its industry average (source: Aon Hewitt).*
*** These indicators are reported from 2013. The reporting tools have been deployed during 2012.*
Please refer to pages 105 to 108 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 81-83 for indicator 1, 83-84 for indicator 2, 89 for indicator 3, 87 for indicator 4 and 84 for indicator 5).

Workforce

GRI	Indicators	2013	2012	2011
	Workforce			
LA1	Average workforce [4]	163,033 ▲	152,384	140,489
	Blue collar (VDC) [4]	81,712	75,601	70,609
	White collar (non-VDC) [4]	81,322	76,383	69,580
LA1	Average supplementary workforce	14,849 ▲	13,947	13,924
LA1	Fixed-term contract and permanent contract personnel [5]	152,784 ▲	139,989	137,535
	Permanent contract	90.5%	90.2%	87.3%
	Fixed-term contract	9.5%	9.8%	12.7%
LA1	Share of temporary personnel (fixed-term contracts and temporary workers) [5]	17.7%	17.4%	20.5%
LA1	Organization of working time [3]			
	Full-time	98%	98%	97.9%
	Part-time	2%	2%	2.1%
LA1	Hires [6]	23,079 ▲	20,971	19,792
LA1	Departures [6]	21,600	20,615	16,362
	Layoffs	5,071 ▲	5,719	3,887
	Resignations	10,909 ▲	10,379	7,558
	Others (retirement, end of contract, etc.)	5,743	4,489	4,917
LA1	Voluntary turnover	7.4% ▲	7.5%	6%
LA1	Breakdown of workforce by region [5]			
	Asia-Pacific	30%	31%	31%
	Europe	40%	38%	39%
	North America	20%	21%	21%
	Rest of the world	10%	10%	9%
LA1	Breakdown of workforce by country (the most significant countries) [5]			
	France	12%	14%	13%
	United States of America	13%	13%	12%
	China	10%	11%	10%
	India	9%	9%	8%
	Mexico	6%	5%	5%
	Spain	4%	4%	4%
	Brazil	4%	4%	3%
	Germany	3%	3%	3%
	Australia	2%	3%	3%
	Indonesia	3%	3%	2%
	United Kingdom	2%	2%	2%
	Russia	8%	2%	2%
LA1	Annual change in workforce by country (the most significant countries) [5]			
	France	-1%	-4%	-2%
	United States of America	+2%	0%	+9%
	China	+1%	-5%	+29%
	India	+3%	+6%	+88%
	Mexico	+13%	+3%	+5%
	Spain	-9%	-2%	+74%
	Germany	-3%	+2%	+2%
	Brazil	+7%	+21%	+38%
	Australia	-3%	-7%	+22%
	Indonesia	+9%	+33%	+10%
	United Kingdom	-5%	+6%	+8%
	Russia	+269%	+3%	-1%

GRI	Indicators	2013	2012	2011
LA13	Breakdown of workforce by gender [2]			
	Men	70% ▲	69%	68%
	Women	30% ▲	31%	32%
LA13	Breakdown of workforce by gender and by category [2]			
	White collar	53.7%	53.2%	54.5%
	Men	71%	72%	72%
	Women	29%	28%	28%
	Blue collar	46.3%	46.8%	45.5%
	Men	69%	65%	64%
	Women	31%	35%	36%
LA13	Breakdown of workforce by age [2]			
	14/24 years	8.4%	9.2%	9.7%
	25/34 years	32.5%	33.2%	32.7%
	35/44 years	27.8%	26.8%	36.4%
	45/54 years	20.9%	20.7%	21.2%
	55/64 years	9.9%	9.5%	9.6%
	> 64 years	0.5%	0.6%	0.4%
LA1	Breakdown of workforce by seniority [2]			
	< 5 years	42.6%	42.9%	44.2%
	5/14 years	34.9%	33.5%	29.9%
	15/24 years	12.6%	13.2%	13.8%
	25/34 years	7.1%	7.2%	8.8%
	> 34 years	2.8%	3.2%	3.3%
LA1	Breakdown of workforce by function			
	Marketing	3.7%	3.8%	3.8%
	Sales	10.6%	11.4%	12%
	Services and projects**	16.0%	16.4%	15%
	Support	19.5%	19.6%	19.2%
	Technical	7.6%	7.6%	8.4%
	Industrial	6%	6%	6.4%
LA1	Direct variable costs* (cost of employees under production or business costs)	47.4%	46.7%	45.4%
	Hires [6]			
LA2	Breakdown by type of contract			
	Permanent contract	67%	67%	61.2%
	Fixed-term contract	33%	33%	38.8%
LA2	Breakdown by category			
	White collar	44%	44%	51.3%
	Blue collar	56%	56%	48.7%
LA2	Breakdown by Region			
	Asia-Pacific	38%	45%	47%
	Europe	22%	21%	23%
	North America	25%	21%	17%
	Rest of the world	15%	13%	13%
	Layoffs [6]			
LA2	Breakdown by type of contract			
	Permanent contract	85%	83%	81%
	Fixed-term contract	15%	17%	19%
LA2	Breakdown by category			
	White collar	41%	45%	45%
	Blue collar	59%	55%	55%

GRI	Indicators	2013	2012	2011
LA2	Breakdown by Region			
	Asia-Pacific	30%	29%	18%
	Europe	23%	25%	33%
	North America	28%	27%	27%
	Rest of the world	18%	19%	23%
	Resignations [6]			
LA2	Breakdown by seniority [2]			
	< 1 year	33.5%	28.9%	35.8%
	1/4 years	42.7%	47%	41.5%
	5/14 years	20.4%	19.6%	18.7%
	15/24 years	2.5%	2.3%	2.7%
	25/34 years	0.7%	1.2%	0.9%
	> 34 years	0.2%	1%	0.4%
	Average supplementary workforce			
LA1	Breakdown by category			
	White collar	18.4%	16.4%	12.7%
	Blue collar	81.6%	83.6%	87.3%
LA1	Breakdown by Region			
	Asia-Pacific	59.6%	59.6%	56.9%
	Europe	26.9%	26.9%	32%
	North America	4.1%	4.1%	3.8%
	Rest of the world	9.3%	9.3%	7.3%

Dialogue and social relations

GRI	Indicators	2013	2012	2011
LA4-6	Sites stating they benefit from employee representation [2]			
	Unions	44%	47.6%	52.4
	Works Council	51.3%	50%	56.5%
	Health and Safety Committee	69.1%	76.7%	81%
LA7	Number of collective agreements [2]	265	315	316

Health and safety of employees

GRI	Indicators	2013	2012	2011
LA7	Number of medical incidents (1)	733 ▲	878	1,156
	of which Schneider Electric employees	640	746	918
	of which subcontractors	93	132	238
LA7	Number of lost-time accidents (1)	366 ▲	364	531
	of which Schneider Electric employees	317	312	434
	of which subcontractors	49	52	96
LA7	Number of fatal accidents	3	1	0
	of which Schneider Electric employees	3	1	0
	of which subcontractors	0	0	0
LA7	Lost-Time Injury Rate (LTIR) (7)	1.18 ▲	1.42	2.06
	of which Schneider Electric employees	1.31	1.41	
	of which subcontractors	0.73	1.54	
LA7	Lost-Time Day Rate (LTDR) (7)	38.67 ▲	47.98	56.00
	of which Schneider Electric employees	45.04	51.60	
	of which subcontractors	15.81	24.15	
LA7	Number of lost days	11,961 ▲	12,263	14,284
	of which Schneider Electric employees	10,896	11,449	12,815
	of which subcontractors	1,065	814	1,491
LA7	Number of hours worked	309,279,615 ▲	255,566,952	257,533,623
	of which Schneider Electric employees	241,930,530	221,866,584	222,372,065
	of which subcontractors	67,349,085	33,700,368	35,161,558
LA7	Medical Incident Rate (7)	2.37 ▲	3.44	4.49
	of which Schneider Electric employees	2.65	3.36	4.13
	of which subcontractors	1.38	3.92	6,77

Talent development and training

GRI	Indicators	2013	2012	2011
LA10	Number of training hours (2)	2,416,766 ▲	2,489,421	2,205,713
LA10	Average hours of training per person (2)	20.3	21.5	21.1
	White collar	24.4	27.7	27.2
	Blue collar*	15.3	15.4	15
LA10	Breakdown of hours by category (2)			
	White collar	60.3%	64.2%	64.3%
	Blue collar*	39.7%	35.8%	35.7%
LA10	Breakdown of hours by training type (2)			
	Health, safety and environment	18.4%	14.6%	14.3%
	Technical	25.2%	29.2%	36.8%
	Languages	9.5%	16.2%	UA
	IT	2.4%	4.8%	UA
	Solutions	5.8%	5.1%	UA
	Management and Leadership	14.6%	15.1%	12.4%
	Others	19.8%	15%	20%

GRI	Indicators	2013	2012	2011
LA10	Breakdown of costs by training type (2)			
	Health, safety and environment	12.7%	7.9%	10.4%
	Technical	16.6%	27.8%	29.4%
	Languages	17.9%	16%	UA
	IT	5.3%	1.5%	UA
	Solutions	6.5%	5.1%	UA
	Management and Leadership	22.6%	24.2%	18.8%
	Others	14.2%	17.5%	25.6%
LA10	Breakdown of costs by category (2)			
	White collar	76.1%	73%	75.5%
	Blue collar	23.9%	27%	24.5%
LA12	Employees having had a performance interview (3)	59.5%	66.3%	52%
	Employees having had a career interview (3)	68%	31%	31.3%

(1) Includes business travel, excludes home/workplace travel.
(2) The data relates to over 83% of the Group's workforce at the end of December 2013 (annual survey).
(3) The data relates to over 90% of the Group's workforce at 12/31/2013.
(4) Temporary workforce included.
(5) Based on spot workforce year end.
(6) Acquisitions/disposals and temporary staff are not taken into account in the calculation.
(7) LTIR = Number of incidents with lost days x 1,000,000/number of hours worked. International standard indicator comparable to the accident frequency rate.
LTDR = Number of lost days x 1,000,000/number of hours worked. International standard indicator comparable to the accident severity rate (the latter, however, is calculated per thousand hours worked).
MIR = Number of accidents requiring medical treatment x 1,000,000/number of hours worked.
* *Data includes service VDC headcount, or 24% of all VDC in 2013; 33% in 2012; 23% in 2011.*
** *Part of the VDC services on total workforce: 11.5% in 2013; 11.8% in 2012; 10.4% in 2011.*
UA = Unavailable/UP = Unpublished.
VDC, variable direct costs are Schneider Electric employees whose costs impact directly on the completion of business. They are included under "blue collar".
▲ *2013 audited indicators.*

7.3 Societal indicators

The data below was consolidated for the first time in 2010. It is distributed based on declarative information submitted by Foundation delegates.

It covers 80% of Schneider Electric employees and highlights the importance of company and employee participation in the Foundation's approach to involvement towards local communities.

With more than EUR10 million in 2013, the amount of contributions to the Foundation's actions includes the Foundation's intervention budget, the amount of the donations from the entities, the employees and the partners, and the amount of donations in kind. The number of employees involved in the Foundation's actions is increasing from 35,741 in 2012 to 38,633 in 2013.

Breakdown of the Foundation's financial commitments

	2013
FOUNDATION'S INTERVENTION BUDGET	**4,000,000**
Breakdown by program *(in %)*	
Training and opportunities for young adults	70%
Fuel Poverty	10%
Raising awareness of sustainable development	5%
Employees' volunteering/skills-based sponsorship	9%
Other (mainly involving employee/sponsorship expertise)	6%
Breakdown by region *(in %)*	
Africa & Middle East	18%
America	12%
Asia	38%
Europe	32%

Breakdown of contributions from employees and Schneider Electric entities to the Foundation actions

	2013
TOTAL FINANCIAL CONTRIBUTION *(IN EURO)*	**5,323,970**
From employees	1,224,970
Of the Schneider Electric entity	3,843,732
From partners	255,268
Financial contribution per region *(in %)*	
Africa & Middle East	3%
America	58%*
Asia	34%
Europe	5%
DONATIONS IN PRODUCTS OR SERVICES FOR A PARTNER/PROJECT OF THE FOUNDATION *(in euro)*	**1,164,753**
Number of employees involved in the Foundation's actions	**38,633**

* Of which Square D/Schneider Electric North America

Total budget for 2013 for the Foundation's actions

Foundation budget, financial contributions and donations in kind *(in euro)*	**10,486,723**

Key performance indicators from the Planet & Society Barometer

Objectives for year end 2014	2013	2012	2011
1. **1 million households** at the Base of the Pyramid have access to energy	695,685 ▲	344,441	-
2. **30,000** people at the Base of the Pyramid trained in energy management	32,602 ▲	10,517	-
3. **300 missions** with via the "Schneider Electric Teachers" NGO	228 ▲	66	-

The 2011 performance serves as a starting value for the Planet & Society Barometer Connect program between 2012 and 2014.
▲ 2013 Audited Indicators.
Please refer to pages 105 to 108 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 97-98 for indicator 1, 99 for indicator 2 and 101 for indicator 3).

For more information visit:

- www.schneider-electric.com (> Company and Careers > Sustainability or > Foundation)
- www.schneider-electric.com/barometer
- www.schneider-electric.com/sri
- www.environment.schneider-electric.com
- www.schneider-electric.com/bipbop, www.schneider-electric.com/bipbopmap
- www.foundation.schneider-electric.com
- www.teachers.schneider-electric.org

To contact us:

Email: global-sustainability@schneider-electric.com
Mail: Schneider Electric
Sustainable DevelopmentDepartment address – 35, rue Joseph-Monier, CS 30323 – 92506 Rueil-MalmaisonCedex, France

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Schneider Electric SA** has presented its report "Registration Document 2013" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 5 March 2014

B+ GRI REPORT GRI CHECKED

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The "+" has been added to this Application Level because **Schneider Electric SA** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 24 February 2014. GRI explicitly excludes the statement being applied to any later changes to such material.*

3 Corporate governance

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This report includes the Chairman's report on the composition of the board of directors, the application of the principle of equal representation of women and men on the board of directors, and the conditions applicable for the preparation and organization of the work carried out by the board of directors, and the internal control and risk management procedures implemented by the company.

The sections governance structure, 1, 2, 3, 4, 7 (Group senior management compensation policy, Pension benefits and Compensation of members of the board of directors), 9 and 10, and Section 2 (Annual Shareholders' Meetings and Voting Rights) and 7 of Chapter 7 constitute the Chairman of the board of Director's report provided for in article L. 225-37 of the French Commercial Code. They are indicated with**.

Governance structure**

Since May 2006, the governance of Schneider Electric SA has been based on a dual structure (supervisory board/management board), composed of a management board and a supervisory board. In 2012, Henri Lachmann, having expressed his intention to the Board to resign as Chairman of the supervisory board, the supervisory board has considered it necessary to strengthen his role and his involvement in the supervision of the Group by adopting an organization with a board of directors.

The dual structure has been successful in ensuring the succession of the head of the Group's Senior Management.

However, this structure, which relies on two bodies – a supervisory board and a management board, no longer appeared entirely appropriate to the situation of Schneider Electric. The French Commercial Code limits the maximum number of members of the management board to seven and provides for the collective operation.

This limit on the number of management board members was incompatible with the managerial organization implemented by Jean-Pascal Tricoire, which provides for a managerial line of more than ten managers in order to be closer to customers and employees. In addition, to cope with the extreme volatility of the environment, it should be extremely responsive. But the ability to respond is difficult to reconcile with a cumbersome collective operation.

Moreover, practice has shown that the two levels of governance, that of the management board to which the Executive Committee is attached, and that of the supervisory board, did not facilitate close working relationships between the members of the supervisory board and the members of Executive Committee. The return to the combined structure will allow members of the board of directors to have a deeper understanding of the business thanks to more direct contact that they will be able to have with members of the Executive Committee.

On February 20, 2013 the supervisory board approved proposed amendments to the articles of association required for the implementation of this change. The annual shareholders' meeting of April 25, 2013 approved them and appointed the members of the new board of directors.

The board of directors of April 25, 2013 was called to approve the unification of the functions of Chairman of the board and Chief executive officer, and appointed Jean-Pascal Tricoire as Chairman and CEO. The board considered the unification of functions and the appointment of Jean-Pascal Tricoire to be the most appropriate decisions, considering:

- its composition, with largely more than 50% of independent directors;
- the economic environment, which requires responsiveness by the leadership and clarity in naming the person in charge of directing the Group. This clarification given by the use of the title of Chairman and CEO is particularly necessary vis-à-vis employees, customers and partners, in France and abroad;
- provisions to ensure accurate information and effective functioning by the board of directors, in particular the institution of an Independent Vice-chairman Lead Director, of the principle of holding an executive session at each meeting of the board presided over by the Independent Vice-chairman Lead Director, and the creation of four Committees of the board;
- the experience and achievements of Jean-Pascal Tricoire. Since 2006, when he was made head of the Group, the revenue of Schneider Electric is up from EUR11.7 billion to EUR24 billion; and the Group share of net income is up from EUR994 million to EUR1,840 million;
- the obligation of the board of directors to reconsider each year the unification of the functions of Chairman of the board of directors and Chief executive officer.

The company applies the AFEP/MEDEF corporate governance guidelines. There are a few exceptions, which are described below (see Section 10).

The guidelines are available online at www.medef.fr.

1. The board of directors**

The board of directors must have at least three and up to 18 members, all of whom must be natural persons elected by the Annual Shareholders' Meeting. However, in case of death or resignation of a member, the board may co-opt a new member. This appointment is then subject to ratification by the next Annual Shareholders' Meeting.

Throughout their term, pursuant to the internal regulations, each Director must hold at least 1,000 Schneider Electric SA shares.

Directors are appointed for four-year terms (renewable). However, from the age of 70, Directors are re-elected or appointed for a period of two years. No more than a third of the Directors may be aged 70 or over.

As of December 31, 2013, the board of directors had 14 Directors and one non-voting Director.

The average age of the Directors is 61.

Five Directors do not have French nationality (German: Mr. Apotheker, who also has French nationality; American: Ms. Atkins, Mr. G. Richard Thoman; Korean-American: Mr. Kim, Swiss: Mr. Kissling).

One director, Magali Herbaut, represents the employee shareholders in accordance with the provisions of article L. 225-23 of the French Commercial Code. She was appointed by the Annual Shareholders' Meeting on the recommendation of the supervisory boards of the FCPEs.

Each year, based on a report from the governance committee, the board includes an item on the agenda to review the status of its members. Members' directorships and offices in other companies that have business relations with Schneider Electric do not, by their nature, affect the independence of such Members in light of the types of transactions involved. These transactions are carried out on arms-length terms and are not material for either party.

As of December 31, 2013, there were fourteen Directors, of which eleven were independent Directors according to the definition contained in the AFEP/MEDEF corporate governance guidelines for listed companies: Léo Apotheker, Betsy Atkins, Gérard de La Martinière, Xavier Fontanet, Noël Forgeard, Antoine Gosset-Grainville, Jeong Kim, Willy R. Kissling, Cathy Kopp, G. Richard Thoman and Serge Weinberg.

However, in relation to the partial renewal of terms of offices within the board of directors, which is supposed to occur in May 2014, according to the board in addition to Jean-Pascal Tricoire, Henri Lachmann and Magali Herbaut, who are not independent directors, Gérard de La Martinière and Willy Kissling, pursuant to the AFEP/MEDEF code, will no longer be counted as independent directors due to their seniority with the board. The other board members are or will be independent directors.

Composition of the board of directors at December 31, 2013

Chairman of the board of directors and Chief executive officer

Jean-Pascal Tricoire

Age: 50

Business address:
Schneider Electric
35, rue Joseph-Monier
92500 Rueil-Malmaison, France

179, 155 [1] Schneider Electric SA shares

First appointed: 2013/Term ends: 2017

Directorships and other functions in French and foreign companies

- Currently:

  Chairman and CEO of **Schneider Electric SA**; Chairman and CEO of Schneider Electric Industries SAS; Director of DELIXI Electric Ltd; Director of Schneider Electric USA, Inc.; Director and President of the board of directors of Schneider Electric Asia Pacific Ltd. Chairman of the France-China Committee.
- Previous directorships and functions held in the past five years: Chairman of the management board of **Schneider Electric SA;** Administrator of Ningbo Schneider Power Distribution Apparatus Manufacturing Co. Ltd.

Experience and qualifications

After graduating from ESEO Angers and obtaining an MBA from EM Lyon, Jean-Pascal Tricoire spent his early career with Alcatel, Schlumberger and Saint-Gobain. He joined the Schneider Electric Group (Merlin Gerin) in 1986. From 1988 to 1999 he occupied occupational functions within Schneider Electric abroad: in Italy (five years), China (five years) and South Africa (one year). He held corporate positions from 1999 to 2001: Director in charge of Strategic Global Accounts and the “Schneider 2000+” strategic plan. From January 2002 to the end of 2003, he was Executive Vice-president of the International Division. In October 2003, he was appointed Chief operating officer, before becoming Chairman of the management board of **Schneider Electric SA** on May 3, 2006. On April 25, 2013, following the change in mode of governance of the company, he was appointed Chairman and CEO.

Vice-chairman Lead Director

Henri Lachmann

Age: 75

Business address:
Schneider Electric
35, rue Joseph-Monier
92500 Rueil-Malmaison, France

95, 974 [1] Schneider Electric SA shares

First appointed: 1996/Term ends: 2014

Directorships and other functions

- Currently:

  Vice-chairman Lead Director of **Schneider Electric SA**.
  - Other directorships or functions at a listed company:
    Member of the supervisory board of **Vivendi**; member of the supervisory board of the **Norbert Dentressangle Group**; Director of **Carmat**; non-voting member of **Fimalac**.
  - Other directorships or functions:
    Chairman of the board of directors of Centre Chirurgical Marie Lannelongue; member of the Steering Committee of the Institut de l'Entreprise; Director of the Association Nationale des Sociétés par Actions; Chairman of the Institut Telémaque; Vice-chairman and Treasurer of the Institut Montaigne; Director of Planet Finance and Fondation Entreprendre; Chairman of the Advisory Council of Campus d'Excellence au Commissariat Général à l'Investissement (Grand Emprunt);
- Previous directorships and functions held in the past five years:

  Chairman of the supervisory board of **Schneider Electric SA**; Vice-chairman of the supervisory board of **Vivendi**; Member of the supervisory board of **AXA** and AXA Assurances IARD Mutuelle; Chairman of the Fondation pour le Droit Continental; non-voting member of Tajan; member of CODICE; Director of Solidarités Actives; Director of the Steering Committee of Proxinvest.

Experience and qualifications

A graduate of Hautes études commerciales (HEC), Henri Lachmann began his career in 1963 with Arthur Andersen. In 1970, he joined Compagnie industrielle et financière de Pompey. In 1971 he became Executive Vice-president of Financière Strafor (later Strafor Facom), where from 1981 to 1997 he served as Chairman and CEO. He was elected to the Schneider Electric SA board of directors in 1996 and was appointed Chairman on February 25, 1999. On May 3, 2006, he became Chairman of the supervisory board of Schneider Electric SA. On April 25, 2013, following the change in mode of governance of the company, he was appointed Vice-chairman Lead Director.

Note: bold indicates the names of companies listed on a regulated market.
(1) Directly or through the FCPE.

Directors

Léo Apotheker*

Age: 60

Business address:
Flat A, 15 Eaton Square
London SW1W 9DD, England

1,538 Schneider Electric SA shares

First appointed: 2007/Term ends: 2016

Directorships and other functions

- Currently:

  Director of **Schneider Electric SA**.
  - Other directorships at a listed company:

    Member of the supervisory board of **Steria**; Director of the company **NICE-Systems** Ltd (Israel).
  - Other directorships or functions:

    Manager of the fund "Efficiency Capital"; Chairman of the board of directors of KMD A.S. (Denmark), Director of New E.A. (USA) and Intelius (USA).
- Previous directorships and functions held in the past five years:

  Vice-chairman of the supervisory board of **Schneider Electric SA**; CEO and President of **Hewlett-Packard**; Member of the board of directors of **Hewlett-Packard**; CEO of **SAP AG**; Non-voting member of **Schneider Electric SA**; Director of Ginger SA, of GTNexus (USA), SAP America Inc. (USA), SAP Global Marketing Inc. (USA), SAP Asia Pte. Ltd (Singapore), SAP Japan Co., Ltd (Japan), SAP France SA, SAP Italia Sistemi, Applicazioni, Prodotti in Data Processing SpA (Italy), SAP Hellas Systems Application and Data Processing SA (Greece), SAP (Beijing) Software System Co., Ltd, (China), SAP Manage Ltd (Israel), SAP Finland Oy (Finland) and SAP Danemark A/S (Denmark); Member of the board and strategy committee of PlanetFinance.

Experience and qualifications

Léo Apotheker began his career in 1978 in management control after graduating with a degree in international relations and economics from the Hebrew University in Jerusalem. He then held management and executive responsibilities in several IT firms including SAP France and SAP Belgium, where he was Chairman and CEO between 1988 and 1991. Mr Apotheker was founding President and Chairman and CEO of ECsoft. In 1995, he returned to SAP as Chairman of SAP France. After various appointments within SAP as Regional Director, he was appointed in 2002 as a member of the Executive Committee and President of Customer Solutions & Operations, then in 2007 as President CSO and Deputy CEO of SAP AG and in 2008 CEO of SAP AG. In 2010, he became CEO and President of Hewlett-Packard and served until autumn 2011.

Betsy Atkins*

Age: 60

Business address:
BAJACORP,10 Edgewater Drive, Ste 10A
Coral Gables, FL 33133, USA

1,000 Schneider Electric SA shares

First appointed: 2011/Term ends: 2015

Directorships and other functions

- Currently:

  Director of **Schneider Electric SA**.
  - Other directorships or functions at a listed company:

    Member of the board of directors of **Polycom Inc.** (USA); Member of the board of directors of **Wix.com Ltd** (Israel); Member of the board of directors of **HD Supply Holdings, Inc.** (USA); Member of the Advisory Committee of **SAP** (Germany).
- Previous directorships and functions held in the past five years:

  Member of the supervisory board of **Schneider Electric SA**; Member of the board of directors of **Chicos FAS Inc.** (USA); Director of **Towers Watson** (USA), **Reynolds American** (USA), **SunPower Corp.** (USA), **Vonage** (USA); President and CEO of Clear Standards, Inc. (USA); Chairman of the board of directors of Vantrix (Canada).

Experience and qualifications

After graduating from the University of Massachusetts and Trinity College Oxford, Betsy Atkins began her career co-founding several successful high-tech and consumer companies, including Ascend Communications. In addition, she served as Chairman and CEO of NCI from 1991 to 1993 and as CEO of Key Supercomputer from 1987 to 1989.

Note: bold indicates the names of companies listed on a regulated market.
** An Independent Director within the meaning of the AFEP/MEDEF corporate governance code for listed companies.*

Xavier Fontanet*

Age: 65

Business address:
3, rue Charles-Lamoureux
75016 Paris, France

1,000 Schneider Electric SA shares

First appointed: 2011/Term ends: 2016

Directorships and other functions

- Currently:

  Director of **Schneider Electric SA**.

  – Other directorships at a listed company:

  Director of **Essilor** and **L'Oréal**.

  – Other directorships or functions:

  Associate professor at HEC; member of the board of directors of Ansa.

- Previous directorships and functions held in the past five years:

  Member of the supervisory board of **Schneider Electric SA**; Chairman and CEO of **Essilor International**; Chairman of the board of directors of **Essilor International**; Director of **Crédit Agricole SA** and of the Fonds stratégique d'Investissement (FSI); President of EOA Holding Co. Inc. (USA), Nikon and Essilor Joint Research Center Co Ltd (Japan); Director of Nikon-Essilor Co. Ltd (Japan), Nikon and Essilor Joint Research Center Co Ltd (Japan), Essilor of America Inc. (USA), Transitions Optical Inc. (USA), EOA Holding Co, Inc. (USA), Shanghai Essilor Optical Company Ltd (China), Transitions Optical Holdings B.V. (Netherlands), Essilor Manufacturing India Private Ltd (India), Essilor India PVT Ltd (India), Essilor Amico L.L.C. (United Arab Emirates); Permanent representative of Essilor International on the board of directors of the Association Nationale des Sociétés par Actions (Ansa).

Experience and qualifications

A graduate of the École Nationale des Ponts et Chaussées and Massachusetts Institute of Technology, Xavier Fontanet began his career as a Vice-president at the Boston Consulting Group. He was General Manager for Bénéteau beginning in 1981. Between 1986 and 1991, he was in charge of Central Management of Catering for the Wagons-Lits group. In 1991, he joined Essilor as Executive Vice-president and then served as Chairman and CEO from 1996 to 2009 and Chairman of the board of directors until the beginning of 2012.

Noël Forgeard*

Age: 67

Business address:
Arjil, 84 Avenue d'Iéna
75116 Paris, France

1,000 Schneider Electric SA shares

First appointed: 2005/Term ends: 2014

Directorships and other functions

- Currently:

  Director of **Schneider Electric SA**.

  – Other directorships or functions:

  Senior Partner at Arjil SAS; member of the Committee of France Galop; Director of the PMU Economic Interest Group; Chairman of the Steering and supervisory board of the company Vivéris Holding; Member of the Steering and supervisory board of the company Vivéris Management.

- Previous directorships and functions held in the past five years:

  Member of the supervisory board of **Schneider Electric SA**; Chairman of Manopi SAS (oceanic research services company).

Experience and qualifications

A graduate of the École polytechnique and the École des Mines in Paris, Noël Forgeard began his career in the French civil service before joining Usinor's subsidiary Compagnie Française des Aciers Spéciaux. In 1986, he served as an advisor on industrial issues in Prime Minister Jacques Chirac's office. In 1987, he joined the Lagardère Group, where he headed the Defense and Space divisions of **Matra**. Five years later, he became Chairman and CEO of Matra Haute Technologie and joint Vice-president of the **Lagardère** Group. In 1998, he was appointed Director and general manager of GIE Airbus-Industrie, and in 2000, CEO of Airbus SAS (an Airbus consolidated company). From July 1, 2005 to July 1, 2006 he was co-Executive Chairman of EADS. In 2011, he joined Arjil SAS as a Senior Partner.

Note: bold indicates the names of companies listed on a regulated market.

** An Independent Director within the meaning of the AFEP/MEDEF corporate governance code for listed companies.*

Antoine Gosset-Grainville*

Age: 47

Business address:
BDGS Associés
44, Avenue des Champs Élysées
75008 PARIS, France

1,000 Schneider Electric SA shares

First appointed: 2012/Term ends: 2016

Directorships and other functions

- Currently:

  Director of **Schneider Electric SA**.

  - Other directorships at a listed company:
    Director of FNAC
  - Other directorships or functions:
    Partner at BDGS Associés law firm
- Previous directorships and functions held in the past five years:

  Member of the supervisory board of **Schneider Electric SA**; Director of **CNP Assurances**, **Compagnie des Alpes** and **Icade**; Deputy Managing Director of the Caisse des Dépôts et Consignations; Director of the Fonds Stratégique d'Investissement, La Poste and Véolia-Transdev; Director of **Dexia**, Deputy Director in the office of Prime Minister François Fillon from 2007 to March 2010.

Experience and qualifications

Antoine Gosset-Grainville, 47, is a graduate of the Institut d'études politiques in Paris and holds a DESS post-graduate degree in banking and finance from University Paris IX Dauphine. After graduating from France's École nationale d'administration, he began his career at the Inspection Générale des Finances (1994-1997). Then, he became Deputy General Secretary of the European Monetary Committee and later of the Economic and Financial Committee of the European Union (1997-1999). He was appointed Adviser for Economic and Monetary Affairs in the office of the European Commissioner in charge of Trade (1999-2002). He is a member of the Paris and Brussels Bars, and was a partner at the Brussels office of the Gide Loyrette Nouel law firm (2002-2007) before becoming Deputy Director in the office of Prime Minister François Fillon (2007-2010). From May 2010 to May 2013, he was Deputy Managing Director of the Caisse des dépôts et consignations. In June 2013, he became a partner at BDGS Associés law firm.

Magali Herbaut

Age: 42

Business address:
Schneider Electric Industries SAS
Bac de Roda, 52 – Edificio A
08019 Barcelona, Spain

2,988 (1) Schneider Electric SA shares

First appointed: 2012/Term ends: 2017

Directorships and other functions

- Currently:

  Director of **Schneider Electric SA**.

  - Other directorships or functions:
    Member of the supervisory board of FCPE Schneider Actionnariat and FCPE Solidaire Schneider Énergie, Member of the board of directors of the SICAV Schneider Énergie Solidaire.
- Previous directorships and functions held in the past five years:

  Member of the supervisory board of **Schneider Electric SA**; member of the supervisory board of GFA Castillon.

Experience and qualifications

Magali Herbaut graduated from the École Supérieure de commerce in Grenoble and holds an MBA from Laval University (Canada). She began her career as an auditor for the firm Deloitte. Then in 1996, she joined Schneider Electric as a management controller for Schneider Electric Automation GmbH. Mrs Herbaut spent two years as a management controller for Schneider Electric Automation Inc. in the US, before becoming Chief financial officer for Normabarre (2000-2003) for the Medium Voltage/Low Voltage Regional Facilities Unit (2003-2007), later taking charge of the Alombard plant (2007-2008). She managed the Electrical Wiring business in the LifeSpace Business Unit for the EMEAS region between 2009 and 2012. Since 2013, she has been in charge of the same activity on a global scope, and now is part of the Partner Retail Division. Mrs Herbaut is a member of the supervisory board of the FCPE Schneider Actionnariat.

Note: bold indicates th names of companies listed on a regulated market.
(1) Directly or through the FCPE.
** An Independent Director within the meaning of the AFEP/MEDEF corporate governance code for listed companies.*

Jeong H. Kim*

Age: 53

Business address:
Jurie Holdings LLC
7735 Old Georgetown Road, Suite 1200
Bethesda, MD 20814, USA

1,000 Schneider Electric SA shares

First appointed: 2011/Term ends: 2015

Directorships and other functions

- Currently:

  Director of **Schneider Electric SA**; CEO of Jurie Holdings LLC (USA); Chairman of Kiswe Mobile Inc. (USA)

- Previous directorships and functions held in the past five years:

  Non-voting Director of the board of directors of **Schneider Electric SA** (May 2013-October 2013); Member of the supervisory board of **Schneider Electric SA**; President of Bell Labs and Director of Strategy at **Alcatel-Lucent**; Member of the board of Trustees of Johns Hopkins University; Member of the College Park Foundation and Bankinter Foundation of Innovation; Member of the **Nasdaq** Listing and Review Council; Member of the External Advisory board of the CIA; Member of the Advisory board of Royal Oak Capital; Director of CINTT; Member of the board of Managers of the Applied Physics Lab; Director of GIV Global Private Equity; Professor at the University of Maryland; Member of the board of directors of Georgetown; Member of the board of Visitors at the Stanford Freeman Spogli Institute; Member of the board of Trustees at the University of Maryland.

Experience and qualifications

Jeong H. Kim holds a doctorate in reliability engineering from the University of Maryland and holds degrees from Johns Hopkins University in Technical Management, electrical engineering, and computer sciences.

A businessman, professor, and member of the National Academy of Engineering, Jeong H. Kim joined Lucent Technologies in 1998 when Lucent purchased Yurie Systems, the company he founded in 1992. He supervised Lucent's Optical Network Group. He then joined the University of Maryland, where he taught in both the Electrical Engineering and Computer Sciences Department and the Mechanical Engineering Department. Before that, Jeong H. Kim held technical and managerial positions in computers, satellite systems, and data communications, and he spent seven years as an officer aboard a US Navy nuclear submarine. In 2005, Jeong H. Kim was appointed Chairman of Bell Laboratories and Director of Strategy at **Alcatel-Lucent**, a position he held until February 2013.

Willy R. Kissling*

Age: 69

Business address:
Poststrasse n° 4 BP
8808 Pfaeffikon, Switzerland

2,000 Schneider Electric SA shares

First appointed: December 12, 2001/
Term ends: 2014

Directorships and other functions

- Currently:

  Director of **Schneider Electric SA**.

- Previous directorships and functions held in the past five years:

  Member of the supervisory board of **Schneider Electric SA**; Member of the board of directors of **Cleantech Invest AG**; Director of **Kühne +Nagel International AG** (logistics); Director of **Holcim Ltd**; Chairman of the board of directors of Grand Resort Bad Ragaz AG; Member of the European Advisory board of Booz & Co.

Experience and qualifications

Willy Kissling, a Swiss citizen, holds diplomas from the University of Bern and Harvard University. He began his career at Amiantus Corporation and then joined Rigips, a plasterboard manufacturer, in 1978. He was appointed to the Rigips Executive Committee in 1981 and subsequently became Chairman. From 1987 to 1996, Mr Kissling served as Chairman and Executive Vice-president of Landis & Gyr Corporation, a provider of services, systems and equipment for building management, electrical contracting and payphones. From 1998 to 2005, he was Chairman of the board of directors of Oertikon Bührle Holding AG (since renamed OC Oerlikon Corp.).

Note: bold indicates the names of companies listed on a regulated market.

** An Independent Director within the meaning of the AFEP/MEDEF corporate governance code for listed companies.*

Cathy Kopp*

Age: 64

Business address:
22, square de l'Alboni
75016 Paris, France

1,024 Schneider Electric SA shares

First appointed: 2005/Term ends: 2014

Directorships and other functions

- Currently:

  Director of **Schneider Electric SA**.

  – Other directorships or functions:

    Director of SFIL; member of the board of the Fondation SNCF.

- Previous directorships and functions held in the past five years:

  Member of the supervisory board of **Schneider Electric SA**; Director of **Dexia**; member of the board of the École normale supérieure de la rue d'Ulm in Paris; General Manager of Human Resources and Member of the Executive Committee of **Accor**; Member of the Collège de la haute autorité de lutte contre les discriminations (Halde); Member of the Haut Conseil à l'Intégration.

Experience and qualifications

After earning a degree in mathematics, Cathy Kopp joined IBM France in 1973. In 1992, she became Human Resources Director at IBM France before being appointed Vice-president of Human Resources in the Storage Systems Division of IBM Corp. in 1996. In 2000, Cathy Kopp became Chairman and CEO of IBM France. In 2002 she joined the Accor Group as HR Director and served until 2009. Cathy Kopp was Chairman of the Social Committee of the Service Providers Group at MEDEF until 2009. She headed up the cross-sector negotiations on diversity at MEDEF in 2006, and the negotiations on modernizing the labor market in 2007.

Gérard de La Martinière*

Age: 70

Business address:
18, allée du Cloître
78170 La Celle-Saint-Cloud, France

6,856 Schneider Electric SA shares

First appointed: 1998/Term ends: 2015

Directorships and other functions

- Currently:

  Director of **Schneider Electric SA**.

  – Other directorships at a listed company:

    Director of **Air Liquide**.

  – Other directorships or functions:

    Director of Standard & Poor's Credit Market Services France SAS; Director of Monfinancier; Chairman of the Managing Committee of the Charte du Don en Confiance (a charity within the meaning of the 1901 French law); Member of the Haut Conseil de la Vie Associative.

- Previous directorships and functions held in the past five years:

  Member of the supervisory board of **Schneider Electric SA**; Chairman of the French Insurance Companies Federation (FFSA) and Chairman of the Comité européen des Assurances (CEA); Vice-chairman of the Comité européen des Assurances (CEA); Director of Banque d'Orsay; Member of the supervisory board of the European Financial Reporting Advisory Group "EFRAG" (an association under Belgian law).

Experience and qualifications

A graduate of the École Polytechnique and the École Nationale d'Administration, Gérard de La Martinière held several positions in the French Finance Ministry before serving as Secretary General of the Commission des Opérations de Bourse and General Manager of the Société des Bourses Françaises. In 1989, he joined AXA, where he was appointed Executive Vice-president for Holding Companies and Corporate Functions in 1993, Member of the management board in 1997 and Executive Vice-president of Finance, Budget Control and Strategy in 2000. He left the AXA Group in 2003 to become Chairman of the French Insurance Companies Federation (FFSA), a post he held until October 2008.

Note: bold indicates the names of companies listed on a regulated market.

** An Independent Director within the meaning of the AFEP/MEDEF corporate governance code for listed companies.*

G. Richard Thoman*

Age: 69

Business address:
Corporate Perspectives, LLC
485 Park Avenue
New York NY 10022, USA

1,000 Schneider Electric SA shares

First appointed: 2007/Term ends: 2014

Directorships and other functions

- Currently:

  Director of **Schneider Electric SA**.
  - Other directorships or functions:

    Managing Partner of Corporate Perspectives (an American strategy consulting firm); member of the board of Advisors of INSEAD, the French American Foundation, the Americas Society, the Council of the Americas, Committee for Economic Development, McGill University School of Management, the Fletcher School and the heritage committee of the Institut des Hautes Études Internationales, "IHEID" (Geneva); Adjunct Professor at Columbia University and the Fletcher School; member of the Trilateral Commission, the Council on Foreign Relations; Business Executives for National Security, New York Economics Club.
- Previous directorships and functions held in the past five years:

  Member of the supervisory board of **Schneider Electric SA**.

Experience and qualifications

G. Richard Thoman has a unique background. He was one of the top five CEOs for four of the top Fortune 75 companies, in three different industries: financial services, food and beverage, and technology.

Mr Thoman began his career at Citibank after receiving his BA from McGill University in Montreal and MA, MALD and PhD from the Fletcher School of Law and Diplomacy which resulted from a partnership between Tufts University and Harvard. He also graduated from the Hautes Études Internationales in Geneva. After working with Exxon Finance and McKinsey, he became Chairman and co-Executive Vice-president of American Express Travel Related Services. In 1992, he was appointed Chairman and Executive Vice-president of Nabisco International. In 1993, he joined IBM as Senior Vice-president, Personal Systems Group, later becoming Financial Director. In 1997, he joined the Xerox Group. He served as Chairman and Executive Vice-president of Xerox from April 1999 to May 2000. Mr Thoman is currently Managing Partner of Corporate Perspectives and is on the faculty of several US universities.

Serge Weinberg*

Age: 62

Business address:
Weinberg Capital Partners
20, rue Quentin Bauchart
75008 Paris, France

1,144 Schneider Electric SA shares

First appointed: 2005/Term ends: 2014

Directorships and other functions

- Currently:

  Director of **Schneider Electric SA**.
  - Other directorships at a listed company:

    Chairman of the board of directors for **Sanofi**.
  - Other directorships or functions:

    Chairman of Weinberg Capital Partners, Financière Piasa and Piasa Holding; Director of Piasa, manager of Alret and Maremma; member of the Supervisory Committee of Financière BFSA; Vice-chairman and Director of Financière Sasa; Permanent representative of Weinberg Capital Partners on the board of Sasa Industrie; Director of Madrigall.
- Previous directorships and functions held in the past five years:
  Member of the supervisory board of **Schneider Electric SA**; Vice-chairman of the supervisory board of **Schneider Electric SA** (from May 2006 to May 2010); Chairman of the board of directors of **Accor** (January 2006 to February 2009); Director of Alliance Industrie (from October 2006 to November 2008), of Road Holding (from March 2007 to May 2008) and Rasec (from February 2006 to January 2010); member of the management board of Pharma Omnium International (from June 2006 to January 2010); Director of FNAC (from July 1995 to May 2010), Director of Rothschild Concordia SAS (from March 2008 to October 2010), Director of Rothschild & Cie (from June 2005 to October 2010), Director of the Gucci Group (from March 1999 to April 2010), member of the supervisory board of Alfina (from February 2010 to December 2011), Permanent Representative of Weinberg Capital Partners, Director on the board of Alliance Industrie (from December 2008 to October 2011), Director of Financière Poinsétia (from October 2006 to October 2011); Director of VL Holding (April 2007 to April 2010); Chairman of Corum (Switzerland) (from July 2008 to January 2013).

Experience and qualifications

After graduating from France's École nationale d'administration, Serge Weinberg held several positions in the French civil service and ministerial offices. He then served as Deputy Vice-president of FR3, Executive Vice-president and then Chairman of the management board of Havas Tourisme, Director of Pallas Finance. And then in 1990, he joined what is now the Pinault-Printemps-Redoute Group (PPR) as Executive Vice-chairman of the Compagnie française de l'Afrique occidentale (CFAO). Within this Group, he served as Chairman of Rexel (an electrical supplies distribution company, formerly CDME). In 1995, he was appointed Chairman of the PPR management board, a position he held until early 2005. In March 2005 he founded Weinberg Capital Partners, a company that manages an investment fund specialized in leveraged buyouts and real estate. From 2006 to 2009, he was Chairman of the board of directors of Accor. He has been Chairman of the board of directors of Sanofi since May 2010.

Note: bold indicates the names of companies listed on a regulated market.

** An Independent Director within the meaning of the AFEP/MEDEF corporate governance code for listed companies.*

Non-voting member

Claude Bébéar

Age: 78

Business address:
GIE AXA
25, avenue Matignon
75008 Paris, France

528 Schneider Electric SA shares

First appointed: 2004/Term ends: 2014

Directorships and other functions

- Currently:
  Non-voting member of **Schneider Electric SA**.
  - Other functions at a listed company:
    Non-voting member of **Vivendi**.
  - Other directorships or functions:
    Director of AXA Assurances Vie Mutuelle; Chairman of the Institut Montaigne and Honorary Chairman of IMS-Entreprendre pour la Cité.
- Previous directorships and functions held in the past five years:
  Chairman of the supervisory board of **AXA**; Director of **BNP Paribas**; member of the supervisory board of **Vivendi**; Chairman of IMS-Entreprendre pour la Cité, Director AXA Assurances IARD Mutuelle; non-voting member of the supervisory board of **Schneider Electric SA**.

Experience and qualifications

A graduate of the École Polytechnique, Claude Bébéar joined Groupe Ancienne Mutuelle in 1958, the mutual insurance company that would become Mutuelles Unies, then AXA in 1985. He was appointed Chairman and CEO of the company in 1975.

From late 1996, when AXA merged with UAP, until 2000, Claude Bébéar served as Chairman of AXA's management board and Chairman of its Executive Committee. In 2000 he was appointed Chairman of the AXA supervisory board. Bébéar resigned as Chairman of the supervisory board in April 2008 to become Honorary Chairman of AXA.

Honorary Chairman

Didier Pineau-Valencienne

3

Proposal to the Annual Shareholder's Meeting on the composition of the board of directors

A proposal will be made to the Annual Shareholders' Meeting of May 6, 2014 to renew the appointments which have reached expiry, with the exception of the appointment of Serge Weinberg, who does not want his appointment to be renewed. The Annual Shareholders' Meeting is asked to approve the following propositions:

(i) renewal of the appointment of Noël Forgeard for a term of 2 years. Mr Forgeard is an independent director;

(ii) renewal of the appointment of Willy Kissling for a term of 2 years. Mr Kissling, who joined the board of directors in December 2001, in accordance with the AFEP/MEDEF code will no longer be an independent director;

(iii) renewal of the appointment of Cathy Kopp for a term of 4 years. Mrs Kopp is an independent director;

(iv) renewal of the appointment of Henri Lachmann for a term of 2 years. Mr Lachmann is not an independent director;

(v) renewal of the appointment of Rick Thoman for a term of 2 years. Mr Thoman is an independent director.

After the renewals, the board will have a ratio of independent directors of 64% and a female ratio of 28%.

2. Organizational and operating procedures of the board of directors**

Missions and powers of the board of directors

The board of directors shall determine the strategic orientation of the company's business and oversee implementation thereof. It shall examine any and all matters related to the efficient operation of the business and make decisions about any and all issues concerning the company, within the limits of the company's purposes and except for those matters which, by law, are reserved for the Annual Shareholders' Meetings.

Specific powers are vested in the board of directors under French law and the company's articles of association. These include the power to:

- determine the method of exercising General Management of the company;
- appoint executive corporate officers and also remove them from office (Chief executive officer, deputy Chief executive officers) as well as to set their compensation and the benefits granted to them;
- co-opt Directors whenever necessary;
- call the Annual Shareholders' Meetings and, as applicable, the Bondholders' General Meetings;
- approve corporate and consolidated accounts;
- draw up management reports and reports for Annual Shareholders' Meetings;
- draw up management planning documents and the corresponding reports;
- approve the report drawn up by the Chairman of the board of directors as provided for in article L. 225-37 of the French Commercial Code;
- decide on the use of authorizations granted at Annual Shareholders' Meetings, more particularly for increasing Company capital, buying back the company's own shares, carrying out employee shareholding operations and cancelling shares;
- authorize the issue of bonds;
- decide on the allocation of options or restricted/performance shares within the limits of authorizations given at Annual Shareholders' Meetings;
- authorize statutory conventions (conventions covered by article L. 225-38 and following of the French Commercial Code);
- authorize the issue of sureties, endorsements and guarantees;
- decide on the dates for the payment of dividends and any possible down-payments on dividends;

The board may appoint between one and three non-voting members and decide to create board committees. It draws up its internal regulations and procedures. It determines the allocation of attendance fees; the total amount is determined by the Annual Shareholders' Meeting.

Internal regulations and procedures of the board of directors

The board of directors adopted, on April 25, 2013, its own internal regulations. These internal regulations of the Committees of the board (the Audit and Risk Committee, the governance committee, Remuneration, Human Resources & CSR and the strategy committee) and the director's charter recommended by the AFEP/MEDEF corporate governance guidelines. It is published on the company's website www.schneider-electric.com. It includes 13 articles:

Article 1, on the method of exercising Senior Management and the Chairmanship and Vice-chairmanship of the board of directors, defines, among other items, the powers and missions of the Independent Vice-chairman Lead Director who is appointed when the board decides to combine the functions of Chairman and Chief executive officer. Thus the Vice-chairman:

- is informed of major events in the life of the Group within the framework of regular contact and monthly meetings with the Chairman, as well as through contact that he can have with managers of Schneider Electric and possible visits to the Group's sites he can undertake. In addition, he can attend all meetings of committees of which he is not a member;
- can answer shareholders' questions or meet on governance issues when it is considered that he is the most appropriate spokesperson;
- report to the Chairman on the results of the "executive sessions" (see above);
- sets the agenda of the board of directors with the Chairman;
- chairs the governance committee which, starting from the evaluation of the functioning of the board and that of the CEO, proposes each year to the board to continue the unified functions of Chairman and Chief executive officer or to separate them and, as needed, make proposals for a successor in one or both functions;
- chairs the "executive sessions", *i.e.* meetings of the board of directors not in the presence of any executive member, namely the CEO and Executive Vice-president;
- leads the annual and semi-annual evaluations of the board of directors;
- informs the Chairman and CEO and board of any conflicts of interest which could be identified;
- reports on his activities during the Annual Shareholders' Meeting.

The charter of the Vice-chairman Lead Director is found on page 304.

Article 2 defines the role and powers of the board of directors. It states that the board of directors shall determine the strategic orientation of the company and oversee implementation thereof. To enable the board to exercise its missions, the Chairman or the Committees must inform the board of directors of any significant event affecting the company's efficient operation. In addition, any acquisition transactions or disposals of assets amounting to more than EUR250 million as well as any strategic partnership agreement must be submitted to the board for approval. In addition, the board of directors must conduct an annual review of its composition, organization and operation.

Article 3 defines the principles applied by the board of directors concerning the renewal of its membership. These include assuring international representation by maintaining a significant number of non-French Directors, maintaining independence through the competence, availability and courage of its members, the application of the principle of equal representation of women and men on the board, ensuring continuity through the re-election of a certain proportion of the Members at regular intervals and enabling representation of employee shareholders.

Article 4 organizes meetings of the board of directors. In addition to the legal rules on the convocation of the board, the modes of participation of the Directors, the minutes, etc., this article provides for a minimum of six Annual Meetings, the presence of the Deputy CEO in charge of Finance at board meetings as well as the presence of operations managers concerned for the major issues presented for review by the board.

Article 5 specifies how information is handled by the board of directors. In particular, it provides that the Chairman and CEO shall meet each Director individually once a year.

Article 6 defines the status of the Directors. This is in compliance with the director's charter contained in the AFEP/MEDEF corporate governance guidelines.

It also provides that the Directors:

- represent all shareholders and act in the corporate interest;
- resign from the board when they have not participated in at least half the board meetings;
- comply with an overall obligation of confidentiality;
- report any and all conflicts of interest and they are asked to refrain from voting and any debate regarding the matter in question;
- hold at least 1,000 shares of Company stock;
- abide by strict rules regarding transactions involving Schneider Electric SA stock (no trading allowed in the 31 days preceding the day following the publication of the annual or interim financial statements and in the sixteen days preceding the day following publication of quarterly reports, etc.);
- attend the Annual Shareholders' Meeting.

Article 7 states that non-voting members who attend meetings of the board of directors in a consultative capacity are subject to the same Code of Ethics as Directors.

Articles 8 to 12 apply to the Committees. The content of these articles is provided in the section on Committees below.

Article 13 defines the scope of the internal regulations of the board of directors.

Information on the board of directors and its members

Schneider Electric lays down the following rules so as to ensure the board of directors is properly informed: in principle, members of the board have available to them a secure website on which they receive or can peruse, 10 days before each board meeting, the meeting agenda and the draft minutes of the previous meeting and, four or five days before, documentation for the board meeting. The documentation includes a quarterly activities report, the text of presentations scheduled on the agenda or notes and, as appropriate, draft accounting and financial information. Supplementary documentation may also be provided at the meeting.

Executive committee members are invited, depending on the subject, to present the major issues within their area of responsibility.

The statutory auditors attend the part of the meetings of the board of directors at which the annual and interim financial statements are reviewed.

Between each meeting of the board of directors, aside from interviews that they may have with the Chairman and CEO, Directors receive a monthly letter (drafted exclusively for their attention), a weekly press review, all of the company's press releases, financial analysts' reports and other documents.

Members also have the opportunity to meet informally with key members of Senior Management prior to the meetings of the board of directors. Each year, a "one to one" session is organized between Directors and members of the executive committee.

For new Directors, training and information sessions are organized on the strategy and businesses of the Group.

Schneider Electric has adopted an Ethics Code for members of the board of directors and employees of the Group designed to prevent insider trading. Under the terms of these provisions, both Directors and employees are barred from trading Company shares and shares in companies for which they have information that has not yet been made public on these companies. In addition, they may not trade Schneider Electric SA shares during the 31 days preceding the day following publication of the annual and interim financial statements, nor during the 16 days preceding the day following publication of a quarterly update, nor may they engage in any type of speculative trading involving Schneider Electric SA shares (including margin trading, purchasing and selling shares in a period of less than four months, etc.). In addition, in accordance with the AFEP/MEDEF code guidelines, senior corporate officers also undertake not to enter into hedges of shares resulting from exercise of options and performance shares they are required to hold (see page 284). These restrictions supplement the prohibition against hedging unvested shares and performance share options during the vesting period.

3. Board meetings**

The board held nine meetings in 2013 (two meetings of the supervisory board and seven meetings of the board of directors). The meetings lasted three hours and fifty minutes on average with an average participation rate of board members of 92%. They were primarily devoted to discussing the company's corporate governance and strategy, reviewing operations and the annual and interim financial statements and preparing the Annual Shareholders' Meeting.

Corporate Governance

Based on advice from its remuneration, appointments and human resources committee, and/or the audit committee, the supervisory board:

- discussed in the context of its work the succession of its Chairman, Henri Lachmann, the organization of the new governance and, more particularly, strong controls to ensure that the board receives correct information and functions properly. The board has created an internal regulations project for the board of directors (see above and pages 136 and 137), which provides for, in particular, holding executive meetings chaired by the Independent Vice-chairman Lead Director, four review committees (the Audit and Risk Committee, the governance committee, the Remuneration, Human Resources & CSR Committee and the strategy committee);
- reviewed the management board's operations and evaluated the members of the management board;
- approved the compensation of members of senior corporate officers (appraisal of attainment of their personal targets for 2012 and determination of the rules relating to their compensation for 2013: fixed part, performance incentives). The principles and rules applied by the board in determining compensation and benefits for corporate officers are presented below (see pages 136 and 137);
- approved the Chairman's report on the composition of the board and the application of the principle of equal representation of women and men on the board, and the conditions applicable for the preparation and organization of the work carried out by the board, and the internal control and risk management procedures implemented by the company;
- authorized the implementation of the long-term incentive plan for 2013 by the management board. It has approved the performance criteria and the shares granted to the senior corporate officers;
- validated the ca lculation of the level of achievement of performance criteria applicable to stock grant plans No. 10 and 11.

Based on the report by governance committee or the Remuneration, Human Resources and CSR, the board of directors, established by the Annual Shareholders' Meeting of April 25, 2013, has:

- appointed Jean-Pascal Tricoire Chairman and CEO, and Henri Lachmann Vice-chairman Lead Director. It also decided on the composition of the Committees (see above), emphasizing that all board members belong to at least one Committee. Claude Bébéar and Jeong Kim were also appointed non-voting members. Jeong Kim was later (October 25) co-opted Director after the departure of Dominique Sénéquier, who resigned on June 25;
- discussed the composition of its membership and that of its Committees and the principle of equal representation of women and men. It is, on the proposal of the governance committee, stipulated that Léo APOTHEKER will replace Henri LACHMANN as Independent Vice-chairman Lead Director at the end of the Annual Shareholders' Meeting of May 6, 2014;
- set the 2013 compensation of Jean-Pascal Tricoire and Emmanuel Babeau, and renewed/adopted their articles of incorporation and approved the compensation of the Lead Director under the terms of regulated agreements (see page 159);
- decided on capital increases reserved for Group employees (Wesop);
- deliberated on the transformation of the company to a European Company (see pages 301 and 302).

The board of directors held an "executive session" during which each member gave his or her opinion on the operation of the Group's Senior Management, the board and its Committees, and also expressed concerns about the Group's strategy. In addition, the board discussed the compensation of the Chairman and CEO and the Executive Vice-president, not in the presence of the interested parties.

Strategy

The board of directors conducted an in-depth review of the Group's strategy at a one-and-a-half-day meeting devoted entirely to this topic, as it does each year. It also authorized the acquisition of Invensys, after reviewing the project and hearing the strategy committee and Audit and Risk Committee's reports. It was also informed of other acquisitions by the Group.

Activities and results

The board (supervisory board/board of directors) was given the quarterly activity reports established by the Senior Management. At each meeting, the board also tracked business performance. It also examined the company's financial position.

The board was informed of the Group's 2013 objectives.

On February 20, 2013, the supervisory board reviewed the 2012 financial statements based on the audit committee's report and the report by the statutory auditors, who were present at the meeting. Based on the audit committee's report, it approved the management board's proposal at the Annual Shareholders' Meeting to set the dividend at EUR1.87 per share. At its meeting on July 30, 2013, the board of directors reviewed and approved the interim financial statements for the first half of 2013 based on the audit and risk committee's report and after seeking the opinion of the statutory auditors.

The audit committee or the audit and risk committee reported to the board, which debated on the work carried out by the Group's internal auditors, the internal control teams and the results of the entities' internal control audits and self-audits. The audit committee also reported on other steps taken, which it also discussed, with regard to monitoring risk management (changes to the risk mapping, risks linked to the activity solutions, to the sales policy...), results and integration of acquisitions, prevention of fraud, business continuity, tariff policy, financing, IT strategy, information systems security, monitoring of accounting standardization and the independence of the statutory auditors. The Audit committee also reported to the board on the steps taken with regard to the action plans implemented following the accounting error detected, which was fraudulent in origin, in the accounts of one entity in France.

It ensured consistent compliance with market disclosure requirements, notably through an analysis of market consensus and issuing press releases.

The board carried out the procedures required by law, which include reviewing budgets and business plans.

Annual Shareholders' Meeting 2013

The supervisory board reviewed the agenda and draft resolutions to be tabled at the 2013 Annual Shareholders' Meeting, and prepared its report to shareholders. It approved the Chairman's report on the operations of the supervisory board and Internal Control. Almost all of the members of the board (12/14) were present at the Annual Shareholders' Meeting. The board approved all resolutions presented and approved by the management board relative to the modification of the governance and the renewal of all financial authorizations.

4. Board Committees (composition,operating procedures and meetings)**

In its internal regulations and procedure, the board has set out the role, responsibilities and competences of its review committees: The supervisory board had two committees. The board of directors created four committees: the Audit and Risk Committee, the governance committee, the Remuneration, Human Resources & CSR Committee and the strategy committee.

Committee members are appointed by the board of directors on the proposal of the governance committee. The Committees may commission studies from outside consultants after having referred to the Chairman of the board. They may invite anybody they wish to meetings, as necessary. Like any other member of the board, the Vice-chairman Lead Director may attend any meetings of committees of which he is not a member.

Audit and Risk Committee

The members, operating procedures and responsibilities of the Audit and Risk Committee are compliant with the recommendations included in Audit committee final report published by the AMF in July 2010.

Composition in 2013

The internal regulations and procedures of the board of directors stipulate that the Audit and Risk Committee must have at least three members. Two thirds of the members must be independent and at least one must have in-depth knowledge of accounting standards combined with hands-on experience in applying current accounting standards and producing financial statements.

The Audit committee has three members: Gérard de La Martinière, Chairman, Noël Forgeard and Antoine Gosset-Grainville. They are independent and have the necessary financial or accounting competence. In addition, Noël Forgeard offers particular expertise on industrial matters.

Operating procedures

The Committee shall meet at the initiative of its Chairman or at the request of the Chairman. At least five meetings are held during the year.

The Committee may invite any person it wishes to hear to its meetings. The statutory auditors attend meetings at which financial statements are reviewed and, depending on the agenda, all or some of the other meetings. It may also require the CEO to provide any documents it deems to be useful. It may also commission studies from external consultants.

The Deputy CEO in charge of Finance shall act as the Audit and Risk Committee's contact.

The Director of internal auditing is the secretary of the Audit and Risk Committee.

Responsibilities

A cornerstone of the Group's Internal Control system, the Audit and Risk Committee is responsible for preparing the work of the board of directors, making recommendations to the board and issuing opinions on financial, accounting and risk management issues. Accordingly, it:

- prepares for annual and half-yearly accounts to be approved by the board and, more particularly:
  - checks the appropriateness and consistency of the accounting methods used for drawing up consolidated and corporate accounts, as well as checking that significant transactions on the Group level have been dealt with appropriately and that rules relating to the scope of consolidation have been complied with,
  - analyzes the scope of consolidation, risks and off-balance sheet commitments as well as the financial position and the cash position,
  - examines the process for drawing up financial information;
- reviews the draft annual report, which is also the Registration Document, and takes on board any comments by the AMF in this regard, as well as the reports on the interim financial statements and other main financial documents;
- makes recommendations concerning the appointment or re-appointment of the statutory auditors;
- handles follow-up on legal control of annual and consolidated accounts made by statutory auditors, including by examining the external audit plan and results of controls made by statutory auditors;
- verifies the auditors' independence, in particular by reviewing fees paid by the Group to their firm and network and by giving prior approval for assignments that, strictly speaking, fall outside the scope of the auditing of the financial statements;
- it monitors the efficiency of internal control and risk management systems. For this purpose, it:
  - reviews the organization and resources for the internal audit, as well as its annual schedule. receives a quarterly summary report on the findings of the audits carried out,
  - reviews operational risks mapping and its year-on-year evolution. ensures procedures are implemented to prevent and reduce them,
  - reviews risk mitigation,
  - reviews the rollout of the Group's internal control system and acknowledges the outcome of entities' self-assessment

regarding internal control. It ensures procedures are implemented to identify and handle anomalies,

- acknowledges the draft report of the Chairman on Internal control,
- It examines rules of good conduct notably concerning competition and ethics and the measures implemented to ensure that these rules are circulated and applied.

The Audit and Risk Committee shall examine proposals for distribution as well as the amount of financial authorizations submitted for approval at Annual Shareholders' Meetings.

The Audit and Risk Committee shall examine all financial and accounting questions and questions related to risk-management submitted to it by the board of directors.

The Audit and Risk Committee presents its findings and recommendations to the board. The Chairman of the Audit committee shall keep the Chairman and the Vice-chairman Lead Director promptly informed of any difficulties encountered.

Meetings in 2013

In 2013, the Audit committee of the board (supervisory board/board of directors) met eight times. Its composition was unchanged throughout the year. The average duration of the meetings was about 3 hours and the average attendance rate was 100%.

Each meeting was fully or partially attended by the Deputy CEO in charge of Finance, members of the Finance Department, the head of internal audit as well as statutory auditors. Operational Management also reported to the Committee. In line with the provisions of the AFEP/MEDEF code, the Chairman and CEO does not attend the Committee's meetings.

The topics discussed by the Committee were as follows:

1) financial statements and financial disclosures:
   - review of the annual and interim financial statements and of the reports on the financial statements,
   - review of goodwills, the Group fiscal position, provisions and pension obligations or similar obligations,
   - review of investor relations documents concerning the annual and interim financial statements;
2) internal audit, internal control and risk management control:
   - review of the 2014/Q1 2015 Internal Audit schedule drawn up on the basis of risk mapping,
   - monitoring the Internal Audit road map realization related to 2013/Q1 2014, and review of main audits,
   - review of the activities of Internal controls, particularly the results of evaluations/self-evaluations,
   - review of reporting on fraud prevention systems,
   - review of legal risks,
   - review of the financing of the IT systems strategy,
   - review of the activity solutions and the related risks,
   - review of the sales policy and the related risks,
   - review of the prevention and business continuity plans,
   - review of risk mitigation by means of insurance,
   - review of pricing policy,
   - review of the integration of Telvent,
   - review of the results of due diligence on Invensys,
   - review of the implemented action plans following the accounting error due to a fraud, detected in the accounts of one entity in France,
   - review of the impact of future IFRS,
   - review of the Chairman's draft report on procedures for internal control and risk management;
3) statutory auditors:
   - review of the fees paid to the statutory auditors and their networks;
4) Corporate Governance:
   - recommended dividend for 2013,
   - review of the financial authorizations, whose renewal was presented to the Annual Shareholders' Meeting of April 25, 2013.

The Audit committee has also conducted a review of the strategic financial options.

The Audit committee reported to the board on its work in 2013 at the February 20, June 18-19, July 30, October 24 and 17 December 2013 meetings.

3

Remuneration, Human Resources and CSR Committee

Composition in 2013

The internal regulations and procedures of the board of directors stipulate that the Remuneration, Human Resources and CSR Committee must have at least three members.

The Committee members are: Serge Weinberg, Chairman, Magali Herbaut, Willy R. Kissling, Cathy Kopp and Rick Thoman.

Operating procedures

The committee shall meet at the initiative of its Chairman or at the request of the Chairman and CEO. The agenda is drawn up by the Chairman, after consulting the Chairman and CEO. The Committee shall meet at least three times a year.

The Committee may seek advice from any person it feels will help it with its work.

The Group Human Resources Director is secretary to the Committee.

Responsibilities

The Committee shall formulate proposals to the board of directors on:

- compensation of senior corporate officers (Chairman of the board of directors and/or CEO, Deputy CEOs) and any forms of benefit granted to them. In this respect, it shall prepare annual assessments of the persons concerned;
- setting up plans for share subscription or purchase options and the handing out of restricted shares as well as the value of handing out any options or shares to senior corporate officers.

The committee shall formulate projects on proposals made by General Management on:

- compensation for members of the executive committee;
- principles and conditions for determining the compensation of Group executives.

The committee shall be informed of any nomination of members of the executive committee and of key Group executives.

It shall examine succession plans for key Group executives.

The committee shall prepare the board of directors' deliberations on (i) employee shareholder development, (ii) reviews made by the board on social and financial impacts of major re-organization projects and major human resource policies, (iii) monitoring management of risks related to human resources and (iv) examining the different aspects of the Group "CSR" policy.

Meetings in 2013

The remuneration, appointments and human resources committee, which met on February 19, 2013 with all members present, made recommendations to the supervisory board concerning:

- the compensation of members of the management board (amount and structure of 2013 compensation, 2013 targets and level of achievement of 2012 targets);
- the annual 2013 long-term participation plan and more specifically the implementation of the annual performance share plans and the allocation of stock grants to members of the management board, in accordance with the AFEP/MEDEF guidelines of October 6, 2008.

The remuneration, human resources & CSR committee of the board of directors took over some of the responsibilities of the remunerations, appointments and human resources committee of the supervisory board. It met three times. The attendance rate by its members was 100%. It reported on its work to the board at the June 18-19, October 24 and December 17, 2013 meetings.

The remuneration, human resources & CSR committee made recommendations to the board of directors concerning:

- compensation of senior corporate officers (amount and structure of the 2014 compensation);
- the status of senior corporate officers;
- the 2014 long-term incentive plan;
- the launch in 2014 of a new Group employee share issue;
- the compliance of the status of senior corporate officers with the AFEP/MEDEF guidelines of June 2013.

The committee also reported to the board on:

- its 2013/2014 annual schedule;
- the review of the performance of members of the executive committee;
- the review of succession plans for senior corporate officers and members of the executive committee;
- the review of the policy of male/female equal opportunities and compensation;
- the compensation policy of Group Senior Management;
- the review of the performance of members of the Executive Committee for 2014.

Governance committee

Composition in 2013

The board of directors internal regulations and procedures stipulate that the governance committee must have at least three members. It is chaired by the Vice-chairman Lead Director.

The committee members are Henri Lachmann, Chairman, Léo Apotheker, Claude Bébéar, Willy R. Kissling and Serge Weinberg.

Operating procedures

The Committee shall meet at the initiative of its Chairman or at the request of the Chairman and CEO. The agenda is drawn up by the Chairman, after consulting the Chairman and CEO. The Committee shall meet at least three times a year.

The Committee may seek advice from any person it feels will help it with its work.

Members of the board of directors may attend meetings of committees of which they are not a member. Only the members of the committee shall take part in the committee's discussions.

The Secretary to the board of directors shall be the secretary of the committee.

Responsibilities

The committee will formulate proposals to the board of directors in view of any appointment made:

(i) to the board of directors as:
   - Director or non-voting member,
   - Chairman of the board of directors, Vice-chairman and Independent Vice-chairman Lead Director,
   - Chairman and committee member;

(ii) for General Management of the company. The committee will also give its opinion to the board on proposed nominations for any Deputy CEOs.

The committee shall propose provisions to the board of directors that will reassure both Shareholders and the market that the board of directors carries out its duties with all necessary independence and objectivity. For this purpose, it will organize annual and biannual assessments to be made of the board of directors. It shall make proposals to the board of directors on:

- determining and reviewing the independence criteria of the Directors and their qualifications with regard to these criteria;
- the responsibilities of the committees of the board of directors;
- the evolution, organization and operation of the board of directors;
- the company's application of national and international corporate governance practices;
- the total value of Directors' fees proposed at the Annual Shareholders' Meeting together with their allocation amongst members of the board of directors.

Meetings in 2013

In 2013, the governance committee of the board of directors took over the responsibilities of the remuneration, appointments and human resources committee of the supervisory board.

The latter committee, which met on January 22 and February 19, 2013, and whose attendance rate was 90%, made recommendations to the board on:

- the proposed mode of governance of the company (draft articles of association, internal regulations and procedures of the board, the Charter of the Lead Director);
- the composition of the board of directors and its committees;
- the qualification of the members of the board with regard to the independence criteria;
- the amount of attendance fees.

The committee also reported to the board on:

- the review of the work of the management board and the assessment of the performance of its members;
- the review of the draft report from the Chairman of the supervisory board on corporate governance.

The governance committee met three times. The attendance rate by its members was 93%. It reported on its work to the board at the July 30, October 24 and December 17, 2013 meetings.

The governance committee made recommendations to the board of directors on:

- the succession of the Vice-chairman Lead Director;
- the composition of the board and its committees;
- the adoption by the company of the status of a European Company;
- the rules on the allocation of attendance fees;
- the adaptation of the internal regulations and procedures of the board, in particular to conform with the AFEP/MEDEF recommendations of June 2013.

Strategy committee

Composition in 2013

The internal regulations and procedures of the board of directors stipulate that the Strategy committee must have at least three members.

The committee is composed of Xavier Fontanet, Chairman, Léo Apotheker, Betsy Atkins, Noël Forgeard (since July 2013) and Jeong Kim.

Operating procedures

The committee shall meet at the initiative of its Chairman or at the request of the Chairman and CEO. The agenda is drawn up by the Chairman, after consulting the Chairman and CEO. The committee shall meet at least three times a year.

In order to carry out its assignments, the committee may hear any person it wishes and call upon the Strategy Director.

Members of the board of directors may attend meetings of committees of which they are not a member. Only the members of the committee shall take part in the committee's discussions.

The Director of Strategy is secretary to the committee.

Responsibilities

The committee will prepare the board of directors' deliberations on strategic matters. For this purpose, it:

- shall give its opinion to the board of directors on projects involving major acquisitions, joint ventures and disposals that are presented to the board for authorization;
- examine in detail certain strategic matters on behalf of the board;
- give the board its view and understanding of major trends that are relevant to Group business sectors.

Meetings in 2013

In 2013, the Strategy committee met four times: The average duration of the meetings was about two hours and the average attendance rate was 100%. The committee, which has set its work program nased on requests from all of the directors, has primarily focused its work on:

- the review of the Invensys acquisition project;
- the in-depth review of the distribution;

5. Senior Management

The Senior Management of Schneider Electric SA is made up of the Chairman and CEO and a Deputy CEO. The operational organization of the Senior Management of the Group is supported by the executive committee, which is chaired by the Chairman and CEO.

The Chairman and CEO

The board of directors was appointed by the Annual Shareholders' Meeting of April 25, 2013, which approved the change to the mode of governance of the company, decided for the reasons set forth on page 126 to unify the functions of Chairman of the board of directors and Chief executive officer, and appointed Jean-Pascal Tricoire as Chairman and CEO.

The Chairman and CEO represents the company in its dealings with third parties. He shall have the broadest authority to act in any and all circumstances in the name and on behalf of the company, within the limits of the company purposes thereof and except for those matters which are reserved by law expressly to the shareholders at Annual Shareholders' Meetings or to the board of directors. In addition, the internal regulations and procedures of the board of directors stipulate that the Chairman and CEO must submit for approval to the board any acquisition transactions or disposal of assets amounting to more than EUR250 million as well as any strategic partnership agreement.

Deputy CEO

On April 25, 2013, on the proposal of Jean-Pascal Tricoire, the board of directors appointed Emmanuel Babeau Deputy CEO in charge of Finance and Legal Affairs.

Emmanuel Babeau

Age: 46

Business address:
Schneider Electric
35, rue Joseph-Monier
92500 Rueil-Malmaison, France

31,208 (1) Schneider Electric SA shares

First appointed: 2009/Term ends: 2015

Directorships and other functions in French and foreign companies

- Currently:

  Member of the steering committee of Aster Capital Partners SAS; Deputy CEO of **Schneider Electric SA**; Director of Samos acquisition company Ltd, Schneider Electric (China) Co. Ltd; Chairman of the management board of Schneider Electric Services International Sprl; Director of Schneider Electric Industries SAS and Schneider Electric USA Inc; Member of the supervisory board of Schneider Electric Energy Acces representing Schneider Electric Industries SAS.
- Previous directorships and functions held in the past five years:

  Group Deputy Managing Director in charge of Finance at **Pernod Ricard;** Member of the management board of Schneider SA**;** Director of Schneider ElectricTaiwan, Telvent GIT SA et Transformateurs SAS.

Experience and qualifications

Emmanuel Babeau graduated from ESCP and began his career at Arthur Andersen in 1990. In 1993, he joined the Pernod Ricard group as an internal auditor. He was appointed head of Internal Audit, the Corporate Treasury center and consolidation in 1996. He subsequently held several executive positions at Pernod Ricard, notably outside France, before becoming Vice-president of Development in 2001, CFO in June 2003 and Group Deputy Managing Director in charge of Finance in 2006. He joined Schneider Electric in the first half of 2009.

Note: bold indicates the names of companies listed on a regulated market.
(1) Directly or through the FCPE.

6. Declarations concerning the situation of the members of the administrative, supervisory or management bodies

The members of the board of directors hold 0.05% of the capital and 0.07% of the voting rights of the company.

Jean-Pascal Tricoire is Chairman of the board of directors of Schneider Electric Industries SAS, Chairman of the board of directors of Schneider Electric Holdings and Chairman of the board of directors of Schneider Electric Asia Pacific. He receives compensation for the last two duties.

Emmanuel Babeau has a work contract with Schneider Electric Industries SAS and is Chairman of the board of directors of Schneider Electric Services International. He receives compensation for these duties.

Mrs Magali Herbaut has a work contract with Schneider Electric Industries SAS.

Work contracts

In accordance with the AFEP/MEDEF, which provides that specific tasks such as Vice-chairman or Lead Director may give rise to the payment of exceptional compensation which is then subject to the terms of the regulated agreements, the board of directors provided that Henri LACHMANN, as Vice-chairman Lead Director, receive the annual sum of EUR250,000, excluding tax, as compensation for the tasks associated with this function, payable semi-annually in the framework of an agreement referred to in article L. 225-46 of the French Commercial Code.

Absence of conviction or incrimination of corporate officers

To the best of the company's knowledge, in the last five years, none of the Directors or senior corporate officers (Chairman and CEO and Executive Vice-president) have been:

- the subject of any convictions in relation to fraudulent offences or of any official public incrimination and/or sanctions by statutory regulatory authorities;
- disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of an issuer;
- involved, as a member of an administrative, management or supervisory body or a partner, in a bankruptcy, receivership or liquidation.

Family ties

To the best of the company's knowledge, none of the Directors and/or senior corporate officers of the company are related.

Conflicts of interest

To the best of the company's knowledge, there are no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which a Director or senior corporate officer has been selected as a member of an administrative, management or supervisory body or a member of Senior Management of the company.

To the best of the company's knowledge, there are no conflicts of interest between the duties of any Directors and senior corporate officers with respect to the company in their capacity as members of those bodies or their private interests and/or other duties.

To the best of the company's knowledge, the Directors and senior corporate officers have no restrictions on the disposal of their Company shares aside from those stipulated in stock option and performance share plans (see page 284 and following) for senior corporate officers and a minimum 1,000 shareholding requirement for Directors.

7. Interests and compensation of Group Senior Management

Group Senior Management (executive directors and members of the Executive Committee) compensation policy**

The general principles underlying compensation policy of Group Senior Management and the analysis of their individual situations are reviewed by the Remuneration, Human Resources and CSR Committee and presented to the board of directors.

The aims of this compensation policy are to:

- motivate and retain Group Senior Management in a highly competitive international market;
- align overall compensation with the Group's results;
- reward their individual and collective performance.

Variable part of cash compensation and share-based compensation are given the heaviest weighting (stock options are no longer allocated since December 2009).

The performance incentives, expressed in terms of a percentage of the fixed compensation, are linked to achieving objectives set out at the beginning of the financial year. There can be significant variation in amounts depending on the level of achievement of objectives. In 2013, this varies from 0% to 180% of the fixed compensation for members of the Executive Committee and from 0% to 220% for the Chairman and CEO. The performance incentives are therefore of a distinctly random nature.

In 2013, the variable part of Executive Committee members who are in charge of a business are determined as follows:

- 70% based on the Group's economic performance (operating margin, organic growth, cash generation ratio) and on that of their business as well as on the completion of the Connect Company program (customer satisfaction rate, solutions development, employee development) and social and environmental responsibility;
- 30% based on the achievement of their measurable personal goals.

The share-based performance incentives, which are a key factor in retention, are determined for all Group Senior Managers based on his reference market, performance and potential.

The allocation of shares is subject to performance conditions. The level of performance achievement is controlled by the statutory auditors and reviewed by the Remuneration, Human Resources and CSR Committee and the Audit committee. Details of these performance shares are set out on page 283.

The compensation of the senior corporate officers is set by the board of directors based on the recommendations of the Remuneration, Human Resources and CSR Committee.

In 2013, the variable part of executive directors are determined as follows:

- 70% based on the Group's economic performance (operating margin, organic growth, cash generation ratio) as well as on the completion of the Connect Company program (customer satisfaction rate, solutions development, employee development) and social and environmental responsibility;
- 30% based on the achievement of their measurable personal goals.

Pension benefits**

The Group's Senior Management, subject to the French Social Security system, are covered by the Group's defined-benefit top-hat pension plan (article 39) and, with the exception of Jean-Pascal Tricoire, supplementary defined-contribution pension plans for employees and/or Group Senior Management (article 83). The annuities from defined-contribution plans are deducted from the pension supplement of the defined-benefit plan.

The defined-benefit plan is based on:

- top-hat pension plan for Senior Management implemented in 1995 (closed plan). This plan was closed to new entrants with effect from July 1, 2012. It was outsourced to AXA in 2012;
- new top-hat pension plan for Directors who are members of the Executive Committee in force on April 30, 2012 (new plan) and outsourced to AXA.

Rights under the new plan are gradually replacing those under the closed plan. They are not cumulative.

The closed plan provides for a pension supplement of a maximum amount equal to 60%(1) of the difference between the average reference salary (*i.e.*, the average of the basic salary and of the performance incentives during three calendar years prior to retirement) plus the total benefit amounts granted under external plans (compulsory and other plans, where applicable). The pension plus the additional pensions from defined-contribution plans may not exceed 25% of the average reference salary. The closed plan includes, subject to conditions, a reversion right of 60% for the surviving spouse. Under the life and disability section, an annuity for the spouse is paid if the Senior Manager dies before the age of retirement. In the event of disability occurring during work activities, the Senior Manager has a right to a pension supplement at the age of sixty.

The new plan, implemented in 2012, is open to members of the Executive Committee and executive directors of Schneider Electric SA. It provides for the progressive acquisition of rights according to seniority of the Executive Committee, to which is then added, if

(1) The maximum amount is defined as follows: 50% if the number of years of service is less than or equal to five years, plus 1% per year from the sixth year of service for Senior Manager status.

applicable, rights acquired by virtue of seniority in the Group. The progressive scale for acquiring rights is on average 1.66% per year for newcomers to the Group, enabling them to reach a maximum of the rights after 15 years' service. The new plan is contingent upon completing a career in the company with the same flexibility introduced by Social Security in 2004. Therefore, conditional assurance of an income is maintained in case of dismissal or termination, producing the same effects as employee dismissal, after 55 years of age without restarting work or for 2nd or 3rd category disability as defined by Social Security without restarting work. In other cases, the new plan includes the provisions of the closed plan, notably:

- limiting the top-hat pension to 25% of the reference salary considering the pension paid under article 83 plans implemented by the Group (unchanged from the closed plan);
- the right to a widow/widower's pension for the surviving spouse;
- a spouse's pension if a senior executive dies before retirement age, which is, however, limited to rights acquired by the date of death;
- pension supplement paid to a Senior Manager from the retirement date after disability occurring during work activities.

In line with the recommendations of the AFEP/MEDEF code, on June 18 and 19, 2013, it was decided by the board of directors that if Jean-Pascal Tricoire and Emmanuel Babeau are to receive involuntary severance pay while they have the possibility of asserting their pension rights within a short time period, then the right to receive an annuity under these top-hat pension benefits is deferred for two years.

Group Senior Managers, who are not covered under the French Social Security system, are covered by pension plans in line with local practices in their respective countries.

Compensation of members of the board of directors**

Members of the board of directors

The General Meeting set total attendance fees at EUR1,000,000 and the supervisory board has decided to allocate these fees as follows:

- Board members and non-voting members resident in France receive a basic fee of EUR15,000 and members resident outside France receive double this amount;
- Board members receive an attendance fee of EUR5,000 for each board meeting they attend;
- Board members who sit on the committees of the board receive a fixed fee of EUR15,000, with the Audit committee Chairman receiving double this amount.

The General Meeting of April 25, 2013, set total attendance fees at EUR1,300,000. The board of directors has decided to allocate these fees as follows:

a) for members of the board (member of the supervisory board and then Director):

- a fixed compensation of EUR15,000 (calculated, where appropriate, on a pro rata basis for the term that begins or ends during the year);
- a share of:
  - EUR6,000 for attending board meetings,
  - EUR4,000 for attending the meetings of the Committees of which they are members;
- for non-residents a supplementary share for each meeting of the board or Committees they physically attend in the amount of:
  - EUR2,000 for residents of North America,
  - EUR1,000 for residents of Europe;
- for the Chairman of the Audit committee, an additional fixed compensation of EUR20,000;

b) for the non-voting Members, a fixed compensation of EUR20,000, unless they are co-opted as a Director during the year, in which case they receive in their function as non-voting member the fees paid to board members for attending meetings of the board and its Committees.

The board of directors of April 25, 2013 appointed Henri Lachmann as Vice-chairman Lead Director. The board of directors has fixed his compensation for his duties as Vice-chairman Lead Director, as defined in the articles of association and internal regulations and procedures of the board, at EUR250,000 per year. The board of directors has stipulated that Mr Lachmann may also use the cars made available to Group Senior Management, with or without chauffeur.

The supervisory board had set Mr. Lachmann's compensation as Chairman of the supervisory board at EUR500,000 per year. In addition, Mr Lachmann could use the chauffeur-driven Company cars made available to the Group's Senior Management and also had a Company car. This benefit in kind can be estimated for the 2013 financial year at EUR1,571.

In addition, Henri Lachmann, as a former executive of the Group, benefits from supplementary retirement benefits (article 39).

On this basis, and noting that Jean-Pascal Tricoire waived payment of his attendance fees, attendance fees paid in 2012 and 2013 were as follows:

Corporate officers who are not directors	Amounts paid/due for financial year 2013 (1)	Amounts paid for financial year 2012 (1)
Mr LACHMANN		
Attendance fees	EUR89,000	EUR60,000
Other compensation:		
Chairman of the supervisory board	EUR159,723	EUR500,000
Vice-chairman Lead Director	EUR170,139	
Pension	EUR581,969	EUR578,977
Mr APOTHEKER		
Attendance fees	EUR117,000	EUR60,000
Other compensation		
Ms ATKINS		
Attendance fees	EUR79,000	EUR50,000
Other compensation		
Mr BÉBÉAR(2)		
Attendance fees	EUR20,000	EUR15,000
Other compensation		
Mr. BRIQUET		
Attendance fees		EUR15,080
Other compensation		
Mr FONTANET		
Attendance fees	EUR85,000	EUR90,000(3)
Other compensation		
Mr FORGEARD		
Attendance fees	EUR109,000	EUR60,000
Other compensation		
Mr. GALLOT		
Attendance fees		EUR20,160
Other compensation		
Mr GOSSET-GRAINVILLE		
Attendance fees	EUR95,000	EUR39,840
Other compensation		
Ms HERBAUT		
Attendance fees	EUR81,000 (4)	EUR34,920
Other compensation		
Mr KIM		
Attendance fees	EUR80,750	EUR60,000
Other compensation		
Mr KISSLING		
Attendance fees	EUR116,000	EUR75,000
Other compensation		
Ms KOPP		
Attendance fees	EUR69,000	EUR45,000
Other compensation		
Mr DE LA MARTINIÈRE		
Attendance fees	EUR115,000	EUR75,000
Other compensation		
Ms SÉNÉQUIER		
Attendance fees	EUR7,250	EUR30,000
Other compensation		

Corporate officers who are not directors	Amounts paid/due for financial year 2013 (1)	Amounts paid for financial year 2012 (1)
Mr THOMAN		
Attendance fees	EUR91,000	EUR60,000
Other compensation		
Mr WEINBERG		
Attendance fees	EUR95,000	EUR60,000
Other compensation		

(1) Attendance fees for the year are paid at the beginning of the financial year n+1.
(2) Non-voting member.
(3) The supervisory board of December 18, 2012 decided to double the amount Mr. Xavier Fontanet's attendance fees of to take into account the time that he dedicated to deepening his knowledge of the Group and its strategy, and the travel that he undertook to that end (China, United States, Spain and Grenoble).
(4) Ms. Herbaut, who is employed by a Group subsidiary, also receives compensation for such employment.

Compensation and performance shares for executive directors

The compensation of executive directors was set by the supervisory board on December 18, 2012 and February 20, 2013 on recommendation by its remuneration Committee, and by the board of directors on April 25, 2013 and February 19, 2014 on the proposal of its remuneration Committee.

Mr. Jean-Pascal Tricoire, Chairman and CEO/Chairman of the management board (1)

Year 2013

Fixed part

The supervisory board has set the total fixed annual compensation for 2013 for Jean-Pascal Tricoire, Chairman of the management board, at EUR 900,000.

On April 25, 2013, the board of directors increased, as of April 25, 2013, Mr. Tricoire's fixed compensation from EUR 900,000, which it had set in 2011, to EUR 950,000 from April 26, 2013, to bring his fixed compensation more in alignment with the market both for CEOs of CAC40 companies and for CEOs of international companies (US and European) in the Group's business segment based on a panel of companies.

Variable part

The supervisory board has set the variable part target at 110% of fixed compensation. The variable part can range from 0% to 220% of fixed compensation.

The supervisory board has set the criteria of the performance incentives, as well as the weight of these criteria and targets for 2013:

1. Group criteria for 70%, including:
   - For 45%, a Group economic criteria component. These criteria are based on organic sales growth, adjusted EBITA and cash generation targets;
   - For 25%, a component comprising criteria that are in line with the Connect Company program and social and environmental responsibility, evaluated among other things through customer satisfaction, solutions development and trends in the Planet & Society Barometer.
2. Individual objectives for 30%: individual performance is rated based on specific objectives including Connect program, new governance, Group scope, etc., with the other objectives being kept confidential as the competition would be interested in knowing them.

At its meeting of April 25, 2013, the board of directors applied, without changes, the same definition of the variable part to Mr. Tricoire's compensation for 2013.

On the proposal of the Remuneration, Human Resources and CSR Committee, on February 19, 2014, the board of directors approved as 2013 variable part EUR 1,443,072 paid in March 2014. It set the variable part at 154.5% of his 2013 fixed compensation (EUR 934,028). The breakdown of the variable part is as follows:

Criteria / Objectives	Variable part target	Weight	Variable part achieved	Amount
Group	77%	70%	88.5%	826,615 €
Individual	33%	30%	66%	616,457 €
TOTAL	**110%**	**100%**	**154.5%**	**1,443,072 €**

(1) Mr. Tricoire has been Chairman of the Management Board until April 25, 2013, date of the approval of the change of governance.

Year 2014

On the proposal of the Remuneration, Human Resources and CSR Committee, on February 19, 2014, the board of directors set Mr. Tricoire's compensation for 2014. It breakdowns into a fixed compensation amounting EUR 950,000 and a target variable part at 120% of fixed compensation, and within a range of 0% to 240% of fixed compensation. The board thus set the variable part targets for 2014 as well as the weight of each of the criteria as follows:

1. Group criteria for 70%, including:
   - For 45%, a Group economic criteria component. These criteria include targets for organic growth in revenue, adjusted EBITA and cash generation targets;
   - For 25%, criteria that are in line with the company program Connect and social and environmental responsibility, evaluated in particular through the evolution of the Planet & Society Barometer.
2. Individual objectives for 30%: these objectives remain confidential as they might bring strategic information to the competition.

Long-term incentive

The supervisory board has authorized, in the framework of the long-term incentive plan for 2013, the allocation of 15,000 performance shares under plan 15 and 35,000 shares under plan 16. The allocation of these shares is entirely dependent on attaining Group performance criteria, in accordance with the AFEP/MEDEF recommendations.

They are also subject to a lock-up period (see page 284). These shares were allocated by the management board on March 28, 2013. The portion of shares thus allocated represents 2% of the total allocation and 0.009% of capital at the date of allocation.

The board of directors approved, as part of the 2014 long-term incentive plan, the allocation of 60,000 performance shares. Pursuant to the AFEP/MEDEF recommendations, the allocation of these shares is entirely dependent on attaining Group performance criteria.

Accordingly, the final allocation of performance shares is subject to:

- for 70%, a target operating margin of Adjusted EBITA for the period 2014/2015,
- for 15%, a level of achievement of the Planet & Society Barometer at the end of 2015,
- for 15%, a level of achievement of the ROCE criterion for the period 2014/2015.

They are also subject to a lock-up period. The shares will be allocated by the board of directors on March 31, 2014.

Mr Emmanuel BABEAU, Deputy CEO/Member of the management board (1)

Year 2013

Fixed part

The supervisory board has set the 2013 total fixed annual compensation for Emmanuel Babeau, member of the management board, at EUR 550,000. The board of directors confirmed the amount of fixed compensation for Mr. Babeau on 25 April 2013, at EUR 550,000.

Variable part

The supervisory board has set the variable part target at 90% of fixed compensation. Performance incentives can range from 0 to 180% of fixed compensation.

The supervisory board has set the criteria of the variable part, as well as the weight of these criteria and targets for 2013:

1) Group criteria for 70%, including:
   - For 45%, a Group economic criteria component. These criteria are based on organic sales growth, adjusted EBITA and cash generation;
   - For 25%, a component comprising criteria that are in line with the Connect Company program and on social and environmental responsibility, evaluated among other things through customer satisfaction, solution development and trends in the Planet & Society Barometer targets.
2) Individual objectives for 30%: individual performance is rated based on specific objectives including Connect program, new governance, Group scope, etc., with the other objectives being kept confidential as the competition would be interested in knowing them.

At its meeting of April 25, 2013, the board of directors applied, without changes, the same definition of variable part for Mr. Babeau's 2013 compensation.

On the proposal of the Remuneration, Human Resources and CSR Committee, on February 19, 2014, the board of directors approved as 2013 variable part EUR 695,200 paid in March 2014. It set the variable part at 126.4% of his 2013 fixed compensation (EUR 550,000). The breakdown of the variable part is as follows:

Criteria / Objectives	Weight	Variable part target	Variable part acheived	Amount
Group	70%	63%	72.4%	398,200 €
Individuals	30%	27%	54 %	297,000 €
TOTAL	**100%**	**90%**	**126.4%**	**695,200 €**

(1) Mr. Babeau has been member of the Management Board until April 25, 2013, date of the approval of the change of governance.

Year 2014

On the proposal of the Remuneration, Human Resources and CSR Committee, on February 19, 2014, the board of directors set Mr. Babeau's compensation for 2014. It breakdowns into a fixed compensation amounting EUR 550,000 and a target variable part at 100% of his fixed compensation and may range from 0% to 200% of his fixed compensation. The board set the variable part targets and the weight of each of the criteria as follows:

1) Group criteria for 70%, including:
   - For 45%, a Group economic criteria component. These criteria include targets for organic growth in revenue, adjusted EBITDA and cash generation ;
   - For 25%, criteria that are in line with the company program Connect and social and environmental responsibility, evaluated in particular through the Planet & Society Barometer.
2) Individual objectives for 30%: these objectives remain confidential as they might bring strategic information to the competition.

Long-term incentive

As part of the long-term incentive plan for 2013, the supervisory board approved the allocation of 24,000 performance shares under plan 15. The allocation of these shares is entirely dependent on attaining Group performance criteria, in compliance with the AFEP/MEDEF recommendations.

They are also subject to a lock-up period (see page 284). These shares were allocated by the management board on March 28, 2013. The portion of shares thus allocated represents 1% of the total allocation and 0.004% of capital at the date of allocation.

The board of directors approved, as part of the long-term incentive plan for 2014, the allocation of 26,000 performance shares. The allocation of these shares is entirely dependent on attaining Group performance criteria, in accordance with the AFEP/MEDEF recommendations.

Accordingly, the final allocation of performance shares is subject to:

- for 70%, a target operating margin of Adjusted EBITA for the period 2014/2015,
- for 15%, a level of achievement of the Planet & Society Barometer at the end of 2015,
- for 15%, a level of achievement of the ROCE criterion for the period 2014/2015.

They are also subject to a lock-up period (see page 284). These shares will be allocated by the management board on March 31, 2013.

Overview of the total compensation and performance shares for executive directors

Overview of compensation, stock options and shares granted to each executive director for the financial year

Jean-Pascal TRICOIRE, Chairman and CEO/Chairman of the management board	Financial year 2013	Financial year 2012
Compensation for the financial year	2,377,100	2,417,400
Valuation of options granted during the financial year	-	-
Valuation of performance shares(1) granted during the financial year	2,339,400	1,694,500
TOTAL	**4,716,500**	**4,111,900**

Emmanuel BABEAU, Deputy CEO/Member of the management board	Financial year 2013	Financial year 2012
Compensation for the financial year	1,249,132	1,162,012
Valuation of options granted during the financial year	-	-
Valuation of performance shares(1) granted during the financial year	1,184,400	745,580
TOTAL	**2,433,532**	**1,907,592**

(1) The valuation of performance shares corresponds to a measurement carried out in application of IFRS 2 and not compensation actually received during the financial year. Income from these performance shares is subject to the attainment of performance conditions.

Summary table of the compensation of each executive director

Jean-Pascal TRICOIRE	Financial year 2013		Financial year 2012	
Chairman and CEO/Chairman of the management board	**Amounts due for the financial year**	**Amounts paid during the financial year**	**Amounts due for the financial year**	**Amounts paid during the financial year**
Fixed compensation	934,028	934,028	900,000	900,000
Performance incentive	1,443,072	1,517,400	1,517,400	1,197,900
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind (car)	-	-	-	-
TOTAL	**2,377,100**	**2,451,428**	**2,417,400**	**2,097,900**

Mr.Tricoire travel and business expenses are covered by the Group. M.Tricoire may use the cars made available to Group Senior Management with or without chauffeur services.

Emmanuel BABEAU	Financial year 2013		Financial year 2012	
Deputy CEO/Member of the management board	**Amounts due for the financial year**	**Amounts paid during the financial year**	**Amounts due for the financial year**	**Amounts paid during the financial year**
Fixed compensation	550,000	550,000	500,000	500,000
Performance incentive	695,200	657,000	657,000	516,150
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind (Company car)	3,932	3,932	5,012	5,012
TOTAL	**1,249,132**	**1,210,932**	**1,162,012**	**1,021,162**

Mr.Babeau travel and business expenses are covered by the Group. Mr.Babeau may use the cars made available to Group Senior Management with chauffeur services. In addition, he has the use of a Company car.

Stock options or share purchase options granted during the financial year to each executive director by the issuer and by any company in the Group

No stock options or share purchase options were granted during the 2013 financial year.

Performance shares granted during the financial year to each executive director

No performance shares were granted for 2013 during the 2013 financial year. It should be noted that Schneider Electric's practice since 2005 was to implement, in December of each year, a long-term incentive plan for the year n+1. However, to allow alignment of allocations with a review of the personal situations of employees, it was decided to postpone the implementation of the long-term incentive plans to the end of March.

	Plan no.	Plan date	Number of shares granted	Unit valuation IFRS 2	Acquisition date	Date of availability
Jean-Pascal TRICOIRE	15	03/28/2013	15,000	49.35	03/28/2015	03/28/2017
	16	03/28/2013	35,000	45.69	03/28/2017	03/28/2017
Emmanuel BABEAU	15	03/28/2013	24,000	49.35	03/28/2015	03/28/2017

	Plans 15 and 16
Performance conditions	100% of the shares – 2013 and 2014 adjusted EBITA margin excluding restructuring costs and change in the Planet & Society Barometer at the end of 2014

Benefits granted to executive directors

	Work contract		Top-hat pension benefits		Payments or benefits may be due in the event of termination or change of function		Payments in relation to a non-compete agreement	
Executive directors	**YES**	**NO**	**YES**	**NO**	**YES**	**NO**	**YES**	**NO**
Jean-Pascal TRICOIRE Chairman and CEO/ Chairman of the management board		x	See above "Pension benefits"		X		x	
Emmanuel BABEAU Deputy CEO/ Member of the management board	X		See above "Pension benefits"(1)		x		X	

(1) The contribution paid in 2013 to the defined contribution retirement plan was EUR23,990.

Exercise of options and performance shares made available during the financial year

Exercise of stock options or share purchase options during the financial year by each executive director

	Plan no.	Plan date	Number of options exercised	Exercise price	Exercise date
Jean-Pascal TRICOIRE	-	-	-	-	-
Emmanuel BABEAU	32	08/21/2009	10,000	31.30	10/28/2013

Performance shares made available for each executive director

Name	Plan no.	Plan date	Number of shares made available during the financial year	Date of availability	Acquisition conditions
Jean-Pascal TRICOIRE	-	-	-	-	-
Emmanuel BABEAU	-	-	-	-	-

Commitments made to the benefit of the executive directors

In accordance with AFEP-MEDEF guidelines, Jean-Pascal Tricoire resigned from his work contract when he was reappointed Chairman of the management board on May 3, 2009. The supervisory board has defined the benefits granted to him as Chairman of the management board. The 2009 Shareholder's Meeting approved the status as defined. This new status was renewed and approved by the General Meeting in 2012 in relation to the renewal of Mr.Tricoire's term in office. Due to the change in governance, the status of Jean-Pascal Tricoire was renewed by the board of directors at its meetings on April 25 and June 18 and 19, 2013.

However, the board tightened the conditions under which benefits are granted to him if he left the Group. Accordingly, among other things, the performance conditions related to the Involuntary Severance Pay were made more stringent (see Report to the Shareholders' Meeting, page 296). The right to retain all of the stock options, stock grants/performance stock grants allocated to him has been restricted only for the event of Involuntary Severance.

Due to the change of governance, the board of directors also approved the status of Emmanuel Babeau. This status was aligned, with certain limitations/reservations related to his status as an employee, with that of Jean-Pascal Tricoire (see Report to Shareholders'Meeting page 296).

The Shareholders' Meeting of 6 May 2014 will be invited to approve the renewal of Mr. Tricoire's status (fifth resolution) and Mr. Babeau's new status (sixth resolution).

Long-term commitments

Pension obligations

Mr Tricoire and Mr Babeau are covered by the defined-benefit top-hat pension benefits for Group Senior Management (article 39), as described on page 146. Mr Babeau also benefits from defined contribution plans (article 83) set up for Group Senior Management, under a French contract and managed by Cardif, and for Group employees in France, managed by Malakoff-Médéric (see page 146).

Life, disability and accident plans

Mr Tricoire and Mr Babeau, who are granted benefits under the Schneider Electric SA and Schneider Electric Industries SAS employee benefit plan, which offers health, disability and death coverage, also have additional coverage for health, disability and death available to Group Senior Management under French contract, as well as Group personal accident insurance policies in case of disability or death resulting from an accident. Eligibility for this supplementary coverage and for the benefits under the Group's personal accident insurance policies is subject to one or more of the following performance criteria: the average net profit for the last five financial years preceding the event is positive or the average free cash flow for the last five years is positive.

Agreements related to resignation

Non-compete agreement

Mr Tricoire and Mr Babeau are bound by a non-compete agreement in case of resignation from the Group. The one-year agreement calls for a compensation to be paid at 60% of fixed and target variable parts for Mr Tricoire, and at 50% of fixed and variable parts for Mr Babeau, which is increased to 60% in case of dismissal.

In line with the recommendations of the AFEP/MEDEF Code, at its meeting of October 24, 2013 the board decided that, for any resignation other than voluntary, it will have to decide on the application or not of the non-compete clause. However, with regard to voluntary resignations, the board decided that a release from the non-compete obligation may be given through an agreement with the person under such obligation. However, this exc,eption is not applicable if such person leaves while the performance conditions required for involuntary severance pay have not been met, and does not or will not have rights to or is not or will not be eligible to receive both non-compete compensation and pension payments. In the latter case, the board would decide on whether to implement the non-compete clause (see chapter 8, page 293).

Involuntary Severance Pay

Mr Tricoire and Mr Babeau benefit from involuntary Severance Pay, capped at twice the average of their effective annual compensation (fixed and variable part) for the last three years (in cash to the exclusion of all other components), authorized by the board (hereafter, “Maximum Amount”), taking into account the non-compete compensation and subject to performance conditions.

The right to involuntary severance pay is available in the following cases:

(i) dismissal, non-renewal or resignation as CEO / Deputy CEO in the 6 months following a material change in Schneider Electric’s shareholder structure that could change the membership of the board of directors;

(ii) dismissal, non-renewal or resignation as CEO / Deputy CEO in the event of a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in shareholder structure as described above;

(iii) requested dismissal, non-renewal or resignation as CEO / Deputy CEO when, on average, two-thirds of the Group performance criteria (to be distinguished from individual performance objectives) have been achieved for the last four financial years from the day of his resignation (including the financial years during which he served at the management board).

Involuntary Severance Pay will not be paid if a resignation is the result of serious or gross misconduct.

Involuntary Severance Pay depends on the average rate of achievement of the Group’s performance criteria (to be distinguished from individual performance objectives) used to determine the performance incentive for the last three financial years preceding the date of the board meeting at which the decision is made.

If the Group Criteria are:

- less than two-thirds achieved: no compensation will be paid;
- two-thirds achieved: he will receive 75% of the Maximum Amount;
- at least 100% achieved: he will receive 100% of the Maximum Amount;
- between 66% and 100% achieved: he will receive between 75% and 100% of the Maximum Amount calculated on a straight-line basis according to the rate of achievement;

To date, the achievement rate of Group performance criteria for the previous three financial years is, on average, 117,4%.

Mr. Babeau, who has a work contract, is eligible, in the event of termination, for termination benefits, pursuant to the industry collective bargaining agreement (*Convention Collective Nationale des Ingénieurs et Cadres de la Métallurgie*) or to statutory severance pay. These benefits are charged, as applicable, to the Involuntary Severance Pay.

Retention of stock options, stock grants and performance shares

Mr. Tricoire and Mr. Babeau shall retain, subject to performance condition, the benefit of their stock options, stock grants and performance shares granted to them or that will be granted to them in the event of Involuntary Severance during the vesting period or prior to having exercised said options. Accordingly, it is specified that the foregoing will be applicable only provided that:

- the average rate of achievement of Group performance criteria that determine the performance incentive calculated for the last three financial years at the time of departure, is at least two-thirds of the objective;
- the resignation is not the result of serious or gross misconduct.

Compensation of Group Senior Management excluding executive directors

Scope of Senior Management in 2013

Senior Management includes the Chairman and CEO and the Deputy CEO, assisted by the Executive Committee. The Executive Committee (15 members) is chaired by the Chairman and CEO. It includes, in addition to the Chairman and CEO and the Deputy CEO in charge of Finance and Legal Affairs:

- the Executive Vice-presidents of the Corporate Functions: Industrial Operations – Information Systems – Strategy – Marketing – Global Human Resources;
- the Executive Vice-presidents of Operations: Global Operations – North America Operations – China Operations;
- the Executive Vice-presidents of Business Sectors: Partner – End-User Business Group – Industry – IT – Customer Sensors & Technologies.

Compensation paid in 2013

Gross compensation, including benefits in kind, paid by Group companies in 2013 to members of Group Senior Management other than executive directors, amounted to EUR18,1 million, including EUR9,3 million in variable for the 2013 financial year. The objectives on Group results for the financial year in question were:

- organic growth;
- operating margin;
- cash flow;
- customer satisfaction.

Long-term incentive plans

Performance shares were granted in 2013. It should be noted that Schneider Electric's practice since 2005 was to implement, in December of each year, a long-term incentive plan for the year n+1. However, to allow alignment of allocations with a review of the personal situations of employees, it was decided to postpone the implementation of the long-term incentive plans to the end of March.

As of December 31, 2013 as part of the annual long term incentive plan, Group Senior Management other than senior corporate officers held:

- 445,974 bonus shares, of which 282,875 are conditional;
- 280,334 options;
- 477,659 Stock Appreciation Rights (SARs), of which 330,757 are conditional.

Transactions in Schneider Electric SA shares by corporate officers during the 2013 financial year

Transactions disclosed in application of article 621-18-2 of the French Monetary and Financial Code

Date	Name	Transaction type	Unit price	Total transaction amount
12/27	Magali Herbaut	Disposal	€61.5	€53,937
12/20	Magali Herbaut	Disposal	€61.4	€216,878
10/28	Emmanuel Babeau	Disposal	€61.16	€611,612
10/28	Emmanuel Babeau	Exercise of stock options	€31.30	€313,000
07/11	Jean-Pascal Tricoire	FCPE subscription	€50.89	€132,404
07/11	Jean-Pascal Tricoire	FCPE subscription	€47.90	€58,076
07/11	Magali Herbaut	FCPE subscription	€50.89	€3,804
07/11	Emmanuel Babeau	FCPE subscription	€50.89	€6,703
07/11	Henri Lachmann	FCPE subscription	€50.89	€150,000
06/03	Henri Lachmann	Exercise of stock options	€35.70	€7,904,837
03/14	Henri Lachmann	Exercise of stock options	€35.70	€2,910,192
03/14	Henri Lachmann	Exercise of stock options	€30.09	€2,060,623
03/06	Gordan Richard Thoman	Acquisition	$78.50	$39,250
01/09	Person related to Jean-Pascal Tricoire	Disposal	€55.92	€2,732,184
01/09	Person related to Jean-Pascal Tricoire	Disposal	€55.92	€2,732,184
01/09	Person related to Jean-Pascal Tricoire	Disposal	€55.92	€2,732,184
01/09	Person related to Jean-Pascal Tricoire	Disposal	€55.92	€2,732,184
01/08	Person related to Jean-Pascal Tricoire	Disposal	€56.44	€2,927,776
01/08	Person related to Jean-Pascal Tricoire	Disposal	€56.44	€2,927,776
01/08	Person related to Jean-Pascal Tricoire	Disposal	€56.44	€2,927,776
01/08	Person related to Jean-Pascal Tricoire	Disposal	€56.44	€2,927,776

8. Regulated agreements and obligations

Agreements and obligations of 2013 financial year (see chapter 8, page 293)

Renewal of the status of Jean-Pascal Tricoire

As a reminder, Jean-Pascal Tricoire agreed to resign from his work contract with the Schneider Electric Group (where he had 22 years' seniority) when his term as Chairman of the management board was renewed in May 2009; the supervisory board defined his new status with his agreement. This status was approved at the General Meeting of April 23, 2009. When his term as Chairman of the management board was renewed in May 2012, the supervisory board renewed the status of Jean-Pascal Tricoire, with a few adjustments. This modified status was approved at the General Meeting of May 3, 2012.

Pursuant to the provisions of the TEPA Act, at its meetings of April 25, June 18 and 19, 2013 and October 24, 2013, the board of directors, as a result of the change in governance, renewed the status of Jean-Pascal Tricoire as adopted by the supervisory board in 2012 subject to a number of adjustments primarily related to the new governance and the new recommendations of the AFEP/MEDEF code.

Under the terms of his renewed or amended status, Mr Tricoire:

1°) is covered under the Schneider Electric SA and Schneider Electric Industries SAS employee benefit plan with health, disability and death coverage, and is also covered under the employee supplementary health, disability and death coverage available to the Group's senior executives; he is also covered under individual Group accident policies. The contingency coverage and supplementary or insurance coverage are nevertheless subject to performance conditions;

2°) is entitled, subject to performance conditions, to involuntary severance pay, capped at twice the arithmetic mean of the effective annual compensation (fixed and variable) for the last three years, taking into account compensation provided for in the non-compete agreement provided for by the commitment described above and provided that he resigns, is dismissed or is not re-appointed following a material change in Schneider Electric's shareholder structure or a re-orientation of the strategy pursued and promoted by him until that time.

The involuntary severance pay will not be due if Jean-Pascal Tricoire's departure is motivated by serious or gross misconduct;

3°) will, subject to performance conditions and only in case of involuntary severance not resulting of serious or gross misconduct, retain all of the stock options, stock grants and performance stock grants allocated to him but as yet unvested should he leave the company.

4°) is bound by his non-compete agreement should he leave the company; the agreement lasts for one year and compensation is set at 60% of gross target compensation over the previous 12 months. This obligation has been amended in order to integrate the new AFEP/MEDEF recommendations (cf non-compete obligation page 155);

5°) will retain coverage under the top-hat pension benefits (article 39) for Group Senior Management subject to the French social security system. Nevertheless, it is stipulated that if Mr Tricoire is to receive involuntary severance pay while he has the possibility of asserting his pension rights within a short time period, then the right to receive top-hat pension benefits under article 39 plans will be deferred for two years.

Adoption of the status of Emmanuel Babeau

Pursuant to the recommendations of the AFEP/MEDEF code and the provisions of the TEPA act, at its meetings of June 18 and 19 and October 25, 2013, the board of directors, as a result of the change in governance, adopted the status of Emmanuel Babeau. As a result, Mr Babeau, who also has a work contract with Schneider Electric Industries SAS (hereinafter the "Work Contract") and has signed a management contract with Schneider Electric Services International (hereinafter the "Management Contract"), has been authorized by the board:

1°) to benefit from the supplementary health, incapacity, disability and death coverage available to the Group's French senior executives under his work contract and coverage under individual Group accident policies. The contingency coverage and supplementary or insurance coverage are nevertheless subject to performance conditions. Mr Babeau is also covered under the Schneider Electric Industries SAS employee benefit plan, which offers health, disability and death coverage;

2°) to benefit from involuntary severance pay. This severance pay is capped, taking into account the compensation provided for in the non-compete agreement described below, at twice the average of the effective annual remuneration for the last three years, which includes payment of compensation of all types, including the agreed or legal severance pay to which Mr Babeau would have the right, if applicable, based on his work contract. It is stipulated that such payments will be accepted only if the severance pay is due and in any event, they may not exceed the amount of the severance pay as defined below. The severance pay will not be payable if the departure of Mr Babeau is the result of serious or gross misconduct or in the framework of a dismissal for serious or gross misconduct;

3°) subject to performance conditions and only in case of involuntary severance, to retain all of the stock options, stock grants and performance stock grants allocated to him but as yet unvested should he leave the company and only if his departure is classified as involuntary severance and is not the result of serious or gross misconduct;

4°) to authorize the continuation of the non-compete agreement provided for under Mr. Babeau's work contract. This agreement however has been amended to bring its general structure in line with Mr. Tricoire's agreement.

Under his work contract, Mr Babeau keeps the benefits of the top-hat pension benefits applicable to senior executives or employees of Schneider Electric Industries SAS (article 39 plans and article 83 plans). Nevertheless, it is stipulated that if Mr Babeau is to receive involuntary severance pay while he has the possibility of asserting his pension rights within a short time period, then the right to receive top-hat pension benefits under article 39 and article 83 will be deferred for two years.

Compensation of the Vice-chairman Lead Director

The board of directors of April 25, 2013 decided on the compensation of the Vice-chairman Lead Director. It therefore stipulated that as part of his duties as Vice-president Lead Director as defined in the statutes and the board's internal regulations and procedures, Mr Lachmann will receive a salary of EUR250,000 per year payable semi-annually in the framework of an agreement provided for in article L. 225-46 of the French Commercial Code.

Agreements signed in previous years and approved by the General Meeting

When his term as Chairman of the management board was renewed in May 2012, the supervisory board renewed the status of Jean-Pascal Tricoire, with a few adjustments adopted in May 2009. This status was approved at the General Meeting of May 3, 2012. It was amended by the board in May 2012. The amendments were approved at the General Meeting of April 25, 2013. Under this status, Jean-Pascal Tricoire, Chairman and CEO:

- benefits from the top-hat pension benefits for Group Senior Management, the Schneider Electric SA employee benefit plan and the supplementary health, disability and death coverage available to the Group's Senior Management;
- is bound by a non-compete agreement;
- is entitled, subject to performance conditions, to termination compensation as part of his functions as a corporate officer, capped at twice the arithmetic mean of the effective annual compensation (fixed and variable) for the last three years, taking into account compensation provided for in the non-compete agreement provided for by the commitment described above and provided that he resigns, is dismissed or is not re-appointed following a material change in Schneider Electric's shareholder structure or a re-orientation of the strategy pursued and promoted by him until that time;
- retains, subject to performance conditions, all unvested stock options, stock options and performance shares should he leave the company.

At its meetings of April 23 and December 17, 2009, the supervisory board agreed that Emmanuel Babeau would continue to benefit from the top-hat pension benefits for senior executives provided under his work contract with Schneider Electric Industries SAS. The General Meeting of April 22, 2010 approved this benefit.

On February 21, 2012 the supervisory board gave the management board authorization to change the top-hat pension benefits for the Schneider Group's directors to comply with the AFEP/MEDEF recommendations that provide for progressive acquisition of rights according to length of service. It has also authorized management board members to benefit from the modified plan.

9. Internal control and risk management**

9.1 Definition and objectives of internal control and risk management

Definition and objectives

The Group's internal control procedures are designed to ensure:

- compliance with laws and regulations;
- application of instructions and guidelines issued by Senior Management;
- the proper functioning of the company's internal processes, notably as concerns asset preservation;
- the reliability of financial reporting; and more generally, internal control helps the Group manage its businesses, run efficient operations and use its resources efficiently.

Internal control aims to prevent and manage risks related to the Group's business. These include accounting and financial risks, the risk of fraud, as well as operating, financial and compliance risks. However, no system of internal control is capable of providing absolute assurance that these risks will be managed completely.

Scope of this report

The system is designed to cover the Group, defined as the Schneider Electric SA parent company and the subsidiaries over which it exercises exclusive control.

Jointly controlled subsidiaries are subject to all of the controls described below, with the exception of self-assessments of the implementation of Key Internal Controls (see "Operating Units" below).

Internal control reference documents

The Group's internal control system complies with the legal obligations applicable to companies listed on the Paris stock exchange. It is consistent with the reference framework laid down by the *Autorité des Marchés Financiers* (French Financial Markets Authority – AMF) on internal control and risk management.

The internal control process is a work in progress; procedures are adapted to reflect changes in the AMF recommendations and the business and regulatory environment, as well as in the Group's organization and operations.

Information used to prepare this report

This report was prepared using contributions from the Group's Internal Audit and Internal Control Departments, the Management Control and Accounting Departments, as well as the various participants in internal control. It was reviewed by the Audit committee.

9.2 Organization and management: Internal Control key participants

In 2013, the Group's organizational chart rests on Senior Management for Global Functions and Operating Divisions; defined in terms of businesses, geographical location, logistical or industrial responsibility.

The Group's corporate governance bodies supervise the development of the internal control and risk management systems. The Audit committee has particular responsibility for monitoring the system's effectiveness (see Committees of the board, Chapter 3 Section 4).

Each manager is responsible for monitoring internal control in his or her area, at the different levels of the organization, as are all key internal control participants, in accordance with the tasks described below.

Senior Management

Senior Management is responsible for designing and leading the overall internal control system, with support from all key participants, in particular the Group Internal Audit and Internal Control Departments.

It also monitors the Group's performance, during quarterly reviews with the Operating Divisions and Global Functions. These quarterly reviews cover business trends, action plans, current results and forecasts for the quarters ahead.

Similar reviews are carried out at different levels of the Group prior to Senior Management's quarterly review.

Internal Audit Department

The Internal Audit Department reports to Senior Management. It had an average headcount of 16 people in 2013. The internal auditors are responsible for ensuring that, at the level of each unit:

- the identification and control of risks;
- significant financial, management and operating information is accurate and reliable;
- compliance with laws and regulations and with the Group's policies, standards, procedures;
- compliance with the instructions of the head of the Group;
- acquisition of resources at a competitive cost, and their protection;
- correct integration and control of acquisitions.

Annual internal audit plans are drawn up based on risk and control concerns identified by Senior Management, taking into account the results of past audits, the work performed by the statutory auditors and the results of internal control self-assessments returned by the units. When necessary, the audit plan is adjusted during the year to include special requests from Senior Management. The internal audit process is described in the Section “Control procedures” below.

After each internal audit, a report is issued setting out the auditors’ findings and recommendations for the units or function audited. Measures are taken to monitor implementation of recommendations and specific audits are conducted if necessary.

The audit reports and the implementation of its recommendations are distributed to Senior Management and to the Audit committee.

The statutory auditors also have access to the reports.

Internal Control Department

The Internal Control Department, which reports to the Internal Audit Department, is responsible particularly for:

- defining and updating the list of Key Internal Controls in close cooperation with the Global Functions and in line with the recommendation of the AMF reference framework;
- maintaining and leading a network:
  - eleven internal business auditors in the Operating Divisions, with responsibility for ensuring the appropriation and implementation of the Key Internal Controls in the operating units within their scope – notably through training sessions and annual self-assessments. They follow implementation by the units within their scope of the internal control action plans defined following self-assessments or internal audits,
  - 27 internal regional auditors to carry out training in the units and on-site control of the accuracy of self-assessments and the efficiency of the remediation plans implemented as a result of the previous year’s self-assessments, by the units coming within their geographic scope. After each internal audit, a report is issued setting out findings and recommendations for the attention of the persons in charge of the unit audited,
  - the internal auditors in the Operating and Regional Divisions, in their respective assignments, act in close cooperation using standardized methods;
- analyzing and critically reviewing the results of these self-assessments to identify areas that require an action plan at the Group, Operating Division or Global Function level;
- leading the Internal Control Committee, comprising internal auditors from the Operating and Regional Divisions, as well as internal control correspondents from the Global Functions;
- organizing and monitoring the roll-out of self-assessment campaigns, internal audits and the implementation of set action plans following self-assessments or internal audits.

The Committee members work to improve internal control and adapt procedures in light of the results of self-assessments and changes in the business environment or organization.

Finance and Control – Legal Affairs Department

The Finance and Control – Legal Affairs Department is actively involved in organizing control and ensuring compliance with procedures.

Within the department, the Management Control and Accounting unit plays a key role in the internal control system by:

- drafting and updating instructions designed to ensure that statutory and management accounting practices are consistent throughout the Group and compliant with applicable regulations;
- organizing period-end closing procedures;
- analyzing performance and tracking the achievement of targets assigned to the operating units.

The Management Control and Accounting unit is responsible for:

- the proper application of Group accounting principles and policies;
- the integrity of the consolidation system database;
- the quality of accounting and financial processes and data;
- training for finance staff by developing and leading specific seminars on the function;
- drafting, updating and distributing the necessary documents for producing quality information.

The unit drafts and updates:

- a glossary of terms used by the Management Control and Accounting unit, including a definition of each term;
- the chart of accounts for reporting;
- a Group statutory and management accounting standards manual, which includes details of debit/credit pairings;
- a Group reporting procedures manual and a system user's guide;
- a manual describing the procedures to be followed to integrate newly acquired businesses in the Group reporting process;
- an intercompany reconciliation procedure manual;
- account closing schedules and instructions.

The Management Control and Accounting unit monitors the reliability of data from the subsidiaries and conducts monthly reviews of the various units’ primary operations and performance.

The Finance and Control – Legal Affairs Department oversees tax and legal affairs, to provide comprehensive management of these risks.

Within the Finance and Control – Legal Affairs Department, the Finance and Treasury Department is responsible for:

- centralized management of cash and of all long-term Group financing;
- centralized management of currency risk and non-ferrous metals risk;
- monitoring of Group trade account receivable risk and the definition of the hedging policy to be implemented;
- the distribution of rules for financial risk management and the security of incoming and outgoing payments;
- the annual review of financial structures – balance-sheet changes and financial risks – facing the Group’s companies during formal financial review meetings.

Procedures for managing financial risk are described in “Risk Factors”.

Operating Divisions and operating units

The Operating Division management teams play a critical role in effective internal control.

All Group units report to one of the Operating Divisions, which are headed by an Executive Vice-president, supported by a financial controller.

The Executive Vice-presidents of the Operating Divisions sit on the Executive Committee, which is chaired by the Chairman and CEO of the Group. The financial controllers report to the corporate Management Control and Accounting Unit.

Within each division, the management team organizes control of operations, ensures that appropriate strategies are deployed to achieve objectives, and tracks unit performance.

A Management Committee led by the corporate Management Control and Accounting unit reviews the operations of the Operating Divisions on a monthly basis.

The Operating Divisions have teams of business internal controllers who promote Key Internal Controls in the units within their scope and analyze the quality of the internal control self-assessments (including ratings and action plans) returned by the units.

They detect internal control issues that require action plans in some or all of the units within their scope. They also identify units that need specific assistance and either implement or oversee the implementation of the appropriate support.

They carry out monitoring of the remediation plans drawn up at the time of the self-assessments and control assignments on site.

Lastly, the internal control teams offer suggestions for enhancing and updating the Key Internal Controls.

Global Functions (Human Resources, Purchasing, Manufacturing, Supply Chain, Information Systems, etc.)

Schneider Electric centralizes decision-making and risk management at the corporate level through specific bodies such as the Group Acquisitions Committee (see “Risk Factors – Acquisitions”), by combining certain functions within the Finance and Control – Legal Affairs Department (see above) and through dedicated Global Functions.

An Innovation and Technology Council meets 11 times per year to ensure cross-functional coordination among the Global Function for innovation and new products.

The Human Resources Department is responsible for deploying and ensuring the application of procedures concerning employee development, occupational health and work safety.

The Purchasing Department is responsible for establishing guidelines concerning purchasing organization and procedures; relationships between buyers and vendors; and procedures governing product quality, the level of service, and compliance with environmental standards and Group codes of conduct.

Global Functions also issue, adapt and distribute policies, target procedures and instructions to units and individuals assigned to handle their specific duties.

Global Functions have internal control correspondents who work with the Internal Control Department to establish and update the Key Internal Controls deployed across the Group. They analyze the results of self-assessments concerning the Key Internal Controls that fall within their Function’s scope, identify internal control issues that require action plans and either implement or oversee the implementation of these plans.

9.3 Distributing information: benchmarks and guidelines

The main internal control benchmarks are available to all employees, including on the Group’s Intranet. Global Functions send updates of these Reference Documents to the appropriate units and individuals through their networks of correspondents.

In some cases, dedicated e-mails are sent out or messages are posted on the Intranet portal to inform users about publications or updates.

Whenever possible, the distribution network leverages the managerial/functional organization to distribute standards and guidelines.

Principles of Responsibility

The Principles of Responsibility, initially published in 2002, were updated in 2009. Translated into the main languages used within the Group, given to all new employees and available on the Group’s Intranet, they are designed to guide employees in their decisions and actions. They define the Group’s essential values and set out individual responsibility in respect of these values, laws and regulations. They also set out the interrogation and alert procedures. A Committee on Ethics and Responsibility has been set up, and correspondents appointed to steer action in this area, to make updates and to validate changes.

The correspondents also answer employee questions that are not addressed in the document Our Principles of Responsibility or in the complementary documents that are available, or that managers are unable to answer (Companion guide, e-learning module, FAQ). (see “Responsible expansion of renewable energies driving economic performance”, Chapter 2 Section 2).

In addition, communication actions and Questioning and Alert process formalization actions have been undertaken since 2011, a “professional alert system” has been gradually implemented since 2011. The purpose of this new professional warning system is to allow all employees to launch an alert when in their judgment, they have been a witness to or victim of a breach of the rules of ethics and responsibility expressed in Our Principles of Liability.

In accordance with the legal requirements inherent in the use of such a system, an organization in charge of administration and of background investigation has been established. It is intended to ensure compliance with the protection of people and of those who issue alerts.

Insider code of ethics

This code sets out the rules to be followed by management and employees to prevent insider trading. It imposes an obligation of confidentiality on all employees who have access to confidential information and sets permanent restrictions on purchases and sales of Schneider Electric SA shares by persons who have access to price-sensitive information in the course of their work (see "Organizational and operating procedures of the board of directors", Chapter 3 Section 2).

International internal auditing standards

The internal audit department is committed to complying with the international standards published by the Institute of Internal Auditors (IIA) and other bodies.

International Financial Reporting Standards (IFRS)

The consolidated financial statements for all fiscal years commencing on and after January 1, 2005 have been prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with European Union regulation no. 1606/2002.

The Group applies IFRS standards as adopted by the European Union as of December 31, 2013.

The Group's accounting principles reflect the underlying assumptions and qualitative characteristics identified in the IFRS accounting framework: accrual accounting, business continuity, true and fair view, rule of substance over form, neutrality, prudence, completeness, comparability, relevance and intelligibility.

The Group statutory and management accounting standards manual explains how IFRS principles are applied within the Group, taking into account the specific characteristics of the Group's activities.

The application of Group accounting principles and methods is mandatory for all Group units, for management reporting and statutory consolidation.

The Group statutory and management accounting standards manual and the IFRS principles are available on the Intranet.

Commitment limits and authorizations

Under current management practice, the Group has set commitment limits for Senior Management of Group companies and delegation and sub-delegation of powers within each company that makes up the Group.

As a result, product or service purchase and sale contracts may only be signed by, or with the authorization of, operations managers who have *ad hoc* authorizations granted by their managers.

Within this framework, business segment executives have the power to authorize the signature of product or service, purchase or sale contracts covering up to EUR10 million. They may also delegate to their employees powers to authorize smaller amounts as they consider appropriate.

In addition, all transactions which by their size or nature could affect the Group's fundamental interests, must be authorized in advance by the board of directors: decisions relating to the acquisition or disposal of holdings or assets for amounts greater than two hundred fifty million euro, to strategic partnerships, and to off-balance sheet commitments.

Statutory and management reporting principles

An integrated reporting and consolidation system applicable to all Group companies and their management units has been in place since January 1, 2006. Statutory and management reporting principles and support tools are available on the Group Intranet.

The subsidiaries record their transactions in accordance with Group standards. Data are then adjusted, where necessary, to produce the local statutory and tax accounts.

The reporting system includes consistency controls, a comparison of the opening and closing balance sheets and items required to analyze management results.

Key Internal Controls

A list of Key Internal Controls was drawn up in 2008 and is expanded annually. Its 116 items cover:

- the control environment (including the Principles of Responsibility, delegation of powers, separation of functions, business continuity plans and retention of records);
- operating processes (purchases, sales, inventories, etc.);
- accounting and financial cycles;
- Human Resources, Information Systems, Legal and Tax cycles.

The Key Internal Controls are available to all units on the Group Intranet, along with appendices with more detailed information, links to full policy descriptions on the Functions' Intranets, an explanation of the risks covered by each Key Internal Control and a self-assessment guide.

For each cycle, the Key Internal Controls cover compliance, reliability, risk prevention and management and process performance. The operating units fill out self-assessment questionnaires concerning the Key Internal Controls.

9.4 Risk identification and management

General risks at the Group level

The Internal Audit Department uses interviews to update the list of general risks at the Group level each year. In 2013, 65 of the Group's top managers were interviewed.

The risks identified through these interviews are ranked by impact and probability of occurrence. The threat/opportunity aspect of each risk is also taken into account.

Risk factors related to the company's business, as well as procedures for managing and reducing those risks, are described in "Risk Factors." These procedures are an integral part of the internal control system.

The risk matrix and the analysis of changes from one year to the next contribute to the development of an internal audit plan for the following year. The major and global risks were audited by the Internal Audit Department over a period of three years to assess action plans for managing and reducing these risks. In 2013, a third of the major and global risks identified at the end of 2012 were audited.

Global risks at the Operating Division level

Each Operating Division assesses its global risks and ranks them by impact and probability of occurrence. It defines action plans for reducing the major risks identified.

The Internal Audit Department coordinates these assessments in the framework of the list of global risks at the Group level each year.

Risk factors related to the company's business at the unit level

Risk factors related to the company's business are managed first and foremost by the units in liaison with the Operating Divisions, based on Group guidelines (in particular via the Key Internal Controls). Each subsidiary is responsible for implementing procedures that provide an adequate level of internal control.

The Divisions implement cross-functional action plans for risk factors related to the company's business identified as being recurrent in the units or as having a material impact at the Group level, as appropriate. The internal control system is adjusted to account for these risks.

The Group's insurance programs cover the remaining portion of transferable risks.

Risk Solutions

The Risk Solutions Management Department defines and implements principles and tools designed to manage these risks.

The network of Solution Risk Managers assesses the risks of all major projects in conjunction with the Tender Managers during the preparation of offers.

Risk management by the Risk and Insurance Department

The Risk and Insurance Department contributes to the internal control system by defining and deploying a Group-wide insurance strategy, as defined in "Risk Factors and Insurance Strategy." The insurance strategy includes the identification and quantification of the main insurable risks, the determination of levels of retention and transfer of such risks; it also prepares and deploys measures to prevent these risks and protect assets.

Risk management by the Security Department

The Group's Security Department defines corporate governance with regard to loss prevention in the area of willful acts against property and people.

In this respect and in close cooperation with the Risk and Insurance Department, it is directly involved in assessing the nature of such risk as well as defining adequate prevention and protection measures.

The Security Department publishes internally a table of "Country Risks" for use in security procedures that are mandatory for people travelling, expatriates and local employees. On request, it provides support to local teams for any security issues (site audit, expatriates or local employee security, security on assignments, etc.).

It provides daily coordination with the Group's worldwide partner in the field of medical and security assistance (International SOS – start of contract in January 2011).

It brings its methodology to develop emergency plans (evacuation plans, crisis management plans, business continuity plans, etc.) and coordinates the corporate crisis team (SEECC – Schneider Electric Emergency Coordination Center) each time that it is activated.

The Security Department is integrated in the "Fraud Committee" alongside the Internal Audit Department and the Legal Department and is directly involved in combatting internal fraud (managing and carrying out internal investigations).

The Security Function also participates in crisis management, in particular in the management of corporate crisis cell and in support of local entities (limiting the consequences of the occurrence of certain risks such as civil war, weather events, pandemics, attacks on people, terrorism, etc.).

Management of Information Systems risks

An IT Security unit within the Information, Process and Organization Department defines and implements specific security policies for information systems. This department has specific skills in auditing the security of information systems. After each site audit, a report is issued setting out findings and recommendations for the attention of the persons in charge of the units audited. The corrective actions are monitored.

9.5 Control procedures

In addition to the general missions already described, this section describes specific measures taken in 2013 to improve the Group's control system.

Operating units

For internal control to be effective, everyone involved must understand and continuously implement the Group's general guidelines and the Key Internal Controls.

Training in Key Internal Controls continued in 2013 for those involved for the first time in the annual self-assessment process: newly promoted managers and units recently integrated. Operational units, trained by their line management, undertook self-assessment of compliance with the Key Internal Controls governing their scope of operations.

The self-assessments conducted during the 2013 campaign covered 90% of consolidated sales and made it possible to define improvement plans in the operating units, when necessary. The ultimate goal is that these evaluations should cover at least 90% of consolidated sales each year.

All covered entities assessed in great detail the Key Internal Controls of the control environment. 40% of covered entities have evaluated all of their processes.

The self-assessments are conducted in the units by each process manager. Practices corresponding to the Key Internal Controls are described and performance is rated on a scale of 1 (non-compliance) to 4 (very good).

For each Internal Control Key assessed at below level 3 (compliance) on the scale, an action plan is defined and implemented to achieve compliance. These action plans are listed in the self-assessment report.

The unit's financial manager conducts a critical review of the self-assessments by process, and certifies the quality of the overall results. The self-evaluation is then also certified by the person in charge of the unit.

Operating Divisions

To control the reliability of the financial statements and the alignment of performance with set targets, the Group relies on Senior Management's quarterly review process and procedures carried out by the Management Control and Accounting Unit to control the quality of accounting data provided by consolidated units (see "Internal Control organization and Management – Senior Management" and "Internal control procedures governing the production and processing of accounting and financial information").

In 2013, the Operating Divisions continued to provide training for the operating units on internal control issues and examined and challenged the self-assessments of Internal Control of these units. After analyzing the results, improvement plans were developed either for certain units or for certain Key Internal Controls at the Division level.

The regional internal auditors carried out controls on site as to the reliability of self-assessments of Internal Control and the efficiency of the remediation plans put in place as a result of the previous year's self-assessments.

Global Functions

In 2013, the Global Functions continued to set guidelines, issue instructions and provide support.

For example:

- in 2013, specific actions have been taken with regard to Our Principles of Responsibility:
  - in the investigation section, the Group has a complementary tool identical to the professional alert system in order to manage, using a single protocol, all alerts received regardless of how they are received,
  - in the prevention section, Purchasing and Human Resources functions has prepared 15 "Educational Kits for Managers". These kits for managers enable them to lead working sessions with the teams on ethical dilemmas, possible types of behavior and the behavior recommended by the Group, as well as the reference documents that justify this choice. The first experiments are underway in India and China;
- in 2013, the IT Security Department continued its website tests referred to as "penetration testing". This area of competence allows the vulnerability of websites to be identified and for remedial measures taken to limit the effects on any future attacks. In 2013, 30 sites were analyzed;
- in 2012, the IT Security Department created a platform to better address cyber threats. This platform can switch from a passive mode to a more proactive mode for detecting and responding to cyber-attacks.

  In 2013, it was rolled out at all planned sites (more than 200 sites).

  in addition, the operation of the platform proved satisfactory in terms of its detection role.

  A new antivirus solution has been deployed on all Group computers, with significant improvement in centralized fleet management and real-time information on updates. A dashboard of the security function of information systems is published quarterly;
- the Solution Risk Managers (Solution Risk Department) assist the Tender Managers in risk assessment and the definition of remediation measures during the preparation of offers. The offer-approval circuit prior to submission of bids depends on the amount and nature of the residual risks;
- in December 2013, the Security Department created a new entity responsible for investigations (internal and external fraud) within the Security Department itself.
- the Corporate Treasury Department has continued the rollout of the Group secure payments tool, particularly in Asia, to cover about 90 subsidiaries. This tool is now integrated in the process of migrating entities to the priority accounting systems selected by the Group;
- the tool for managing bank guarantees was also rolled out, and now includes over EUR850 million in guarantees representing approximately 52% of operational guarantees issued.

Internal Control Department

Internal Control continued to deploy the Key Internal Controls – training and requests for self-assessments – throughout the Operating Divisions, with the scope extended to cover new units: more than 50% of the deficiencies identified during the 2012 campaign were deemed settled in 2013.

New deficiencies were identified owing to additional Key Internal Controls, which gave rise to further action plans.

Internal Control self-assessments were received and analyzed, which identified areas needing work in 2014 as part of the process of continuous improvement.

In addition to the analysis and action plans initiated by the Units and Operating Divisions, similar work is being carried out in the Global Functions. On the basis of the results obtained in their field, the various functions define and implement improvement actions as needed.

The list of Key Internal Controls continues to evolve.

In 2013, the Key Internal Controls of the Control Environment process have been enriched extensively.

The software package for the management of self-assessment questionnaires and follow-up action plans of Internal Audit and Internal Control introduced in 2011 continues to be improved.

The regional internal control organization introduced in 2011 now consists of 27 regional internal auditors in three regions, who:

- perform the duties defined under the section "Organization and management: key participants of Internal Control – Internal Control Department" for the units in their regional scope, covering all Operational Departments;
- establish standardized procedures (e.g., for internal control assignments, such as control cycles, documentation, scope definition, work programs etc.), in line with Internal Audit Department procedures;
- completed more than 80 on-site inspection missions in 2013 to assess the level of internal control and the adequacy of action plans, issuing the necessary recommendations when needed;
- in 2013, in addition to standard employee training, conducted awareness raising/training on the enriched Key Internal Controls of the Control Environment process with more than 800 managers.

Internal Audit Department

The Internal Audit Department contributes to the analysis and to strengthening the Internal Control System by:

- mapping general risks;
- verifying the effective application of Key Internal Controls during audit assignments;
- reviewing the audited unit's internal control self-assessment and related action plans.

The audit assignments go beyond the Key Internal Controls, and include an in-depth review of processes and their effectiveness.

Internal Audit also reviews newly acquired units to assess their level of integration into the Group, the level of internal control and the effectiveness of operational processes, as well as ensuring Group rules and guidelines are properly applied, and more generally compliance with the law.

A summary overview of the department's audits makes it possible to identify any emerging or recurring risks that require new risk management tools and methodologies or adjustments to existing resources.

In 2013, Internal Audit performed 26 audits, including:

- audits of units;
- audits of a number of risks or operating processes;
- post-acquisition audits for newly acquired companies;
- analyses of Internal Control self-assessments by the audited units;
- follow-up audits to ensure recommendations are applied;
- assistance assignments.

Committee on ethics and responsibility

The Committee on Ethics and Responsibility steers action in relation to the Principles of Responsibility, updates them and validates changes. It also answers employee questions that are not addressed in the companion guide to the Principles of Responsibility, or that managers are unable to answer. (see "Responsible expansion of renewable energies driving economic performance", Chapter 2 Section 2).

The Committee also establishes a framework for actions to be taken on three components of the program: prevention, investigation and control.

Fraud committee

The fraud committee defines the policy against fraud and the process of reporting and treating fraud and suspected fraud, including changes in procedures or practices to avoid recurrence.

The limited fraud committee is composed of the Legal Director, the Security Director and the Internal Audit Director; it meets on a monthly basis.

It deals with cases of fraud, corruption, conflict of interest, breach of procedure, theft and related matters. All reported cases of fraud are reported to the fraud committee.

The fraud committee decides on investigations that are managed either locally by the Compliance Officer, or centrally by a member of the fraud committee depending on the seriousness of the incident and the level of management potentially involved. The fraud committee ensures the implementation of the action plan, the appropriate sanction as well as feedback for each proven case of fraud. A report is written and updated regularly for this purpose. The fraud committee presents an annual summary report to the Audit committee.

2013: the Internal Control System is now in continuous improvement mode

In 2013, further efforts were made to improve the identification and control of global risks, the periodic reviews of results and performance, and to enhance auditing practices. The year was marked, for the internal control system, by the items set out above, in particular:

Specific actions have been conducted on the Principles of Responsibility :

- a complementary tool similar to the professional warning system which enable to manage all the received alerts under the same protocols whichever the communication mode used ,
  - formalization of fithteen "Educational Kits for Managers", to support them in leading working sessions with teams on ethical dilemma, possible types of behaviors and on the behavior recommended by the Group ;
- the quarterly publication of dash board on the security function of the IT systems ;
- creation of a new entity part of the Security Direction in charge of investigations (internal and external frauds) ;
- in addition to the usual training actions, execution of awrareness raising session/training on the enriched Key internal Controls enriched by the Control Environment process for eight hundred managers conducted by regional internal control staff.
- internal control self-assessment questionnaires were sent out to cover 90% of the Group's consolidated sales (training managers in internal control practices, defining and implementing remedial action plans if needed).

9.6 Internal control procedures governing the production and processing of consolidated and individual company accounting and financial information

In addition to:

- its regulatory tasks;
- its responsibility for overseeing the close of accounts across the Group;
- its audits of the Group's results with respect to set targets (see "Internal Control Organization and Management: Finance and Control – Legal Affairs Department").

The Management Control and Accounting unit is tasked with overseeing:

- the quality of reporting packages submitted monthly by subsidiaries;
- the results of programmed procedures;
- the integrity of the consolidation system database.

In addition, the Management Control and Accounting unit ensures that:

- given that the Group consolidated financial statements are finalized a few weeks after the annual and half-year balance sheet date, subsidiaries perform a hard close at May 31, and November 30, of each year so that most closing adjustments for the period can be calculated in advance;
- the scope of consolidation as well as the Group's interest and the type of control (exclusive control, joint control, significant influence, etc.) in each subsidiary, from which the consolidation method results are determined in cooperation with the Legal Affairs Department;
- the Management Control and Accounting unit issues instructions to the units on the closing process, including reporting deadlines, required data and any necessary adjustments;
- the Group's consolidated financial statements are analyzed in detail, to understand and check the main contributions by subsidiaries, as well as the type of transactions recorded;
- accounting classifications are verified;
- the preparation and approval of the statement of changes in equity and the cash flow statement are the key control points.

The internal controls used to confirm the existence, completeness and value of assets and liabilities are based on:

- each subsidiary's responsibility for implementing procedures providing an adequate level of internal control;
- defining levels of responsibility for authorizing and checking transactions;
- segregating tasks to help ensure that all transactions are justified;
- the integration of statutory and management reporting systems developed to guarantee the completeness of transaction data recorded in the accounts;
- all of the subsidiaries apply IFRS with regard to recognition principles, measurement and accounting methods, impairment and verification;
- the checks and analyses as described above performed by the Management Control and Accounting unit.

9.7 Report of the statutory auditors on the internal control procedure

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with and construed in accordance with, French law and professional standards applicable in France.

Statutory auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code (Code de commerce), on the report prepared by the Chairman of the board of directors of Schneider Electric S.A.

To the Shareholders,

In our capacity as statutory auditors of Schneider Electric S.A. and in accordance with article L. 225-235 of the French Commercial Code *(Code de commerce)*, we hereby report on the report prepared by the Chairman of your company in accordance with article L. 225-37 of the French Commercial Code *(Code de commerce)* for the year ended December 31, 2013.

It is the Chairman's responsibility to prepare and submit for the board of directors' approval a report on the internal control and risk management procedures implemented by the company and to provide the other information required by article L. 225-37 of the French Commercial Code *(Code de commerce)* relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information,
- confirm that the report also includes the other information required by article L. 225-37 of the French Commercial Code *(Code de commerce)*. It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the board of directors in accordance with article L. 225-37 of the French Commercial Code *(Code de commerce)*.

Other information

We confirm that the report prepared by the Chairman of the board of directors also contains the other information required by article L. 225-37 of the French Commercial Code *(Code de commerce)*.

Courbevoie and Paris-La Défense, March 19, 2014

The statutory auditors

French original signed by

MAZARS	ERNST & YOUNG et Autres
David Chaudat	Yvon Salaün

10. Application of the AFEP/MEDEF corporate governance guidelines**

Schneider Electric applies the AFEP/MEDEF corporate governance guidelines with the following exceptions:

Recommendations	Schneider Electric practice
Deadline for Audit committee review of the financial statements The Audit committee should review the financial statements at least two days before they are reviewed by the board.	At Schneider Electric, in order not to extend delays between the closing of financial statements by the management board and the review by the supervisory board, the Audit committee which would review the Financial Statements would meet after the management board meeting that approves the Financial Statements and the day before the board director's meeting. However, the Committee members would receive a meeting file with the draft Financial Statements four to five days before the meeting to the members of the supervisory board. The period of examining the interim financial statements by the Audit committee was four days before examination by the board of directors.
Top-hat pension benefits The increase in potential rights should correspond to a limited percentage of the beneficiary's compensation.	Under the top-hat pension benefits for the Group's Senior Management (see page….), from which the senior corporate officers benefit, stipulates that most rights are acquired at the outset. However, the plan complies with the recommendation's intention, given that: • the rights are capped at 25% of average compensation; • the interested parties still have many years of service to perform before they can receive benefits. Furthermore, the plan was changed in compliance with the AFEP/MEDEF recommendations. This modification was approved at the General Meeting of May 3, 2012.
Non-compete agreement The non-compete agreement must include a provision authorizing the board to waive its implementation upon the departure of the member of Senior Management. The board decides on the application of the agreement at the time of departure of the senior manager, particularly when he leaves the company to assert or asserting his rights on retirement.	The non-competition agreement of executive directors provides that a mutual agreement is necessary to repeal the non-compete requirement only in the case of voluntary resignation and subject to the condition that the performance conditions are met and that the senior manager does not or will not have rights to or is not or will not be in a position to accumulate the non-compete indemnity with the payment of a pension. This exception to the AFEP/MEDEF recommendation is justified by the fact that it is in the interest of the company to put forward the rule according to which the board will call the non-compete clause into play. It appears that this rule may help prevent poaching attempts by competitors or to prevent a person who wants to resign from directing his or her employment search towards competitors of Schneider Electric.
Involuntary Severance Pay The payment of severance pay to a senior corporate officer must be excluded if he has the possibility of asserting his pension rights in the short term.	To avoid the duplication of involuntary severance pay and pension benefits, it is expected that if the person is entitled to receive compensation, the date of effect of his top-hat pension rights from the company is delayed by two years in this case.
Allocation of options or performance shares The valuation of options and performance shares allocated must not depart from previous business practices.	Given the significant fluctuations in the market price of Schneider Electric stock and to prevent a windfall effect, the board continues to apply the old AFEP/MEDEF recommendations in its decisions; in other words, its reasoning is based on the number of shares and not on their value. However, the board reserves the possibility to carry out a calculation of consistency in value on a certain length of time.

4 Business review

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1. Trends in Schneider Electric's core markets

Industries and machine manufacturers

Continuing improvement of global growth and business climate (PMI) over the year has at last resulted in a rise of industry market during the second half of 2013. However, it remains subdued on a global level with varied positions across major regional blocks.

Western Europe GDP exited from recession in Q2 and slightly increased since then. Against this backdrop, industry market stabilized one quarter later lifting out of a long and severe recession. Most zones have experienced a sequential improvement at year end, including Spain and Italy.

In North America, manufacturing companies have benefited from stronger external demand from Europe and China in the course of the year. Companies were also helped by lower energy costs thanks to shale gas. Despite those positive factors, the growth of industry market, mainly driven by investment in equipment and production of machines, was moderate.

Indeed, the market has already reached a high level after the strong cyclical recovery in 2010 and 2011 and generous taxation policies for equipment spending. Furthermore, uncertainties linked to the debt ceiling debate and Government shutdown weighed on companies' investment behavior.

In China, industry market growth rebounded, driven by improvement of external demand and investment in machines. Automation offer benefited from Chinese manufactures' needs to increase efficiency so to reduce impact from labor cost increases.

In Japan, industry market bounced during the second half of the year, machine manufacturers producers benefiting from gain in competitiveness allowed by Yen depreciation.

In other new economies as a whole, industry market slowed down during the second half of the year, hampered by capital outflows and tightened credit markets (Russia, India, some East Asian countries…).

Non residential and residential buildings

Non residential buildings

In Western Europe, non residential construction continued to fall, notably in Southern Countries (Spain, Italy, and France), penalized by private-sector deleveraging and public-sector austerity. In United Kingdom, improving business confidence has encouraged firms to lift their investment, and non residential construction has stabilized in the course of the year.

In the US, non residential construction as a whole grew at a low pace. Positive growth in commercial buildings was offset by a decrease in public buildings. Most publicly funded segments recorded decrease as a result of fiscal pressure and government spending cuts.

In China, the market experienced a strong growth in 2013, driven by a rebound in company's capex, government investments, continuously raising rental prices and urbanization. Growth stayed resilient during the second half of the year, despite reportedly tighter mortgage conditions.

In Australia, the market has recovered at a moderate pace.

In India, market grew at a low pace, hampered by high interest rates and structural constraints.

In Saudi Arabia, despite a vast pipeline of projects the market was hit by labor shortages resulting from new labor laws.

Residential

Growth in residential market outperformed other construction categories in 2013, driven by the US, Japan, and a lower rate of decrease in Western Europe.

In North America, residential construction has continued to recover at a strong pace in the US, for the third consecutive year, sustained by employment growth, demography, price increase and lower inventory. On the contrary, the market turned down in Canada and Mexico.

In Western Europe, residential market bottomed out during the third quarter and slightly decreased on a yearly basis compared to 2012. The decrease was due to Southern Countries: Spain, Italy and France. The market was close to flat in Germany and Nordics and slightly rose in United Kingdom.

In Australia, the market returned to growth after a deep recession in 2012.

In China, residential construction has gradually risen during the year despite reportedly tighter mortgage conditions and the introduction of new tightening measures in big cities.

In other new economies as a whole, residential market continued to grow in 2013, notably in South America and Africa. India, Russia and some East Asian countries were impacted by the financial turmoil in emerging markets, higher interest rates and fiscal tightening.

Utilities and Infrastructures

Electrical Utilities

Strong regional differences have recently emerged in the utility space. Europe is in the middle of turbulences during the early steps of the energy transition, primarily affecting the conventional power generators, while other geographies follow a more stable path.

On the grid side of mature economies, the attention paid to quality of supply (outages, power quality) is greater than ever, justifying investments to rejuvenate aging networks, incorporation new smart grid technologies while integrating the increasing number of distributed energy resources.

Utilities must meet these regulatory obligations in a context of weak or even negative consumption growth, as well as societal pressure to maintain competitive electricity prices. In emerging economies, the need of additional capacities to meet consumption growth keeps on driving the utility sector.

Those factors will drive sustainable investments in utility networks across all geographies.

The regulatory pressure on electric utilities is increasing, mainly in mature markets. In addition to the mandates on renewable integration, energy efficiency targets are being implemented, giving new obligations to utility operators to stimulate their customers towards more energy efficient consumption practices and demand-side participation to grid operation.

The traditional utility business model where revenues were predominantly based on electricity volumes is slowly challenged. Conventional centralized generation is gradually losing ground to new distributed generation plants.

Oil and Gas

In 2013, Oil & Gas markets have confirmed the recovery engaged since 2010.

The global gas market is undergoing significant changes. The US became self-sufficient in Energy and is preparing export capabilities, Europe consumption is pausing due to the crisis, and infrastructures are being build-up in Asia (export from Australia, Pipelines into China…).

In the Oil & Gas market, Schneider Electric is positioned to deliver solutions across all the Oil & Gas value chain, with application focus on energy management and infrastructure optimization.

The Invensys acquisition further reinforces Software and Process Automation capabilities, in particular in downstream and petrochemicals.

Data centers and Networks

In 2013, the Global IT markets (Information Technologies) were impacted by a weaker economic environment. In particular in the United States, the uncertainty linked to the debt ceiling debate and Federal Reserve tapering of bond-buying combined with the October Government shutdown created conditions for a slowdown and a volatility of IT investments.

In Europe, some Western countries remained in recession in 2013, but the country which has faced the sharpest decrease of its IT market is Russia. Capital outflows, restrictive fiscal and monetary policies in order to fight inflation created adverse economic conditions for investment.

The transactional single phase market experienced a significant growth in Asia offsetting more difficult situations in North America, Western Europe and Russia.

The migration to the Cloud, Collocation and growth in larger Data Centers accelerated, needing new customer engagement models as well as faster adaptation of Schneider Electric's offer.

Strong growth of Data-centers market in Asia was offset by softer trends in North America and to lower extent in Western Europe.

2. Review of the consolidated financial statements

Review of business and consolidated statement of income

Changes in the scope of consolidation

Acquisitions

Schneider Electric finalized on March 28, 2013, the acquisition of 100% of Electroshield – TM Samara, further to the 50% acquired in October 2010, after obtaining the requisite regulatory approvals in Russia. Electroshield – TM Samara is one of the leading Russian players in medium voltage. The cumulative price for 100% of equity is RUB 20.4 billion (about EUR510 million) with net debt of zero as of today. As agreed, the second half of the equity was acquired on March 28, 2013 at the same value paid for the first half in October 2010. Previously it was accounted under the equity accounting method. It is fully consolidated since April 1, 2013 in the segment Infrastructure.

Since then, Electroshield – TM Samara is consolidated with full consolidated method.

Acquisitions and disposals that took place in 2012 and that had an impact on the 2013 financial statements*

M&C Energy Group has been acquired during financial year 2012 and consolidated from June 15, 2012. Its consolidation on a full-year basis for financial year 2013 had a scope effect compared to financial year 2012.

Changes in foreign exchange rates

Changes in foreign exchange rates relative to the euro had a material impact over the year. This negative effect amounts to EUR879 million on consolidated revenue and to EUR233 million on Adjusted EBITA[1].

Revenue

On December 31, 2013, the consolidated revenue of Schneider Electric totaled EUR23,551 million, a decrease of 1.6% at current scope and exchange rates compared to December 31, 2012.

This variance breaks down into an organic increase of 0.4%, a contribution of acquisitions net of disposals of 1.7%, mainly due to Electroshield, and a negative exchange rate effect of 3.7%.

Changes in revenue by operating segment

The Partner business generated revenues of EUR8,476 million, or 36% of the consolidated total. This represents a decrease of -3.0% on a reported basis and **+0.2%** on a like-for-like basis. The Product business was slightly up, supported by continued investment in the residential market in the United States, overall good performance in China and fast-growing mid-market offers in new economies. The sluggish economy in Europe and the slow construction market in Australia weighed on performance. The Solution business declined, impacted by high comparables in the Middle East and difficulties in the renewable market in Western Europe, while data center projects in North America recorded growth.

The Infrastructure business generated revenues of EUR5,728 million, or 24% of the consolidated total. This represents an increase of +6.7% on a reported basis and **+1.2%** on a like-for-like basis. The Product business was up slightly, as the good performance of secondary distribution products offset the decline of primary MV components. The Solution business grew despite continued weak utility investment in Western Europe, mainly driven by the success of installed base and advanced services across regions, demand in the Oil & Gas segment in Australia and in the data center segment in North America.

** Correspond to the dates on which the Group gained control of the acquired companies.*

(1) Adjusted EBITA is EBITA before restructuring costs and before other operating income and expenses, which includes acquisition, integration and separation costs.

The Industry business generated revenues of EUR4,311 million, or 18% of the consolidated total. This represents a decrease of -3.8% on a reported basis and an increase of **+1.3%** on a like-for-like basis. The product business was up slightly, reflecting good demand from OEMs (machine manufacturers) across all regions after a soft start in mature countries in the first half. The solution business posted good growth, driven by the success of SoMachine OEM solutions and installed base services.

The IT business generated revenues of EUR3,442 million, or 15% of the consolidated total. This represents a decrease of -6.4% on a reported basis and **-1.4%** like-for-like basis, with mixed trends between Products and Solutions. The Product business grew, supported by the success of Luminous and sustained demand for critical power in some new economies. The Solution business declined, as North America experienced slow project activity for small to mid-sized data centers and demand in Western Europe was soft.

The Buildings business generated revenues of EUR1,594 million, or 7% of the consolidated total. This represents a decrease of -5.2% on a reported basis, while organic growth was flat at **-0.2%**. Products declined due to the continuing challenging external environment. Solutions business was up driven by services growth that offset the decline of building management systems, impacted by low public investments in mature countries.

Gross profit

Gross profit decreased from EUR9,057 million for the year ended December 31, 2012 to EUR8,891 million for the year ended December 31, 2013, or -1.8%, the performance being weighed down by negative scope and currency effect. As a percentage of revenues, gross profit remained stable at 37.8% in 2012 and 2013 thanks to the industrial productivity that was the key driver along with positive pricing for the organic improvement despite a low volume environment and unfavorable mix effect.

Support Function Costs: Research and development and selling, general and administrative expenses

Research and development expenses, excluding capitalized development costs and development costs reported as cost of sales, increased by 5.5% from EUR507 million for the year ended December 31, 2012 to EUR535 million for the year ended December 31, 2013. As a percentage of revenues, the net cost of research and development increased to 2.3% of revenues for the year ended December 31, 2013 (2.1% for the year ended December 31, 2012).

Total research and development expenses, including capitalized development costs and development costs reported as cost of sales (see note 4 to the Audited Consolidated Financial Statements) increased by 8.2% from EUR1,058 million for the year ended December 31, 2012 to EUR1,145 million for the year ended December 31, 2013. As a percentage of revenues, total research and development expenses increased to 4.9% for the year ended December 31, 2013 from 4.4% for the year ended December 31, 2012.

In 2013, the net effect of capitalized development costs and amortization of capitalized development costs amounts to EUR179 million on operating income (EUR153 million in 2012).

Selling, general and administrative expenses decreased by 1.8% from EUR5,035 million for the year ended December 31, 2012 to EUR4,944 million for the year ended December 31, 2013. As a percentage of revenues, selling, general and administrative expenses remained stable at 21.0% for both 2013 and 2012, as operational efficiency had compensated most of investments.

Combined, total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR5,479 million for the year ended December 31, 2013 compared to EUR5,542 million for the year ended December 31, 2012, a decrease of 1.1%. Consequently to the investments in research and development expenses and commercial initiatives for new economies and services, in line with the strategic plan, our support functions costs to sales ratio increased from 23.1% for the year ended December 31, 2012 to 23.3% for the year ended December 31, 2013.

Other operating income and expenses

For the year ended December 31, 2013, other operating income and expenses amounted to a net income of EUR73 million, including costs linked to acquisitions for EUR52 million, a EUR173 million gain on the curtailment of employee benefit plans in the U.S., in France and in Norway and miscellaneous other operating incomes and expenses amounting to a net expense of EUR48 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2013 acquisitions, notably Electroshield – TM Samara and acquisition costs linked to Invensys (see note 30, Post-closing events). Net other operating expense includes mainly provisions for litigation or claims and gain on disposal of fixed assets.

For the year ended December 31, 2012, other operating income and expenses amounted to a net expense of EUR10 million, including costs linked to acquisitions for EUR52 million, a EUR21 million gain on the curtailment of a U.S. employee benefit plan and miscellaneous other operating incomes and expenses amounting to a net of EUR21 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2011 and 2012 acquisitions, notably Telvent and M&C Energy Group. Net other operating income includes mainly reversal of provisions for litigation or claims that expired on December 31, 2012.

Restructuring costs

For the year ended December 31, 2013, restructuring costs amounted to EUR176 million compared to EUR164 million for the year ended December 31, 2012. These costs related to industrial and support functions restructurings.

EBITA and Adjusted EBITA

We define EBITA as earnings before interest, taxes and amortization of purchase accounting intangibles. EBITA comprises operating profit before amortization and impairment of purchase accounting intangible assets and before goodwill impairment.

We define adjusted EBITA as EBITA before restructuring costs and before other operating income and expenses, which includes acquisition, integration and separation costs.

Adjusted EBITA amounted to EUR3,412 million for the year ended December 31, 2013, compared to EUR3,515 million for the year ended December 31, 2012, representing a decrease of 2.9%, due to negative currency effect of EUR233 million that offset high industrial productivity. As a percentage of revenue, adjusted EBITA decreased from 14.7% for the year ended December 31, 2012 to 14.5% for the year ended December 31, 2013, only due to negative currency and scope effects.

EBITA decreased by 1.0% from EUR3,341 million for the year ended December 31, 2012 to EUR3,309 million for the year ended December 31, 2013, mainly linked to the decrease of adjusted EBITA. As a percentage of revenue, EBITA increased to 14.1% in 2013 compared with 14.0% in 2012.

EBITA and Adjusted EBITA by business segment

The following table sets out EBITA and adjusted EBITA by business segment:

Full year 2013

(in millions of euro)	**Partner**	**Infrastructure**	**Industry**	**IT**	**Buildings**	**Corporate costs**	**Total**
Revenue	8,476	5,728	4,311	3,442	1,594	-	23,551
Adjusted EBITA*	1,801	560	833	650	94	(526)	3,412
Adjusted EBITA (%)	*21.2%*	*9.8%*	*19.3%*	*18.9%*	*5.9%*	-	*14.5%*
Other operating income and expense	53	(17)	35	(5)	9	(2)	73
Restructuring costs	(74)	(59)	(22)	(7)	(12)	(2)	(176)
EBITA	1,780	484	846	638	91	(530)	3,309
EBITA (%)	*21.0%*	*8.4%*	*19.6%*	*18.5%*	*5.7%*	-	*14.1%*

** Adjusted EBITA: EBITA before Restructuring costs and before Other operating income and expenses (of which Costs of acquisition, integration and separation).*

Full year 2012

(in millions of euro)	**Partner**	**Infrastructure**	**Industry**	**IT**	**Buildings**	**Corporate costs**	**Total**
Revenue	8,738	5,366	4,483	3,677	1,682	-	23,946
Adjusted EBITA*	1,813	575	823	698	107	(501)	3,515
Adjusted EBITA (%)	*20.7%*	*10.7%*	*18.4%*	*19.0%*	*6.4%*	-	*14.7%*
Other operating income and expense	17	(6)	(2)	(3)	(3)	(13)	(10)
Restructuring costs	(84)	(32)	(21)	(4)	(12)	(11)	(164)
EBITA	1,746	537	800	691	92	(525)	3,341
EBITA (%)	*20.0%*	*10.0%*	*17.8%*	*18.8%*	*5.5%*		*14.0%*

** Adjusted EBITA: EBITA before Restructuring costs and before Other operating income and expenses (of which Costs of acquisition, integration and separation).*

Partner business recorded an adjusted EBITA margin of 21.2% for the year ended December 31, 2013, up 0.5% compared to 20.7% for the year ended December 31, 2012, due to good industrial productivity.

Infrastructure business recorded an adjusted EBITA margin of 9.8% for the year ended December 31, 2013, down 0.9% compared to 10.7% for the year ended December 31, 2012, impacted by one-off charges from delays in project execution and difficulties in public transportation business in Spain.

Industry business recorded an adjusted EBITA margin of 19.3% for the year ended December 31, 2013, up 0.9% compared to 18.4% for the year ended December 31, 2012, thanks to positive pricing and good control of commercial costs.

IT business reported an adjusted EBITA margin of 18.9% for the year ended December 31, 2013, down 0.1% in line with 19.0% margin for the year ended December 31, 2012, at all time high level.

Buildings business recorded an adjusted EBITA margin of 5.9% for the year ended December 31, 2013, down 0.5% compared to 6.4% for the year ended December 31, 2012, due to low volume in mature markets in the first half and unfavorable mix.

Corporate costs amounted to EUR526 million for the year ended December 31, 2013 or 2.2% of Group revenues, a similar level as in the year ended December 31, 2012 (2.1% of Group revenues or EUR501 million).

Operating income (EBIT)

Operating income (EBIT) increased from EUR2,866 million for the year ended December 31, 2012 to 3,091 million for the year ended December 31, 2013, representing an increase of 7.9% linked to the non-recurrence of a goodwill impairment on Buildings CGU of EUR250 million (before tax effect) recorded in 2012. Excluding this item, amortization of intangibles linked to business combinations decreased by EUR6 million (EUR218 million on the year ended December 31, 2013 compared to EUR224 million on the year ended December 31, 2012).

Net financial income/loss

Net financial loss amounted to EUR483 million for the year ended December 31, 2013, compared to EUR446 million for the year ended December 31, 2012 (restated for the application of IAS 19 Revised disclosed in note 1.2 of the consolidated financial statements). Within the net financial loss, the cost of net financial debt decreased from EUR349 million for year ended December 31, 2012 to EUR324 million for year ended December 31, 2013 thanks to a lower average interest rate. The higher net financial loss is mainly linked to the change in other financial incomes and costs, from a net expense of EUR97 million for year ended December 31, 2012 to a net expense of EUR159 million for year ended December 31, 2013. This is mainly due to a EUR50 million impairment of NVC Lighting investment described in note 15 of the consolidated financial statements.

Tax

The effective tax rate was 25.5% for the year ended December 31, 2013, increasing compared to 22.9% for the year ended December 31, 2012 (restated for the application of IAS 19 Revised disclosed in note 1.2 of the consolidated financial statements). However, excluding the EUR50 million one-off impairment of NVC investment that triggered no tax effect, the effective tax rate was limited to 25.0%. The corresponding tax expense increased from EUR554 million for the year ended December 31, 2012 to EUR665 million for the year ended December 31, 2013.

Share of profit/(losses) of associates

The share of profit of associates amounted to EUR22 million for the year ended December 31, 2013, compared to EUR34 million for the year ended December 31, 2012. From April 1, 2013, Electroshield – TM Samara in Russia is fully consolidated in Schneider Electric consolidated financial statements and thus has not contributed anymore to share of profit of associates whereas she was contributing on a 12 months basis in 2012 when it was consolidated through equity method.

Non-controlling interests

Minority interests in net income for the year ended December 31, 2013 totaled EUR77 million, compared to EUR87 million for the year ended December 31, 2012. This represented the share in net income attributable, in large part, to the minority interests of certain Chinese companies.

Profit for the period

Profit for the period attributable to the equity holders of our parent company amounted to EUR1,888 million for the year ended December 31, 2013, that is a 4.1% increase over the EUR1,813 million profit for the year ended December 31, 2012 (restated for the application of IAS 19 Revised disclosed in note 1.2 of the consolidated financial statements).

Earnings per share

Earnings per share increased to EUR3.43 for the year ended December 31, 2013 from EUR3.34 for the year ended December 31, 2012 (restated for the application of IAS 19 Revised disclosed in note 1.2 of the consolidated financial statements).

Consolidated cash-flow

Operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities reached EUR2,673 million for the year ended December 31, 2013, down 4.6% compared to EUR2,802 million for the year ended December 31, 2012, and represented 11.3% of revenue in 2013 compared with 11.7% in 2012.

Change in working capital requirement generated EUR228 million in cash in the year ended December 31, 2013, compared to EUR1 million in consumption in the year ended December 31, 2012, with continuing operational efficiency actions.

In all, net cash provided by operating activities increased 3.6% from EUR2,801 million in the year ended December 31, 2012 to EUR2,901 million in the year ended December 31, 2013.

Investing Activities

Net capital expenditure, which included capitalized development projects, decreased by 0.6% to EUR714 million for the year ended December 31, 2013, compared to EUR719 million for the year ended December 31, 2012, and represented 3.0% of revenues.

Our acquisitions represented a cash outflow, net of cash acquired, of EUR294 million for the year ended December 31, 2013, corresponding mainly to Electroshield – TM Samara, compared to EUR242 million in the year ended December 31, 2012 corresponding partially to M&C Energy Group.

The EUR121 million proceeds from sale of financial assets in 2012 corresponded to the proceeds net of fees of the sale of AXA shares in September 2012.

Financing Activities

The bond issuance of EUR600 million corresponds to a EUR600 million bond issue in September 2013 due 2021 as part of the EMTN program. The Group reimbursed two bonds in 2013 for EUR587 million.

The net increase in other financial debts amount to EUR1,066 million during the year ended December 31, 2013, compared to a decrease of EUR585 million during the year ended December 31, 2012. The dividend paid by Schneider Electric was EUR1,025 million the year ended December 31, 2013, compared with EUR919 million the year ended December 31, 2012.

3. Review of the parent company financial statements

Schneider Electric SA posted total portfolio revenues of EUR10 million in 2013 compared with EUR372 million the previous year. Schneider Electric Industries SAS, the main subsidiary, did not pay dividends in 2013 compared with EUR300 million dividend paid in 2012. Interest expense net of interest income amounted to EUR158 million versus EUR147 million the year before.

Current loss amounted to EUR165 million in 2013 compared to a current income of EUR207 million in 2012.

Net loss stood at EUR133 million compared with a net income of EUR225 million in 2012.

Equity before appropriation of net profit amounted to EUR10,303 million at December 31, 2013 versus EUR11,229 million at the previous year-end, after taking into account 2013 loss, dividend payments of EUR1,024 million and share issues in an amount of EUR230 million.

4. Review of subsidiaries

Schneider Electric Industries SAS

Revenue totaled EUR3.5 billion in 2013 (EUR3.6 billion in 2012).

The subsidiary posted an operating loss of EUR233 million in 2013 compared with an operating loss of EUR69 million in 2012.

Net profit amounted to EUR948 million in 2013 compared with EUR1,061 million in 2012.

5. Outlook

Recent trends indicate that North America should continue to grow though the first quarter would be impacted by severe weather. Western Europe is showing initial signs of stabilization with potential for improvement in the second half. End-market trends in China continue to be solid. Uncertainty remains in several new economies due to currency volatility.

The 2013 proforma adjusted EBITA margin including the last 12 months of Invensys* to September 2013 and the full consolidation of Electroshield – TM Samara is ~14.0%.

Based on current market conditions, the Group targets for 2014:

- low single-digit organic growth in revenue;
- 0.4 pt to 0.8 pt improvement of the adjusted EBITA margin vs. the 2013 proforma level excluding the currency impact.

The negative currency impact is currently estimated at ~0.4 pt, with most of the impact concentrated in H1.

** Without Appliance division.*

5 Consolidated financial statements at December 31, 2013

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1. Consolidated statement of income

(in millions of euros except for earnings per share)	Note	Full year 2013	Full year 2012*
Revenue	3	**23,551**	**23,946**
Cost of sales		(14,660)	(14,889)
Gross profit		**8,891**	**9,057**
Research and development	4	(535)	(507)
Selling, general and administrative expenses		(4,944)	(5,035)
EBITA adjusted**		**3,412**	**3,515**
Other operating income and expenses	6	73	(10)
Restructuring costs	7	(176)	(164)
EBITA***		**3,309**	**3,341**
Amortization and impairment of purchase accounting intangibles	8	(218)	(475)
Operating income		**3,091**	**2,866**
Interest income		44	36
Interest expense		(368)	(385)
Finance costs, net		**(324)**	**(349)**
Other financial income and expense	9	(159)	(97)
Net financial income/(loss)		**(483)**	**(446)**
Profit before tax		**2,608**	**2,420**
Income tax expense	10	(665)	(554)
Share of profit/(loss) of associates		22	34
PROFIT FOR THE PERIOD		**1,965**	**1,900**
• attributable to owners of the parent		1,888	1,813
• attributable to non-controlling interests		77	87
Basic earnings (attributable to owners of the parent) per share *(in euros per share)*	21.3	3.43	3.34
Diluted earnings (attributable to owners of the parent) per share *(in euros per share)*		3.40	3.31

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*
** *EBITA adjusted (Earnings Before Interests, Taxes, Amortization of purchase accounting intangibles and Restructuring costs).*
EBITA adjusted corresponds to operating profit before amortization and impairment of purchase accounting intangible assets, before goodwill impairment, before other operating income and expenses and before restructuring costs.
*** *EBITA (Earnings Before Interests, Taxes and Amortization of purchase accounting intangibles)*
EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets and before goodwill impairment.
The accompanying notes are an integral part of the consolidated financial statements.

Other comprehensive income

(in millions of euros)	**Full year 2013**	**Full year 2012***
Profit for the year	**1,965**	**1,900**
Other comprehensive income:		
Translation adjustment	(798)	(220)
Cash-flow hedges	(16)	35
Income tax effect of cash-flow hedges	4	(11)
Net gains (losses) on available-for-sale financial assets	54	(25)
Income tax effect of net gains (losses) on available-for-sale financial assets	-	(5)
Actuarial gains (losses) on defined benefits plans	259	(279)
Income tax effect of Actuarial gains (losses) on defined benefits plans	(89)	89
Other comprehensive income for the year, net of tax	**(586)**	**(417)**
out of which to be recycled in income statement ultimately	42	(7)
out of which not to be recycled in income statement ultimately	(628)	(410)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,379**	**1,483**
Attributable:		
• to owners of the parent	1,316	1,421
• to non-controlling interests	63	62

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*
The accompanying notes are an integral part of the consolidated financial statements.

2. Consolidated statement of cash flows

(in millions of euros)	Note	Full year 2013	Full year 2012*
Profit for the year		1,965	1,900
Share of (profit)/losses of associates, net of dividends received		(22)	(34)
Adjustments to reconcile net profit to net cash flows provided by operating activities:			
Depreciation of property, plant and equipment	13	408	394
Amortization of intangible assets other than goodwill	12	412	420
Impairment losses on non-current assets	5	51	241
Increase/(decrease) in provisions	23	(101)	(36)
Losses/(gains) on disposals of fixed assets		2	(16)
Difference between tax paid and tax expense		(110)	(136)
Other non-cash adjustments		68	69
Net cash provided by operating activities before changes in operating assets and liabilities		**2,673**	**2,802**
Decrease/(increase) in accounts receivable		53	(127)
Decrease/(increase) in inventories and work in process		(23)	210
(Decrease)/increase in accounts payable		246	(5)
Change in other current assets and liabilities		(48)	(79)
Change in working capital requirement		**228**	**(1)**
Total I – Cash flows from operating activities		**2,901**	**2,801**
Purchases of property, plant and equipment	13	(473)	(472)
Proceeds from disposals of property, plant and equipment		93	58
Purchases of intangible assets	12	(349)	(315)
Proceeds from disposals of intangible assets		15	10
Net cash used by investment in operating assets		**(714)**	**(719)**
Net financial investments	2	(294)	(242)
Proceeds from sale of financial assets		-	121
Purchases of other long-term investments		(116)	(14)
Increase in long-term pension assets		(65)	(79)
Sub-total		**(475)**	**(214)**
Total II – Cash flows from/(used in) investing activities		**(1,189)**	**(933)**
Issuance of bonds	24	600	601
Repayment of bonds	24	(587)	-
Sale/(purchase) of own shares		26	-
Increase/(reduction) in other financial debt		1,066	(585)
Proceeds from issuance of shares		209	221
Dividends paid: Schneider Electric SA		(1,025)	(919)
Non-controlling interests		(11)	(72)
Total III – Cash flows from/(used in) financing activities		**278**	**(754)**

(in millions of euros)	Note	Full year 2013	Full year 2012*
IV – Net foreign exchange difference:		**(219)**	**(51)**
Increase/(decrease) in cash and cash equivalents: I +II +III +IV		**1,771**	**1,063**
Cash and cash equivalents at January 1		3,617	2,554
Increase/(decrease) in cash and cash equivalents		1,771	1,063
CASH AND CASH EQUIVALENTS AT DECEMBER 31	20	**5,388**	**3,617**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*
The accompanying notes are an integral part of the consolidated financial statements.

3. Consolidated balance sheet

Assets

(in millions of euros)	Note	Dec. 31, 2013	Dec. 31, 2012*
Non-current assets			
Goodwill, net	11	12,912	12,904
Intangible assets, net	12	4,246	4,519
Property, plant and equipment, net	13	2,574	2,622
Total tangible and intangible assets		6,820	7,141
Investments in associates	14	172	511
Available-for-sale financial assets	15.1	164	213
Other non-current financial assets	15.2	127	108
Non-current financial assets		291	321
Deferred tax assets	16	1,753	1,739
Total non-current assets		**21,948**	**22,616**
Current assets			
Inventories and work in progress	17	3,034	3,090
Trade and other operating receivables	18	5,082	5,289
Other receivables and prepaid expenses	19	1,368	1,291
Current financial assets	15.3	28	127
Cash and cash equivalents	20	5,528	3,737
Total current assets		**15,040**	**13,534**
TOTAL ASSETS		**36,988**	**36,150**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*
The accompanying notes are an integral part of the consolidated financial statements.

Liabilities

(in millions of euros)	Note	Dec. 31, 2013	Dec. 31, 2012*
Equity	21		
Share capital		2,248	2,222
Additional paid-in capital		6,992	6,885
Retained earnings		8,804	7,594
Translation reserve		(832)	(48)
Equity attributable to owners of the parent		**17,212**	**16,653**
Non-controlling interests		151	174
Total equity		**17,363**	**16,827**
Non-current provisions			
Pensions and other post-employment benefit obligations	22	1,485	1,959
Other non-current provisions	23	827	785
Total non-current provisions		2,312	2,744
Non-current financial liabilities			
Bonds	24	5,322	5,513
Other non-current debt	24	600	893
Non-current financial liabilities		5,922	6,406
Deferred tax liabilities	16	994	1,014
Other non-current liabilities	25	138	195
Total non-current liabilities		**9,366**	**10,359**
Current liabilities			
Trade and other operating payables		3,713	3,815
Accrued taxes and payroll costs		1,871	1,827
Current provisions	23	877	930
Other current liabilities		861	666
Current debt	24	2,937	1,726
Total current liabilities		**10,259**	**8,964**
TOTAL EQUITY AND LIABILITIES		**36,988**	**36,150**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*
The Group also decided a reclassification from some trade payables to other current liabilities.
The accompanying notes are an integral part of the consolidated financial statements.

4. Consolidated statement of changes in equity

(in millions of euros except for number of shares)	Number of shares *(thousands)*	Capital	Additional paid-in capital	Treasury shares	Retained earnings	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total
Jan. 1, 2012*	**548,943**	**2,196**	**6,690**	**(74)**	**6,905**	**148**	**15,865**	**192**	**16,057**
Profit for the year					1,813		1,813	87	1,900
Other comprehensive income					(196)	(196)	(392)	(25)	(417)
Comprehensive income for the year					1,617	(196)	1,421	62	1,483
Capital increase	3,522	14	109				123		123
Exercise of stock options	2,952	12	86				98		98
Dividends					(919)		(919)	(72)	(991)
Share-based compensation expense					57		57		57
Other					8		8	(8)	
Dec. 31, 2012*	**555,417**	**2,222**	**6,885**	**(74)**	**7,668**	**(48)**	**16,653**	**174**	**16,827**
Profit for the year					1,888		1,888	77	1,965
Other comprehensive income					212	(784)	(572)	(14)	(586)
Comprehensive income for the year					2,100	(784)	1,316	63	1,379
Capital increase	2,752	11	123				134		134
Exercise of stock options	3,789	15	86				101		101
Dividends					(1,058)		(1,058)	(86)	(1,144)
Share-based compensation expense					66		66		66
Other**			(102)		102		-		
Dec. 31, 2013	**561,958**	**2,248**	**6,992**	**(74)**	**8,878**	**(832)**	**17,212**	**151**	**17,363**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*
** *Reclassification from additional paid-in capital to retained earnings.*
The accompanying notes are an integral part of the consolidated financial statements.

5. Notes to the consolidated financial statements

All amounts in millions of euros unless otherwise indicated.

The following notes are an integral part of the consolidated financial statements.

The Schneider Electric Group's consolidated financial statements for the financial year ended December 31, 2013 were drawn up by the board of directors on February 19, 2014. They will be submitted to shareholders for approval at the Annual General Meeting of May 6, 2014.

The Group's main businesses are described in chapter 1 of the Registration Document

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Note 1 Accounting Policies

1.1 – Accounting standards

The consolidated financial statements have been prepared in compliance with the international accounting standards (IFRS) as adopted by the European Union as of December 31, 2013. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2012.

The following standards and interpretations that were applicable during the period did not have a material impact on the consolidated financial statements as of December 31, 2013:

- IFRS 13 – *Fair value Measurement*;
- amendment to IAS 1 – *Presentation of Items of Other Comprehensive Income,*
- amendment to IAS 12 – *Recovery of Underlying Assets,*
- improvements to IFRSs 2009-2011 (May 2012),
- amendments to IFRS 7 – *Disclosures – Transfer of Financial assets*.

Additionally, IAS 19 revised was applied from January 1, 2013 with retroactive effect from January 1, 2012 on 2012 comparative financials which impacts are detailed in note 1.2.

The Group did not apply the following standards and interpretations that are mandatory at some point subsequent to December 31, 2013:

- standards adopted by the European Union:
  - IAS 28 revised – *Investments in associates and joint-ventures*,
  - amendment to IAS 32 – *Offsetting Financial assets and Financial liabilities*,
  - IFRS 10 – *Consolidated Financial Statements*,
  - IFRS 11 – *Joint Arrangements*,
  - IFRS 12 – *Disclosure of Interests in Other entities*,
  - *Transition Guidance* – amendments to IFRS 10, IFRS 11 and IFRS 12,
  - amendment to IAS 36 – *Recoverable amount disclosures for non-financial assets*,
  - amendment to IAS 39 – *Novation of derivatives and continuation of hedge accounting*,
  - *Investment Entities* – amendments to IFRS 10, IFRS 12 and IAS 27,
- standards not yet adopted by the European Union:
  - IFRS 9 – *Financial instruments*,
  - improvements to IFRSs 2010-2012 (December 2013),
  - improvements to IFRSs 2011-2013 (December 2013),
  - IFRIC 21 – *Levies*.

There are no differences in practice between the standards applied by Schneider Electric as of December 31, 2013 and the IFRS issued by the International Accounting Standards board (IASB), except for:

- IAS 28 revised – *Investments in associates and joint-ventures,*
- IFRS 10 – *Consolidated Financial Statements,*
- IFRS 11 – *Joint Arrangements,*
- IFRS 12 – Disclosure of Interests in Other entities,
- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27,

which application is required from January 1, 2013 under IFRS as issued by IASB but which application is mandatory only from January 1, 2014 as per the European Union.

At this stage of analysis, the Group does not expect other impact, on its consolidated financial statements, to be material.

1.2 – Restated 2012 comparative consolidated financial statements

The Group has been applying IAS 19 revised since January 1, 2013 with retroactive effect from January 1, 2012 on comparative financial statements. In accordance with IAS 19 revised requirements published on June 2011, the expected return on long term plan assets in 2013 is equal to discount rate at December 31, 2012 closing date. The effect in 2013 is EUR40 million as a reduction of financial income and is also EUR39 million as a reduction of financial income in 2012; the difference between the actual rate and the rate assessed this way is booked as non recycled OCI.

Moreover, IAS 19 revised requires the recycling through equity of past service costs, of which the amortization was a gain of about EUR1 million per year, that will have an expected effect of EUR17 million at January 1, 2013. 2012 figures were restated by applying IAS 19 revised, with:

- an increase in consolidated retained earnings of EUR12 million on January 1, 2012,
- a cost after tax of EUR27 million on 2012 net income, and
- a profit net of tax of EUR26 million on 2012 OCI.

IAS 19 Revised has no effect on the recognition of actuarial gains & losses since those were already directly recognized in equity.

1.3 – Basis of presentation

The financial statements have been prepared on a historical cost basis, with the exception of derivative instruments and available – for-sale financial assets, which are measured at fair value. Financial liabilities are measured using the amortized cost model. The book value of hedged assets and liabilities, under fair-value hedge, corresponds to their fair value, for the part corresponding to the hedged risk.

1.4 – Use of estimates and assumptions

The preparation of financial statements requires Group and subsidiary management to make estimates and assumptions that are reflected in the amounts of assets and liabilities reported in the consolidated balance sheet, the revenues and expenses in the statement of income and the obligations created during the reporting period. Actual results may differ.

These assumptions mainly concern:

- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (note 1.11) and the measurement of the goodwill impairment (note 8),
- the measurement of the recoverable amount of non-current financial asset (note 1.12 and note 15),
- the realizable value of inventories and work in process (note 1.13),
- the recoverable amount of accounts receivable (note 1.14),
- the valuation of share-based payments (note 1.20),
- the calculation of provisions for contingencies, in particular for warranties (note 1.21),
- the measurement of pension and other post-employment benefit obligations (note 22).

1.5 – Consolidation principles

Subsidiaries, over which the Group exercises exclusive control, either directly or indirectly, are fully consolidated. Exclusive control is control by all means, including ownership of a majority voting interest, significant minority ownership, and contracts or agreements with other shareholders.

Group investments in entities controlled jointly with a limited number of partners, such as joint ventures and alliances, are proportionally consolidated in accordance with the recommended treatment under IAS 31 – *Interests in Joint Ventures*.

Companies over which the Group has significant influence ("associates") are accounted for by the equity consolidation method. Significant influence is presumed to exist when more than 20% of voting rights are held by the Group.

Companies acquired or sold during the year are included in or removed from the consolidated financial statements as of the date when effective control is acquired or relinquished.

Intra-group balances and transactions are eliminated.

The list of consolidated subsidiaries and associates can be found in note 32.

The reporting date for all companies included in the scope of consolidation is December 31, with the exception of certain associates accounted for by the equity method. For the latter however, financial statements up to September 30 of the financial year have been used (maximum difference of three months in line with the standards).

1.6 – Business combinations

Business combinations are accounted for using the acquisition method, in accordance with IFRS 3 – *Business Combinations*. In accordance with the option provided by IFRS 1 – *First-Time Adoption of IFRS* – business combinations recorded before January 1, 2004 have not been restated. Material acquisition costs are presented under "Other operating income and expenses" in the statement of income.

All acquired assets, liabilities and contingent liabilities of the buyer are recognized at their fair value at the acquisition date, the fair value can be adjusted during a measurement period that can last for up to 12 months from the date of acquisition.

The excess of the cost of acquisition over the Group's share in the fair value of assets and liabilities at the date of acquisition is recognized in goodwill. Where the cost of acquisition is lower than the fair value of the identified assets and liabilities acquired, the negative goodwill is immediately recognized in the statement of income.

Goodwill is not amortized, but tested for impairment at least annually and whenever there is an indication that it may be impaired (see note 1.11 below). Any impairment losses are recognized under "Amortization and impairment of purchase accounting intangibles".

1.7 – Translation of the financial statements of foreign subsidiaries

The consolidated financial statements are prepared in euros.

The financial statements of subsidiaries that use another functional currency are translated into euros as follows:

- assets and liabilities are translated at the official closing rates,
- income statement and cash flow items are translated at weighted-average annual exchange rates.

Gains or losses on translation are recorded in consolidated equity under "Cumulative translation adjustments". In accordance with IFRS 1 – *First Time Adoption of IFRS* – cumulative translation adjustments were reset to zero at January 1, 2004 by adjusting opening retained earnings, without any impact on total equity.

1.8 – Foreign currency transactions

Foreign currency transactions are recorded using the official exchange rate in effect at the date the transaction is recorded or the hedging rate. At the balance sheet date, foreign currency payables and receivables are translated into the functional currency at the closing rates or the hedging rate. Gains or losses on translation of foreign currency transactions are recorded under "Net financial income/(loss)". Foreign currency hedging is described below, in note 1.23.

1.9 – Intangible assets

Intangible assets acquired separately or as part of a business combination

Intangible assets acquired separately are initially recognized in the balance sheet at historical cost. They are subsequently measured using the cost model, in accordance with IAS 38 – Intangible Assets.

Intangible assets (mainly trademarks and customer lists) acquired as part of business combinations are recognized in the balance sheet at fair value at the combination date, appraised externally for the most significant assets and internally for the rest, and that represents its historical cost in consolidation. The valuations are performed using generally accepted methods, based on future inflows. The assets are regularly tested for impairment.

Intangible assets are amortized on a straight-line basis over their useful life or, alternatively, over the period of legal protection. Amortized intangible assets are tested for impairment when there is any indication that their recoverable amount may be less than their carrying amount.

Amortization and impairment losses on intangible assets acquired in a business combination are presented on a separate statement of income line item, "Amortization and impairment of purchase accounting intangibles".

Trademarks

Trademarks acquired as part of a business combination are not amortized when they are considered to have an indefinite life.

The criteria used to determine whether or not such trademarks have indefinite lives and, as the case may be, their lifespan, are as follows:

- brand awareness,
- outlook for the brand in light of the Group's strategy for integrating the trademark into its existing portfolio.

Non-amortized trademarks are tested for impairment at least annually and whenever there is an indication they may be impaired. When necessary, an impairment loss is recorded.

Internally-generated intangible assets

Research and development costs

Research costs are expensed in the statement of income when incurred.

Systems were set up to track and capitalize development costs in 2004. As a result, only development costs for new products launched since 2004 are capitalized in the IFRS accounts.

Development costs for new projects are capitalized if, and only if:

- the project is clearly identified and the related costs are separately identified and reliably tracked;
- the project's technical feasibility has been demonstrated and the Group has the intention and financial resources to complete the project and to use or sell the resulting products;
- the Group has allocated the necessary technical, financial and other resources to complete the development;
- it is probable that the future economic benefits attributable to the project will flow to the Group.

Development costs that do not meet these criteria are expensed in the financial year in which they are incurred.

Capitalized development projects are amortized over the lifespan of the underlying technology, which generally ranges from three to ten years. The amortization of such capitalized projects is included in the cost of the related products and classified into "Cost of sales" when the products are sold.

Software implementation

External and internal costs relating to the implementation of enterprise resource planning (ERP) applications are capitalized when they relate to the programming, coding and testing phase. They are amortized over the applications' useful lives. In accordance with paragraph 98 of IAS 38, the SAP bridge application currently being rolled out within the Group is amortized using the production unit method to reflect the pattern in which the asset's future economic benefits are expected to be consumed. Said units of production correspond to the number of users of the rolled-out solution divided by the number of target users at the end of the roll-out.

1.10 – Property, plant and equipment

Property, plant and equipment is primarily comprised of land, buildings and production equipment and is carried at cost, less accumulated depreciation and any accumulated impairment losses, in accordance with the recommended treatment in IAS 16 – *Property, plant and equipment*.

Each component of an item of property, plant and equipment with a useful life that differs from that of the item as a whole is depreciated separately on a straight-line basis. The main useful lives are as follows:

- Buildings: 20 to 40 years;
- Machinery and equipment: 3 to 10 years;
- Other: 3 to 12 years.

The useful life of property, plant and equipment used in operating activities, such as production lines, reflects the related products' estimated life cycles.

Useful lives of items of property, plant and equipment are reviewed periodically and may be adjusted prospectively if appropriate.

The depreciable amount of an asset is determined after deducting its residual value, when the residual value is material.

Depreciation is expensed in the period or included in the production cost of inventory or the cost of internally-generated intangible assets. It is recognized in the statement of income under "Cost of sales", "Research and development costs" or "Selling, general and administrative expenses", as the case may be.

Items of property, plant and equipment are tested for impairment whenever there is an indication they may have been impaired. Impairment losses are charged to the statement of income under "Other operating income and expenses".

Leases

The assets used under leases are recognized in the balance sheet, offset by a financial debt, where the leases transfer substantially all the risks and rewards of ownership to the Group.

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. The related payments are recognized as an expense on a straight-line basis over the lease term.

Borrowing costs

In accordance with IAS 23 R – *Borrowing costs* (applied as of January 1, 2009), borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognized as an expense for the period. Prior to January 1, 2009, borrowing costs were systematically expensed when incurred.

1.11 – Impairment of assets

In accordance with IAS 36 – *Impairment of Assets* – the Group assesses the recoverable amount of its long-lived assets as follows:

- for all property, plant and equipment subject to depreciation and intangible assets subject to amortization, the Group carries out a review at each balance sheet date to assess whether there is any indication that they may be impaired. Indications of impairment are identified on the basis of external or internal information. If such an indication exists, the Group tests the asset for impairment by comparing its carrying amount to the higher of fair value minus costs to sell and value in use;
- non-amortizable intangible assets and goodwill are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Value in use is determined by discounting future cash flows that will be generated by the tested assets. These future cash flows are based on Group management's economic assumptions and operating forecasts presented in forecasts over a period generally not exceeding 5 years, and then extrapolated based on a perpetuity growth rate. The discount rate corresponds to the Group's weighted average cost of capital (WACC) at the measurement date plus a risk premium depending on the region in question. The WACC stood at 7.8% at December 31, 2013, a slight increase on the 7.7% at December 31, 2012. This rate is based on (i) a long-term interest rate of 2.9%, corresponding to the average interest rate for 10 year OAT treasury bonds over the past few years, (ii) the average premium applied to financing obtained by the Group in the fourth quarter of 2013, and (iii) the weighted country risk premium for the Group's businesses in the countries in question.

The perpetuity growth rate was 2%, unchanged on the previous financial year.

Impairment tests are performed at the level of the cash-generating unit (CGU) to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets. The cash-generating units in 2013, as in 2012, are *Partner*, *Infrastructure*, *Industry*, *IT*, *Buildings* and *CST* CGUs. Net assets were reallocated to the CGUs at the lowest possible level on the basis of the CGU activities to which they belong; the assets belonging to several activities were allocated to each CGU (*Power*, *Infrastructure* and *Industry* mainly) pro-rata to their revenue in that CGU.

The WACC used to determine the value in use of each CGU was 8.0% for *CST*, 8.9% for *Industry*, 8.8% for *Partner* and *IT*, 8.1% for *Buildings* and 9.0% for *Infrastructure*.

Goodwill is allocated when initially recognized. The CGU allocation is done on the same basis as used by Group management to monitor operations and assess synergies deriving from acquisitions.

Where the recoverable amount of an asset or CGU is lower than its book value, an impairment loss is recognized for the excess of the book value over the recoverable value. The recoverable value is defined as the highest value between the value in use and the realizable value net of costs. Where the tested CGU comprises goodwill, any impairment losses are firstly deducted there from.

1.12 – Non-current financial assets

Investments in non-consolidated companies are classified as available-for-sale financial assets. They are initially recorded at their cost of acquisition and subsequently measured at fair value, when fair value can be reliably determined.

The fair value of investments listed in an active market may be determined reliably and corresponds to the listed price at balance sheet date (Level 1 from the fair value hierarchy as per IFRS 7).

In cases where fair value cannot be reliably determined on observable markets, the investments are measured at cost net of any accumulated impairment losses. The recoverable amount is determined by assessing either the Group' share in the entity's net assets or the expected future cash-flows representative of management expectation in this investment. This rule is applied in particular to unlisted shares.

Changes in fair value are accumulated as other comprehensive income in the comprehensive income statement and, in balance sheet, in equity under "Other reserves" up to the date of sale, at which time they are recognized in the income statement. Unrealized losses on assets that are considered to be permanently impaired are recorded at the statement of income under financial loss.

Loans, recorded under "Other non-current financial assets", are carried at amortized cost and tested for impairment where there is an indication that they may have been impaired. Non-current financial receivables are discounted when the impact of discounting is considered significant.

1.13 – Inventories and work in process

Inventories and work in progress are measured at the lower of their initial recognition cost (acquisition cost or production cost generally determined by the weighted average price method) or of their estimated net realizable value.

Net realizable value corresponds to the estimated selling price net of remaining expenses to complete and/or sell the products.

Inventory impairment losses are recognized in "Cost of sales".

The cost of work in progress, semi-finished and finished products, includes the cost of materials and direct labor, subcontracting costs, all production overheads based on normal manufacturing capacity and the portion of research and development costs that are directly related to the manufacturing process (corresponding to the amortization of capitalized projects in production and product and range of products maintenance costs).

1.14 – Trade and other operating receivables

Depreciations for doubtful accounts are recorded when it is probable that receivables will not be collected and the amount of the loss can be reasonably estimated. Doubtful accounts are identified and the related depreciations determined based on historical loss experience, the aging of the receivables and a detailed assessment of the individual receivables along with the related credit risks. Once it is known with certainty that a doubtful account will not be collected, the doubtful account and its related depreciation are written off through the Income Statement.

Accounts receivable are discounted in cases where they are due in over one year and the impact of adjustment is significant.

1.15 – Assets held for sale

Assets held for sale are no longer amortized or depreciated and are recorded separately in the balance sheet under "Assets held for sale" at the lowest of its amortized cost or net realizable value.

1.16 – Deferred taxes

Deferred taxes, related to temporary differences between the tax basis and accounting basis of consolidated assets and liabilities, are recorded using the balance sheet liability method. Deferred tax assets are recognized when it is probable that they will be recovered at a reasonably determinable date.

Future tax benefits arising from the utilization of tax loss carry forwards (including amounts available for carry forward without time limit) are recognized only when they can reasonably be expected to be realized.

Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities related to the same unit and which are expected to reverse in the same period of time are netted off.

1.17 – Cash and cash equivalents

Cash and cash equivalents presented in the balance sheet consist of cash, bank accounts, term deposits of three months or less and marketable securities traded on organized markets. Marketable securities are short-term, highly-liquid investments that are readily convertible to known amounts of cash at maturity. They notably consist of commercial paper, mutual funds and equivalents. In light of their nature and maturities, these instruments represent insignificant risk of changes in value and are treated as cash equivalents.

1.18 – Schneider Electric SA shares

Schneider Electric SA shares held by the parent company or by fully consolidated companies are measured at acquisition cost and deducted from equity. They are held at their acquisition cost until sold.

Gains (losses) on the sale of own shares are added (deducted) from consolidated reserves, net of tax.

1.19 – Pensions and other employee benefit obligations

Depending on local practices and laws, the Group's subsidiaries participate in pension, termination benefit and other long-term benefit plans. Benefits paid under these plans depend on factors such as seniority, compensation levels and payments into mandatory retirement programs.

Defined contribution plans

Payments made under defined contribution plans are recorded in the income statement, in the year of payment, and are in full settlement of the Group's liability. As the Group is not committed beyond these contributions, no provision related to these plans has been booked.

In most countries, the Group participates in mandatory general plans, which are accounted for as defined contribution plans.

Defined benefit plans

Defined benefit plans are measured using the projected unit credit method.

Expenses recognized in the statement of income are split between operating income (for service costs rendered during the period) and net financial income/(loss) (for financial costs and expected return on plan assets).

The amount recognized in the balance sheet corresponds to the present value of the obligation, and net of plan assets.

When this is an asset, the recognized asset is limited to the present value of any economic benefit due in the form of plan refunds or reductions in future plan contributions.

Changes resulting from periodic adjustments to actuarial assumptions regarding general financial and business conditions or demographics (i.e., changes in the discount rate, annual salary increases, return on plan assets, years of service, etc.) as well as experience adjustments are immediately recognized in the balance sheet as a separate component of equity in "Other reserves" and in comprehensive income as other comprehensive income/loss.

Other commitments

Provisions are funded and expenses recognized to cover the cost of providing health-care benefits for certain Group retirees in Europe and the United States. The accounting policies applied to these plans are similar to those used to account for defined benefit pension plans.

The Group also funds provisions for all its subsidiaries to cover seniority-related benefits (primarily long service awards for its French subsidiaries). Actuarial gains and losses on these benefit obligations are fully recognized in profit or loss.

1.20 – Share-based payments

The Group grants different types of share-based payments to senior executives and certain employees. These include:

- Schneider Electric SA stock options;
- stock grants,
- stock appreciation rights, based on the Schneider Electric SA stock price.

Only plans set up after November 7, 2002 that did not vest prior to January 1, 2005 are affected by the application of IFRS 2 – *Share-based payments*.

Pursuant to this standard, these plans are measured on the date of grant and an employee benefits expense is recognized on a straight-line basis over the vesting period, in general three or four years depending on the country in which it is granted.

The Group uses the Cox, Ross, Rubinstein binomial model to measure these plans.

For stock grants and stock options, this expense is offset in the own share reserve. In the case of stock appreciation rights, a liability is recorded corresponding to the amount of the benefit granted, re-measured at each balance sheet date.

As part of its commitment to employee share ownership, Schneider Electric gave its employees the opportunity to purchase shares at a discount (note 21.5).

1.21 – Provisions for contingencies and pension accruals

A provision is recorded when the Group has an obligation to a third party prior to the balance sheet date, and where the loss or liability is likely and can be reliably measured. If the loss or liability is not likely and cannot be reliably estimated, but remains possible, the Group discloses it as a contingent liability. Provisions are calculated on a case-by-case or statistical basis and discounted when due in over a year. The discount rate used for long-term provisions was 2.3% at December 31, 2013 versus 2.1% at December 31, 2012.

Provisions are primarily set aside to cover:

- economic risks:

  these provisions cover tax risks arising from tax audits performed by local tax authorities and financial risks arising primarily on guarantees given to third parties in relation to certain assets and liabilities;
- customer risks:

  these provisions are primarily established to covers risks arising from products sold to third parties. This risk mainly consists of claims based on alleged product defects and product liability;
- product risks:

  these provisions comprise:
  - statistical provisions for warranties: the Group funds provisions on a statistical basis for the residual cost of Schneider Electric product warranties not covered by insurance,
  - provisions to cover disputes concerning defective products and recalls of clearly identified products;
- environmental risks:

  these provisions are primarily funded to cover cleanup costs;
- restructuring costs, when the Group has prepared a detailed plan for the restructuring and has either announced or started to implement the plan before the end of the year.

1.22 – Financial liabilities

Financial liabilities primarily comprise bonds and short and long-term bank borrowings. These liabilities are initially recorded at fair value, from which any direct transaction costs are deducted. Subsequently, they are measured at amortized cost based on their effective interest rate.

1.23 – Financial instruments and derivatives

Risk hedging management is centralized. The Group's policy is to use derivative financial instruments exclusively to manage and hedge changes in exchange rates, interest rates or prices of certain raw materials. The Group accordingly uses instruments such as swaps, options and futures, depending on the nature of the exposure to be hedged.

Foreign currency hedges

The Group periodically buys foreign currency derivatives to hedge the currency risk associated with foreign currency transactions. Some of these instruments hedge operating receivables and payables carried in the balance sheets of Group companies. The Group does not apply hedge accounting to these instruments because gains and losses on this hedging is immediately recognized. At year-end, the hedging derivatives are marked to market and gains or losses are recognized in "Net financial income/(loss)", offsetting the gains or losses resulting from the translation at end-of-year rates of foreign currency payables and receivables, in accordance with IAS 21 – *The Effects of Changes in Foreign Exchange Rates*.

The Group also hedges future cash flows, including recurring future transactions, intra-group foreign currency loans or planned acquisitions or disposals of investments. In accordance with IAS 39, these are treated as cash flow hedges. These hedging instruments are recognized in the balance sheet and are measured at fair value at the end of the year. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is accumulated in equity, under "Other reserves", and then recognized in the income statement when the hedged item affects profit or loss. The ineffective portion of the gain or loss on the hedging instrument is recognized in "Net financial income/(loss)".

In addition, certain long-term receivables and loans to subsidiaries are considered to be part of a net investment in a foreign operation, as defined by IAS 21 – *The Effects of Changes in Foreign Exchange Rates*. In accordance with the rules governing hedges of net investments, the impact of exchange rate fluctuations is recorded in equity and recognized in the statement of income when the investment is sold.

Interest rate swaps

Interest rate swaps allow the Group to manage its exposure to interest rate risk. The derivative instruments used are financially adjusted to the schedules, rates and currencies of the borrowings they cover. They involve the exchange of fixed and floating-rate interest payments. The differential to be paid (or received) is accrued (or deferred) as an adjustment to interest income or expense over the life of the agreement. The Group applies hedge accounting as described in IAS 39 for interest rate swaps. Gains and losses on re-measurement of interest rate swaps at fair value are recognized in equity (for cash flow hedges) or in profit or loss (for fair value hedges).

Commodity contracts

The Group also purchases commodity derivatives including forward purchase contracts, swaps and options to hedge price risks on all or part of its forecast future purchases. Under IAS 39, these qualify as cash flow hedges. These instruments are recognized in the balance sheet and are measured at fair value at the period-end. The effective portion of the hedge is recognized separately in equity (under "Other reserves") and then recognized in income (gross margin) when the hedged item affects consolidated income. The effect of this hedging is then incorporated in the cost price of the products sold. The ineffective portion of the gain or loss on the hedging instrument is recognized in "Net financial income/(loss)".

Cash flows from financial instruments are recognized in the consolidated statement of cash flows in a manner consistent with the underlying transactions.

Put options granted to minority shareholders

In line with the AMF's recommendation of November 2009 and in the absence of a specific IFRS rule, the Group elected to retain the accounting treatment for minority put options applied up to December 31, 2009, involving puts granted to minority shareholders prior to this date. In this case, the Group elected to recognize the difference between the purchase price of the minority interests and the share of the net assets acquired as goodwill, without re-measuring the assets and liabilities acquired. Subsequent changes in the fair value of the liability are recognized by adjusting goodwill.

1.24 – Revenue recognition

The Group's revenues primarily include merchandise sales and revenues from services and contracts.

Merchandise sales

Revenue from sales is recognized when the product is shipped and risks and benefits are transferred (standard shipping terms are FOB).

Provisions for the discounts offered to distributors are set aside when the products are sold to the distributor and recognized as a deduction from revenue.

Certain Group subsidiaries also offer cash discounts to distributors. These discounts and rebates are deducted from sales.

Consolidated revenue is presented net of these discounts and rebates.

Service contracts

Revenue from service contracts is recorded over the contractual period of service. It is recognized when the result of the transaction can be reliably determined, by the percentage of completion method.

Long-term contracts

Income from long-term contracts is recognized using the percentage-of-completion method, based either on the percentage of costs incurred in relation to total estimated costs of the entire contract, or on the contract's technical milestones, notably proof of installation or delivery of equipment. When a contract includes performance clauses in the Group's favor, the related revenue is recognized at each project milestone and a provision is set aside if targets are not met.

Losses at completion for a given contract are provided for in full as soon as they become probable. The cost of work-in-process includes direct and indirect costs relating to the contracts.

1.25 – Earnings per share

Earnings per share are calculated in accordance with IAS 33 – Earnings Per Share.

Diluted earnings per share are calculated by adjusting profit attributable to equity holders of the parent and the weighted average number of shares outstanding for the dilutive effect of the exercise of stock options outstanding at the balance sheet date. The dilutive effect of stock options is determined by applying the "treasury stock" method, which consists of taking into account the number of shares that could be purchased, based on the average share price for the year, using the proceeds from the exercise of the rights attached to the options.

1.26 – Statement of cash flows

The consolidated statement of cash flows has been prepared using the indirect method, which consists of reconciling net profit to net cash provided by operations. The opening and closing cash positions include cash and cash equivalents, comprised of marketable securities, (note 1.20) net of bank overdrafts and facilities.

Note 2 Changes in the scope of consolidation

The Group's consolidated financial statements for the year ended December 31, 2013 enclose the financial statements of companies listed in the note 32. The scope of consolidation for the year ended December 31, 2013 can be summarized as follows:

Number of active companies	Dec. 31, 2013	Dec. 31, 2012
Parent company and fully consolidated subsidiaries	543	582
Proportionally consolidated companies	3	3
Companies accounted for by the equity method	4	6
TOTAL	**550**	**591**

2.1 – Follow-up on 2012 acquisitions

In accordance with IFRS3 R, Schneider Electric valued the assets acquired and liabilities assumed at their fair value on the date of acquisition.

The final allocation of the acquisition of M&C Energy Group (June 12, 2012) led principally to the recognition of intangible assets in the amount of EUR19 million (customer relationships) this asset was valued by an independent expert. Contingent liabilities were recognized for a total amount of EUR1 million.

Comparative data in 2012 did not require a change in 2013 because the impacts related to changes in fair value recognized as part of the acquisition price were not significant across the Schneider Electric Group balance sheet and income statement.

2.2 – Acquisitions during the year

The total amount of acquisitions during the year came to EUR294 million, net of cash and cash equivalents acquired.

	Dec. 31, 2013	Dec. 31, 2012
Acquisitions	(330)	(249)
Cash and cash equivalents paid	*(336)*	*(268)*
Cash and cash equivalents acquired/(paid)	*6*	*19*
Disposals	36	7
Other operations	-	-
NET FINANCIAL INVESTMENT	**(294)**	**(242)**

Schneider Electric acquired the additional 50% shares of Electroshield – TM Samara on March 28, 2013, in accordance with the 2010 purchase agreement for the price of RUB 10.2 billion as agreed then.

Since then, Electroshield – TM Samara is consolidated with full consolidation method.

The takeover of Electroshield – TM Samara by Schneider Electric implies, in accordance with IFRS 3 revised standard on business combinations:

- to revaluate at fair value through profit and loss the 50% share formerly held and the equity method investment until then;
- to account for at fair value the total identifiable assets and liabilities of Electroshield as well as goodwill, for the net amount thus determined compared to the scope entry value.

The provisional allocation from the acquisition of Electroshield – TM Samara led principally to the recognition of revaluations of tangible assets estimated by independent experts in the amount of EUR15 million and contingent liabilities for a total amount of EUR106 million. The goodwill is not tax-deductible.

On December 31, 2013, the main elements of the provisional computation are:

- contingent liabilities, for the identification of risks are not completed at the closing date;
- tangible assets, because the estimated fair value of these assets is in progress;
- intangible assets, because the assumptions used to value these assets will be refined in 2014.

Note 3 Segment information

The Group is organized in 5 businesses (*Partner*, *Infrastructure*, *Industry*, *IT*, *Buildings*).

The five businesses are:

- *Partner* (formerly *Power*), provides low voltage ("LV") products and solutions in all end markets from buildings to industries and infrastructure to data centers, including protection functions (notably with circuit breakers), power monitoring and control, power meters, electrical enclosures, busways, power factor correction, LifeSpace products (including wiring devices, network connectivity, home and building controls and cable management systems), renewable energy conversion and connection, and electrical vehicle charging infrastructure;
- *Infrastructure*, combines all Medium Voltage activities including those from Areva Distribution, as well as Telvent; the business is in charge of the end-customer segments Oil and Gas, Electric Utilities and Transportation when it relates to solutions integrating the offers of several activities from the Group;
- *Industry*, which includes Automation & Control and four end-customer segments: OEMs, Water, Mining Minerals & Metals and Food & Beverages when it relates to solutions integrating the offers of several activities from the Group, as well as Custom Sensors & Technologies business (Sensors & Automotives);
- *IT*, which covers Critical Power & Cooling Services and three end-customer segments (Bank & Insurance, IT industry and Cloud & Telecom) when it relates to solutions integrating the offers of several activities from the Group;
- *Buildings*, which includes Building Automation and Security and the end-customer segments Hotels/Retail, Healthcare, Life Sciences, Real Estate and Government/Education.

Data concerning General Management that cannot be allocated to a particular segment are presented under "Corporate costs".

Operating segment data is identical to that presented to the board of directors, which has been identified as the main decision-making body for allocating resources and evaluating segment performance. Performance assessments used by the board of directors are notably based on Adjusted EBITA. Share-based payment is presented under "Corporate costs". The board of directors does not review assets and liabilities by Business.

The same accounting principles governing the consolidated financial statements apply to segment data.

Details are provided in Chapter 4 of the Registration Document (Business Review).

3.1 – Information by operating segment

Full year 2013

(in millions of euros)	*Partner*	*Infrastructure*	*Industry*	*IT*	*Buildings*	Corporate costs	Total
Revenue	8,476	5,728	4,311	3,442	1,594	-	**23,551**
Adjusted EBITA*	1,801	560	833	650	94	(526)	**3,412**
Adjusted EBITA %	*21.2%*	*9.8%*	*19.3%*	*18.9%*	*5.9%*	-	***14.5%***
Other operating income and expense	53	(17)	35	(5)	9	(2)	**73**
Restructuring costs	(74)	(59)	(22)	(7)	(12)	(2)	**(176)**
EBITA	1,780	484	846	638	91	(530)	**3,309**
EBITA %	*21.0%*	*8.4%*	*19.6%*	*18.5%*	*5.7%*	-	***14.1%***

* *Adjusted EBITA: EBITA before Restructuring costs and before Other operating income and expenses (of which Costs of acquisition, integration and separation).*

Revenue related to solutions amounts to 40% of total revenue in 2013.

Full year 2012

(in millions of euros)	Partner	Infrastructure	Industry	IT	Buildings	Corporate costs	Total
Revenue	8,738	5,366	4,483	3,677	1,682	-	**23,946**
Adjusted EBITA*	1,813	575	823	698	107	(501)	**3,515**
Adjusted EBITA %	*20.7%*	*10.7%*	*18.4%*	*19.0%*	*6.4%*	-	***14.7%***
Other operating income and expense	17	(6)	(2)	(3)	(3)	(13)	**(10)**
Restructuring costs	(84)	(32)	(21)	(4)	(12)	(11)	**(164)**
EBITA	1,746	537	800	691	92	(525)	**3,341**
EBITA %	*20.0%*	*10.0%*	*17.8%*	*18.8%*	*5.5%*	-	***14.0%***

* *Adjusted EBITA: EBITA before Restructuring costs and before Other operating income and expenses (of which Costs of acquisition, integration and separation).*

Revenue related to solutions amounts to 39% of total revenue in 2012.

3.2 – Information by region

The geographic regions covered by the Group are:

- Western Europe;
- North America: United States, Canada and Mexico;
- Asia-Pacific;
- Rest of the World (Eastern Europe, Middle East, Africa, South America).

Non-current assets include net goodwill, net intangible assets and net property, plant and equipment.

Dec. 31, 2013

	Western Europe	*of which France*	North America	*of which USA*	Asia-Pacific	*of which China*	Rest of the world	Total
Revenue by country market	6,629	1,701	5,898	4,857	6,459	3,068	4,565	**23,551**
Non-current assets	8,095	1,851	6,311	6,091	3,970	1,175	1,356	**19,732**

Dec. 31, 2012

	Western Europe	*of which France*	North America	*of which USA*	Asia-Pacific	*of which China*	Rest of the world	Total
Revenue by country market	7,073	1,822	5,949	4,966	6,507	3,036	4,417	**23,946**
Non-current assets	8,194	1,801	6,591	6,404	4,389	1,205	871	**20,045**

Moreover, the Group follows the share of new economies in revenue:

	Full year 2013		Full year 2012		Full year 2011	
Revenue – Mature countries	13,429	57%	14,186	59%	13,512	60%
Revenue – New economies	10,122	43%	9,760	41%	8,833	40%
TOTAL	**23,551**	**100%**	**23,946**	**100%**	**22,345**	**100%**

3.3 – Degree of dependence in relation to main customers

No single customer accounts for more than 10% of consolidated revenue.

Note 4 Research and development

Research and development costs break down as follows:

	Full year 2013	Full year 2012
Research and development costs in cost of sales	284	265
Research and development costs in R&D costs (1)	535	507
Capitalized development costs	326	286
TOTAL RESEARCH AND DEVELOPMENT COSTS OF THE YEAR	**1,145**	**1,058**

(1) Of which EUR44 million of research and development tax credit in December 2013, EUR43 million in December 2012.

Amortization of capitalized development costs amounted to EUR147 million for the 2013 financial year, compared with EUR133 million in 2012.

Note 5 Depreciation and amortization expenses

Depreciation and amortization expenses recognized in operating expenses were as follows:

	Full year 2013	Full year 2012
Included in cost of sales:		
Depreciation and amortization	(455)	(433)
Included in selling, general and administrative expenses:		
Depreciation and amortization	(150)	(150)
DEPRECIATION AND AMORTIZATION EXPENSES	**(605)**	**(583)**

Moreover, the net amount of impairment of non-current assets totaled EUR51 million.

Note 6 Other operating income and expenses

Other operating income and expenses break down as follows:

	Full year 2013	Full year 2012
Impairment losses on assets	(11)	(16)
Gains on asset disposals	39	8
Losses on asset disposals	(41)	(10)
Costs of acquisitions	(52)	(52)
Pension plan curtailments	173	21
Others	(35)	39
OTHER OPERATING INCOME AND EXPENSES	**73**	**(10)**

The costs of acquisitions are the costs of acquisition, integration and separation related to major acquisitions in 2012 and 2013.

The line "Pension plan curtailments" includes mainly provision releases in the United States, in France and in Norway.

The line "Others" includes in particular provisions for litigation or claims at December 31, 2013. In 2012, the line "Others" includes mainly a reversal of provision for litigation or claims expired.

Note 7 Restructuring costs

Restructuring costs totaled EUR176 million over the period. They mainly relate to industrial and support function reorganizations in Europe (approximately EUR127 million) and in Americas (approximately EUR25 million).

Note 8 Amortization and impairment of purchase accounting intangibles

	Full year 2013	Full year 2012
Amortization of purchase accounting intangibles	(218)	(224)
Impairment of purchase accounting intangibles	-	(1)
Goodwill impairment	-	(250)
AMORTIZATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES	**(218)**	**(475)**

The migration of the Group's brands towards the Schneider Electric brand (One Brand project) has led to the amortization from January 1, 2010 of the Xantrex, TAC and MGE brands over a six-year period. The corresponding amortization expense totaled EUR61 million over the year.

The *Buildings* business segment faced challenging trading environment in 2012 following the construction downturn in its key mature markets, affecting its financial performance. When conducting the annual impairment tests at December 31, 2012, the Group had to book a goodwill impairment of *Buildings* CGU by EUR250 million before tax effect.

Impairment tests performed on the other Group's CGUs have not led to impairment losses being recognized in 2013. The sensitivity analysis on the test hypothesis shows that no impairment losses would be recognized in the following scenarios:

- a 0.5 point increase of the discount rate;
- a 1.0 point decrease of the growth rate;
- a 0.5 point decrease of margin rate;

except for *Buildings* CGU on the two following hypothesis:

- impairment loss of 4% of assets for a 0.5 point increase of the discount rate;
- impairment loss of 1% of assets for a 0.5 point decrease of margin rate.

Note 9 Other financial income and expense

	Full year 2013	Full year 2012*
Exchange gains and losses, net	(12)	(21)
Financial component of defined benefit plan costs	(69)	(84)
Dividends received	7	12
Net gains/(losses) on disposal of assets available for sale	-	12
Fair value adjustment of assets available for sale	(50)	-
Other financial expense, net	(35)	(16)
OTHER FINANCIAL INCOME AND EXPENSE	**(159)**	**(97)**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

Dividends are mainly received on AXA shares prior to 2013. Net gain on investment disposal comes from AXA divestment in 2012. NVC Lighting shares were impaired in 2013 for a total amount of EUR50 million, as stated in note 15.

Note 10 Income tax expense

Whenever possible, Group entities file consolidated tax returns. Schneider Electric SA has chosen this option for the French subsidiaries it controls directly or indirectly through Schneider Electric Industries SAS.

10.1 – Analysis of income tax expense

	Full year 2013	Full year 2012*
Current taxes		
France	(176)	(19)
International	(562)	(657)
Total	**(738)**	**(676)**
Deferred taxes		
France	108	24
International	(35)	98
Total	**73**	**122**
INCOME TAX (EXPENSE)/BENEFIT	**(665)**	**(554)**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

10.2 – Tax proof

	Full year 2013	Full year 2012*
Profit attributable to owners of the parent	**1,888**	**1,813**
Income tax (expense)/benefit	(665)	(554)
Non-controlling interests	(77)	(87)
Share of profit of associates	22	34
Profit before tax	**2,608**	**2,420**
Statutory tax rate	34.43%	34.43%
Income tax expense calculated at the statutory rate		
Reconciling items:	**(898)**	**(833)**
Difference between French and foreign tax rates	191	257
Tax credits and other tax reductions	150	118
Impact of tax losses	(35)	(10)
Other permanent differences	(73)	(86)
Income tax (expense)/benefit	(665)	(554)
EFFECTIVE TAX RATE	**25.5%**	**22.9%**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

Note 11 Goodwill

11.1 – Main items of goodwill

Group goodwill is broken down by business as follows:

	Dec. 31, 2013, net	Dec. 31, 2012, net
Partner	3,717	3,943
Industry	2,139	2,244
Buildings	1,429	1,469
IT	2,890	3,015
Infrastructure	2,737	2,233
TOTAL	**12,912**	**12,904**

Square D goodwill was allocated to each business in proportion to operating income:

	Partner	Industry
Square D Company	82%	18%

11.2 – Movements during the year

The main movements during the year are summarized as follows:

	Full year 2013	Full year 2012
Net goodwill at opening	**12,904**	**12,773**
Acquisitions	607	195
Disposals	(12)	-
Impairment	-	(250)
Translation adjustment	(587)	(108)
Reclassifications	-	294
Net goodwill at year end	**12,912**	**12,904**
Included cumulative impairment	**(395)**	**(413)**

Acquisitions

There is a 12 month period after the date of acquisition for the Group to finalize the allocation of goodwill to these entities. The corresponding goodwill is therefore provisional.

Goodwill generated by acquisitions made during the year totaled EUR607 million and corresponds mainly to the Russian group Electroshield – TM Samara. Goodwill generated by acquisitions in 2012 totaled EUR195 million and corresponds partly to the UK group M&C Energy.

Impairment

Impairment tests performed on all the Group’s CGUs have not led to impairment losses being recognized

Other changes

Translation adjustments concern principally goodwill on US dollars.

Note 12 Intangible assets

12.1 – Change in intangible assets

	Trademarks	Software	Development projects (R&D)	Other	Total
GROSS VALUE					
Dec. 31, 2011	**2,786**	**827**	**1,292**	**1,915**	**6,820**
Acquisitions	4	21	286	4	**315**
Disposals	-	(48)	(43)	(50)	**(141)**
Translation adjustments	(56)	(3)	(25)	(16)	**(100)**
Reclassification	2	(33)	37	11	**17**
Changes in scope of consolidation and other	13	36	(15)	29	**63**
Dec. 31, 2012	**2,749**	**800**	**1,532**	**1,892**	**6,974**
Acquisitions	-	18	326	5	**349**
Disposals	-	(12)	(3)	-	**(15)**
Translation adjustments	(143)	(16)	(59)	(78)	**(296)**
Reclassification	-	33	(31)	(19)	**(17)**
Changes in scope of consolidation and other	-	-	(2)	(1)	**(3)**
Dec. 31, 2013	**2,606**	**823**	**1,763**	**1,800**	**6,992**

	Trademarks	Software	Development projects (R&D)	Other	Total
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2011	**(257)**	**(616)**	**(483)**	**(760)**	**(2,116)**
Depreciation and impairment	(64)	(58)	(138)	(145)	**(405)**
Recapture	-	49	12	-	**61**
Translation adjustments	5	3	15	15	**38**
Reclassification	-	31	(30)	1	**2**
Changes in scope of consolidation and other	-	(42)	37	(30)	**(35)**
Dec. 31, 2012	**(316)**	**(633)**	**(587)**	**(919)**	**(2,455)**
Depreciation and impairment	(59)	(55)	(149)	(149)	**(412)**
Recapture	12	18	4	(13)	**21**
Translation adjustments	4	13	31	44	**92**
Reclassification	(1)	2	(11)	16	**6**
Changes in scope of consolidation and other	-	-	2	-	**2**
Dec. 31, 2013	**(360)**	**(655)**	**(710)**	**(1,021)**	**(2,746)**

	Trademarks	Software	Development projects (R&D)	Other	Total
NET VALUE					
Dec. 31, 2011	**2,529**	**211**	**809**	**1,155**	**4,704**
Dec. 31, 2012	**2,433**	**167**	**945**	**974**	**4,519**
Dec. 31, 2013	**2,246**	**168**	**1,053**	**779**	**4,246**

In 2013, change in Intangibles assets mainly related to R&D capitalized development costs for EUR326 million.

In 2012, changes in scope of consolidation of other intangible assets mainly include recognized intangibles relating to Telvent (EUR250 million), to Leader & Harvest (EUR85 million) and to Steck (EUR23 million) acquired in 2011, to M&C Energy Group (EUR19 million) acquired in 2012.

The amortization and impairment of intangible assets other than goodwill retreated at statutory cash flow were as follows:

Cash impact	Dec. 31, 2013	Dec. 31, 2012
Amortization of intangible assets other than goodwill	412	420
Impairment on intangible assets other than goodwill and others	-	(15)
TOTAL*	**412**	**405**

* *Includes amortization & depreciation of intangibles assets from purchase price allocation for EUR218 million for the year 2013 and EUR225 million for the year 2012 (disclosed in note 8).*

12.2 – Trademarks

At December 31, 2012, the main trademarks recognized were as follows:

	Dec. 31, 2013	Dec. 31, 2012
APC	1,333	1,406
PELCO	362	380
Clipsal	165	200
MGE	67	100
TAC	41	63
Juno	83	87
Digital	38	48
Other	157	149
NET	**2,246**	**2,433**

Brands recognized on acquisition realized in 2011 (Telvent, Luminous, Steck) amount to EUR70 million. They are recorded in line Other.

The migration of the Group's brands towards the Schneider Electric brand (One Brand project) has led to the amortization from January 1, 2010 of the Xantrex, TAC and MGE brands over a six-year period. The corresponding amortization expense totaled EUR61 million over the year.

Note 13 Property, plant and equipment

13.1 – Change in tangible assets

	Land	Buildings	Machinery and equipment	Other	Total
GROSS VALUE					
Dec. 31, 2011	**222**	**1,732**	**3,822**	**912**	**6,688**
Acquisitions	-	78	148	262	**488**
Disposals	(7)	(32)	(137)	(111)	**(287)**
Translation adjustments	(4)	(13)	(21)	(4)	**(41)**
Reclassification	-	31	105	(127)	**9**
Changes in scope of consolidation and other	(1)	(14)	(5)	10	**(10)**
Dec. 31, 2012	**210**	**1,782**	**3,912**	**942**	**6,846**
Acquisitions	3	65	140	265	**473**
Disposals	(3)	(74)	(102)	(58)	**(237)**
Translation adjustments	(8)	(61)	(128)	(50)	**(247)**
Reclassification	(1)	14	108	(143)	**(22)**
Changes in scope of consolidation and other	4	19	71	11	**105**
Dec. 31, 2013	**205**	**1,745**	**4,001**	**967**	**6,918**

	Land	Buildings	Machinery and equipment	Other	Total
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2011	**(15)**	**(792)**	**(2,802)**	**(506)**	**(4,115)**
Depreciation and impairment	(10)	(75)	(257)	(60)	**(402)**
Recapture	-	21	174	64	**259**
Translation adjustments	-	5	9	3	**17**
Reclassification	-	(5)	2	(1)	**(4)**
Changes in scope of consolidation and other	-	12	9	-	**21**
Dec. 31, 2012	**(25)**	**(834)**	**(2,865)**	**(500)**	**(4,224)**
Depreciation and impairment	(1)	(83)	(263)	(61)	**(408)**
Recapture	-	52	100	30	**182**
Translation adjustments	-	22	81	26	**129**
Reclassification	-	7	(2)	4	**9**
Changes in scope of consolidation and other	-	(1)	(25)	(6)	**(32)**
Dec. 31, 2013	**(26)**	**(837)**	**(2,974)**	**(507)**	**(4,344)**

	Land	Buildings	Machinery and equipment	Other	Total
NET VALUE					
Dec. 31, 2012	**185**	**948**	**1,047**	**442**	**2,622**
Dec. 31, 2013	**179**	**908**	**1,027**	**460**	**2,574**

Reclassifications primarily correspond to assets put into use.

The cash impact of purchase of purchases of property, plant and equipment in 2013 was as follows:

Cash impact of purchases of property, plant and equipment	Dec. 31, 2013	Dec. 31, 2012
Increase in tangible assets	(473)	(488)
Change in receivables and liabilities on tangible assets	-	16
TOTAL	**(473)**	**(472)**

The depreciation and impairment of tangible assets retreated at statutory cash flow were as follows:

Cash impact	Dec. 31, 2013	Dec. 31, 2012
Depreciation of property, plant and equipment	408	394
Impairment on tangible assets	-	8
TOTAL	**408**	**402**

13.2 – Finance leases

Tangible assets primarily comprise the following finance leases:

	Dec. 31, 2013	Dec. 31, 2012
Land	1	1
Buildings	30	45
Machinery and equipment	31	31
Other tangible assets	2	2
Accumulated depreciation	(41)	(68)
ASSETS UNDER FINANCE LEASE, NET	**23**	**11**

Future minimal rental commitments on finance lease properties at December 31, 2013 break down as follows:

	Minimum payments	Discounted minimum payments
Less than one year	4	5
Between one and five years	6	10
Five years and more	-	-
TOTAL COMMITMENTS	**10**	**15**
Discounting effect	5	
Discounted minimum payments	**15**	

13.3 – Operating leases

Rental expense breaks down as follows:

	Full year 2013	Full year 2012
Minimum rentals	109	121
Conditional rentals	-	-
Sub-lease rentals	3	4
TOTAL RENTAL EXPENSE	**112**	**125**

Operating lease commitments break down as follows at December 31, 2013:

	Minimum payments	Discounted minimum payments
Less than one year	107	106
Between one and five years	257	244
Five years and more	67	57
TOTAL COMMITMENTS	**431**	**407**
Discounting effect	(24)	
Discounted minimum payments	**407**	

Note 14 Investments in associates

Investments in associates can be analyzed as follows:

	% interest		Share net assets		Share in net profit	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Delta Dore Finance	20.0%	20.0%	15	16	1	1
Electroshield TM Samara (1)	-	50.0%	-	303	4	17
Sunten Electric Equipment (2)	40.0%	50.0%	78	100	5	5
Fuji Electric FA Components & Systems	36.8%	36.8%	74	86	12	12
Other	N/A	N/A	5	6	-	(1)
TOTAL	**-**	**-**	**172**	**511**	**22**	**34**

(1) Electroshield – TM Samara is fully consolidated by Schneider Electric Group since the acquisition of the additional 50% shares on March 28, 2013. The impact on the statement of income for December 2013 corresponds to the share in net profit until March 28, 2013.
(2) Schneider Electric disposed 10% of the equity interest held in Sunten Electric Equipment on December 27, 2013.

Note 15 Financial assets

15.1 – Available-for-sale financial assets

Available-for-sale financial assets, primarily comprising investments, are detailed below:

		Dec. 31, 2013			Dec. 31, 2012
	% interest	Gross value	Revaluation/ impairment	Fair value	Fair value
I – Listed available-for-sale financial assets					
NVC Lighting	9.2%	108	(48)	60	57
Gold Peak Industries Holding Ltd	4.4%	6	(4)	3	3
Total listed AFS		**114**	**(52)**	**63**	**60**
II – Unlisted available-for-sale financial assets					
FCPR SEV1	100%	37	13	50	70
SCL Elements Inc. (1)	100%	-	-	-	20
SE Buildings Energy Efficiency	100%	16	-	16	17
FCPR Aster II (part A and B) (2)	100%	14	(3)	11	-
Inversion	35%	10	-	10	10
FCPR SESS	100%	10	-	10	3
Others (3)		15	(11)	4	33
Total unlisted AFS		**102**	**(1)**	**101**	**153**
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS		**216**	**(53)**	**164**	**213**

(1) Companies purchased in 2012.
(2) Included in line FCPR SEV1 in 2012.
(3) Gross unit value of less than EUR5 million.

The fair value of investments quoted in an active market corresponds to the price on the balance sheet date.

NVC Lighting investment was acquired in July 2011 in the framework of a partnership that gives Schneider Electric an exclusive access to NVC Lighting's diffused and well established channels. The cumulated change in fair value of NVC Lighting investment determined on its price share and corresponding to a loss of EUR48 million at closing rate (EUR50 million at average rate) at December 31, 2013, was recorded in income statement, as "Other Financial Expense".

15.2 – Other non-current financial assets

Non Current financial assets total EUR127 million at December 31, 2013.

15.3 – Current financial assets

Current financial assets total EUR28 million at December 31, 2013 and include short-term investments.

Note 16 Deferred taxes by type

Deferred taxes by type can be analyzed as follows:

	Dec. 31, 2013	Dec. 31, 2012*
Deferred tax assets		
Tax credits and tax loss carryforwards	450	354
Provisions for pensions and other post-retirement benefit obligations	484	609
Impairment of receivables and inventory	169	166
Non-deductible provisions for contingencies and accruals	48	59
Other	602	551
TOTAL DEFERRED TAX ASSETS	**1,753**	**1,739**
Deferred tax liabilities		
Differences between tax and accounting depreciation	(113)	(82)
Trademarks and other intangible assets	(276)	(321)
Capitalized development costs (R&D)	(72)	(60)
Other	(533)	(551)
TOTAL DEFERRED TAX LIABILITIES	**(994)**	**(1,014)**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

Deferred tax assets recorded in respect of tax loss carryforwards at December 31, 2012 essentially concern France (EUR326 million).

Note 17 Inventories and work in progress

Inventories and work in process changed as follows:

	Dec. 31, 2013	Dec. 31, 2012
Cost:		
Raw materials	1,354	1,478
Production work in process	281	323
Semi-finished and finished products	1,306	1,512
Goods	378	67
Solution work in process	94	106
INVENTORIES AND WORK IN PROCESS AT COST	**3,413**	**3,486**
Impairment:		
Raw materials	(204)	(200)
Production work in process	(8)	(8)
Semi-finished and finished products	(152)	(169)
Goods	(10)	(13)
Solution work in process	(5)	(7)
IMPAIRMENT LOSS	**(379)**	**(396)**
Net:		
Raw materials	1,150	1,279
Production work in process	273	315
Semi-finished and finished products	1,154	1,342
Goods	368	54
Solution work in process	89	100
INVENTORIES AND WORK IN PROCESS, NET	**3,034**	**3,090**

Note 18 Trade accounts receivable

	Dec. 31, 2013	Dec. 31, 2012
Accounts receivable	5,153	5,310
Notes receivable	184	193
Advances to suppliers	91	92
Accounts receivable at cost	**5,428**	**5,595**
Impairment	(346)	(306)
Accounts receivable, net	**5,082**	**5,289**
Of which:		
On time	4,235	4,291
Less than one month past due	337	395
One to two months past due	175	187
Two to three months past due	87	88
Three to four months past due	61	76
More than four months past due	187	252
ACCOUNTS RECEIVABLE, NET	**5,082**	**5,289**

Accounts receivable result from sales to end-customers, who are widely spread both geographically and economically. Consequently, the Group believes that there is no significant concentration of credit risk.

In addition, the Group takes out substantial credit insurance and uses other types of guarantees to limit the risk of losses on trade accounts receivable.

Changes in provisions for impairment of short and long-term trade accounts receivable were as follows:

	Full year 2013	Full year 2012
Provisions for impairment on January 1	**(306)**	**(259)**
Additions	(58)	(53)
Utilizations	38	22
Reversals of surplus provisions	11	2
Translation adjustments	16	3
Other	(47)	(21)
PROVISIONS FOR IMPAIRMENT ON DECEMBER 31	**(346)**	**(306)**

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Note 19 Other receivables and prepaid expenses

	Dec. 31, 2013	Dec. 31, 2012
Other receivables	298	308
Other tax credits	686	641
Derivative instruments	190	170
Prepaid expenses	194	172
TOTAL	**1,368**	**1,291**

Note 20 Cash and cash equivalents

	Dec. 31, 2013	Dec. 31, 2012
Marketable securities	2,193	1,720
Negotiable debt securities and short-term deposits	342	443
Cash and cash equivalents	2,993	1,574
Total cash and cash equivalents	**5,528**	**3,737**
Bank overdrafts	(140)	(120)
NET CASH AND CASH EQUIVALENTS	**5,388**	**3,617**

Non-recourse factoring of trade receivables were realized during the second semester of 2013 for a total amount of EUR132 million, compared with EUR112 million during the second semester of 2012.

Note 21 Equity

21.1 – Capital

Share capital

The company's share capital at December 31, 2013 amounted to EUR2,247,832,092 represented by 561,958,023 shares with a par value of EUR4, all fully paid up.

At December 31, 2013, a total of 609,815,400 voting rights were attached to the 561,958,023 shares outstanding.

Schneider Electric's capital management strategy is designed to:

- ensure Group liquidity;
- optimize its financial structure;
- optimize the weighted average cost of capital.

The strategy must also ensure the Group has access to different capital markets under the best possible conditions. Factors taken into account for decision-making purposes include objectives expressed in terms of earnings per share, ratings or balance sheet stability. Finally, decisions may be implemented depending on specific market conditions.

Changes in share capital

Changes in share capital since December 31, 2011 were as follows:

	Cumulative number of shares	Total *(in euros)*
Capital at Dec. 31, 2011	**548,943,024**	**2,195,772,096**
Exercise of stock options	2,952,154	11,808,616
Employee share issue	3,521,836	14,087,344
Capital at Dec. 31, 2012	**555,417,014**	**2,221,668,056**
Exercise of stock options	3,788,938	15,155,752
Employee share issue	2,752,071	11,008,284
CAPITAL AT DEC. 31, 2013	**561,958,023**	**2,247,832,092**

The share premium account increased by EUR208,536,503 following the exercise of options and the increases in capital.

21.2 – Ownership structure

	Dec. 31, 2013				Dec. 31, 2012	
	Capital %	Number of shares	Voting rights %	Number of voting rights	Capital %	Voting rights %
Capital Group Companies (1)	5.4	30,561,902	5.0	30,561,902	7.5	6.9
CDC	3.4	19,239,002	6.2	37,693,092	3.7	6.5
Employees	4.2	23,536,150	6.5	39,590,106	4.4	6.8
Own shares (2)	0.0	1,058	-	-	0.0	-
Treasury shares	1.4	7,941,129	-	-	1.5	-
Public	85.6	480,678,782	81.0	494,028,113	82.9	78.4
TOTAL	**100.0**	**561,958,023**	**100.0**	**609,815,400 (2)**	**100.0**	**100.0**

(1) To the best of the company's knowledge.
(2) Number of voting rights as defined in article 223-11 of the AMF general regulations, which includes shares stripped of voting rights.

No shareholders' pact was in effect as of December 31, 2013.

21.3 – Earnings per share

Determination of the share base used in calculation

	Full year 2013		Full year 2012	
(in thousands of shares)	Basic	Diluted	Basic	Diluted
Common shares*	550,682	550,682	543,042	543,042
Stock grants	-	3,459	-	3,281
Stock options	-	1,176	-	1,376
Average weighted number of shares	**550,682**	**555,316**	**543,042**	**547,698**

* *Net of treasury shares and own shares.*

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Earnings per share

	Full year 2013		Full year 2012*	
(in euros)	Basic	Diluted	Basic	Diluted
Profit before tax	4.74	4.70	4.46	4.42
EARNINGS PER SHARE	**3.43**	**3.40**	**3.34**	**3.31**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

21.4 – Dividends paid and proposed

In 2013, the Group paid out the 2012 dividend of EUR1.87 per share (with a nominal value of EUR4), for a total of EUR1,054 million.

In 2012, the Group paid out the 2011 dividend of EUR1.70 per share (with a nominal value of EUR4), for a total of EUR919 million.

In 2011, the Group paid out the 2010 dividend of EUR1.60 per share (with a nominal value of EUR4), for a total of EUR856 million.

At the Shareholders' Meeting of May 6, 2014, shareholders will be asked to approve a dividend of EUR1.87 per share for fiscal year 2013. At December 31, 2013 Schneider Electric SA had distributable reserves in an amount of EUR7,965 million (versus EUR8,563 million at the previous year-end), not including profit for the year.

21.5 – Share-based payments

Current stock option and stock grant plans

The board of directors of Schneider Electric SA and later the management board have set up stock option and stock grant plans for senior executives and certain employees of the Group. The main features of these plans were as follows at December 31, 2013:

Stock option plans

Plan no.	Date of board meeting	Type of plan [(1)]	Starting date of exercise period	Expiration date	Price *(in euros)*	Number of options initially granted	Options cancelled because targets not met
18	03/24/2000	P	03/24/2003	03/23/2008	32.62	2,842,400	1,373,200
19	04/04/2001	S	04/04/2005	04/03/2009	34.06	3,115,700	N/A [(2)]
20	12/12/2001	S	12/12/2005	12/11/2009	25.63	3,200,000	333,600
21	02/05/2003	S	02/05/2007	02/04/2011	22.60	4,000,000	283,800
22	02/05/2003	S	06/05/2003	02/04/2011	22.60	222,000	N/A [(2)]
23	05/06/2004	S	10/01/2004	05/05/2012	27.77	214,000	N/A [(2)]
24	05/06/2004	S	05/06/2008	05/05/2012	27.77	4,121,400	188,600
25	05/12/2005	S	10/01/2005	05/11/2013	28.23	277,000	N/A [(2)]
26	06/28/2005	S	06/28/2009	06/27/2013	30.09	4,007,600	-
27	12/01/2005	S	12/01/2009	11/30/2013	35.70	3,229,800	-
28	12/21/2006	S	12/21/2010	12/20/2016	40.67	2,514,240	-
29	04/23/2007	S	04/23/2011	04/22/2017	48.52	166,300	-
30	12/19/2007	S	12/19/2011	12/18/2017	46.00	1,889,852	980,926
31	01/05/2009	S	01/05/2013	01/04/2019	26.06	1,358,000	-
32	08/21/2009	S	08/21/2013	08/20/2019	31.30	10,000	-
33	12/21/2009	S	12/21/2013	12/20/2019	37.92	1,652,686	-
TOTAL						**32,820,978**	**3,160,126**

(1) S = Options to subscribe new shares. P = Options to purchase existing shares.
(2) Not applicable because no vesting conditions were set.

Rules governing the stock option plans are as follows:

- to exercise the option, the grantee must be an employee or corporate officer of the Group. Vesting is also conditional on the achievement of performance criteria;
- the options expire after eight to ten years;
- the vesting period is three or four years in the United States and four years in the rest of the world.

Stock grants

Plan no.	Date of board meeting	Vesting Date	Expiration Date	Number of shares granted originally	Grants cancelled because targets not met
1	12/21/2006	12/21/2009	12/21/2011	104,012	-
2	04/23/2007	04/23/2010	04/23/2012	4,428	-
3	12/19/2007	12/19/2010	12/19/2012	132,788	69,434
4	12/19/2007	12/19/2011	12/19/2011	114,500	58,176
5	01/05/2009	01/05/2012	01/05/2014	287,430	-
6	01/05/2009	01/05/2013	01/05/2013	424,702	-
7	08/21/2009	08/21/2012	08/21/2014	2,500	-
8	12/21/2009	12/21/2011	12/21/2013	319,506	-
9	12/21/2009	12/21/2013	12/21/2013	780,790	-
10	12/17/2010	03/17/2013	03/17/2015	665,524	11,409
11	12/17/2010	12/17/2014	12/17/2014	1,161,696	17,237
10 *bis*	07/26/2011	07/26/2013	07/26/2015	3,000	48
11 *bis*	07/26/2011	07/26/2015	07/26/2015	5,882	94
12	07/26/2011	07/26/2015	07/26/2015	19,850	-
13	12/16/2011	12/16/2013	12/16/2015	645,443	-
14	12/16/2011	12/16/2015	12/16/2015	1,386,800	-
13 *ter*	07/27/2012	07/27/2014	07/27/2016	625	-
14 *ter*	07/27/2012	07/27/2016	07/27/2016	1,500	-
15	03/28/2013	03/28/2015	03/28/2017	645,550	-
16	03/28/2013	03/28/2017	03/28/2017	1,844,830	-
15 *bis*	10/24/2013	10/24/2015	10/26/2017	4,500	-
16 *bis*	10/24/2013	10/24/2017	10/24/2017	19,600	-
TOTAL				**8,575,456**	**156,398**

Rules governing the stock grant plans are as follows:

- to receive the stock, the grantee must be an employee or corporate officer of the Group. Vesting is also conditional on the achievement of performance criteria;
- the vesting period is two to four years;
- the lock-up period is zero to two years.

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Outstanding options and grants

Change in the number of options

Plan no.	Number of options outstanding Dec. 31, 2012	Number of options exercised and/or created in 2013	Number of options cancelled in 2013 (1)	Number of options outstanding Dec. 31, 2013
25	27,610	(10,440)	(17,170)	-
26	431,591	(339,571)	(92,020)	-
27	1,106,285	(967,703)	(138,582)	-
28	1,347,548	(470,595)	(9,898)	867,055
29	110,900	(28,025)	(12,000)	70,875
30	711,240	(229,933)	(4,480)	476,827
31	1,075,770	(516,611)	(1,800)	557,359
32	10,000	(10,000)	-	-
33	1,565,526	(187,942)	(41,470)	1,336,114
TOTAL	**6,386,470**	**(2,760,820)**	**(317,420)**	**3,308,230**

(1) Including cancellations due to targets not being met or options being granted to employees without being exercised.

To exercise the options granted under plans 26 to 33, and the SARs, the grantee must be an employee or corporate officer of the Group. In addition, exercise of some options is generally conditional on the achievement of annual objectives based on financial indicators.

In respect of subscription vesting conditions for current stock option plans, Schneider Electric SA has created 3,788,938 shares in 2013.

Change in the number of stock grants

Plan no.	Number of stock grants at Dec. 31, 2012	Number of existing or new shares grants in 2013	Number of shares cancelled in 2013	Number of shares outstanding at Dec. 31, 2013
6	362,796	(357,420)	(5,376)	-
7	-	-	-	-
8	-	-	-	-
9	713,890	(670,698)	(43,192)	-
10	657,952	(646,543)	(11,409)	-
11	1,106,826	-	(69,125)	1,037,701
10 *bis*	3,000	(2,952)	(48)	-
11 *bis*	5,882	-	(94)	5,788
12	19,850	-	-	19,850
13	646,743	-	(10,500)	636,243
13 *ter*	625	-	-	625
14	1,354,386	-	(61,615)	1,292,771
14 *ter*	600	900	-	1,500
15	-	645,550	(5,600)	639,950
15 *bis*	-	4,500	-	4,500
16	-	1,844,830	(47,350)	1,797,480
16 *bis*	-	19,600	-	19,600
TOTAL	**4,872,550**	**4,191,193**	**(254,309)**	**5,456,008**

For stock grants to vest, the grantee must be an employee or corporate officer of the Group. In addition, vesting of some stock grants is conditional on the achievement of annual objectives based on financial indicators.

21.5.1 Valuation of share-based payments

Stock option valuation

In accordance with the accounting policies described in note 1.20, the stock option plans have been valued on the basis of an average estimated life of between seven and ten years using the following assumptions:

- expected volatility of between 20% and 28%, corresponding to capped historical volatility;
- a payout rate of between 3.0% and 4.5%;
- a discount rate of between 2.9% and 4.5%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).

Based on these assumptions, the amount recorded under "Selling, general and administrative expenses" for stock grant plans set up after November 7, 2002 breaks down as follows:

	Full year 2013	Full year 2012
Plan 31	-	1
Plan 32	0	-
Plan 33	3	3
TOTAL	**3**	**4**

Valuation of stock grants

In accordance with the accounting policies described in note 1.20, the stock grant plans have been valued on the basis of an average estimated life of between four and five years using the following assumptions:

- a payout rate of between 3.0% and 4.5%;
- a discount rate of between 1.6% and 4.5%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).

Based on these assumptions, the amount recorded under "Selling, general and administrative expenses" for stock grant plans set up after November 7, 2002 breaks down as follows:

	Full year 2013	Full year 2012
Plan 5	-	-
Plan 6	-	1
Plan 7	-	-
Plan 8	-	-
Plan 9	4	5
Plan 10	2	14
Plan 11	11	12
Plan 10 *bis*	0	-
Plan 11 *bis*	0	-
Plan 12	0	-
Plan 13	10	11
Plan 14	9	10
Plan 15	12	-
Plan 15 *bis*	0	-
Plan 16	15	-
Plan 16 *bis*	0	-
TOTAL	**63**	**53**

21.5.2 Worldwide Employee Stock Purchase Plan

Schneider Electric gives its employees the opportunity to become group shareholders thanks to employee share issues. Employees in countries that meet legal and fiscal requirements have the choice between a classic and a leveraged plan.

Under the classic plan, employees may purchase Schneider Electric shares at a 15% to 20% discount to the price quoted for the shares on the stock market. Employees must then hold their shares for five years, except in certain cases provided for by law. The share-based payment expense recorded in accordance with IFRS 2 is measured by reference to the fair value of the discount on the locked-up shares. The lock-up cost is determined on the basis of a two-step strategy that involves first selling the locked-up shares on the forward market and then purchasing the same number of shares on the spot market (i.e., shares that may be sold at any time) using a bullet loan.

This strategy is designed to reflect the cost that, the employee would incur during the lock-up period to avoid the risk of carrying the shares subscribed under the classic plan. The borrowing cost corresponds to the cost of borrowing for the employees concerned, as they are the sole potential buyers in this market. It is based on the average interest rate charged by banks for an ordinary, non-revolving personal loan with a maximum maturity of five years granted to an individual with an average credit rating.

Under the leveraged plan, employees may also purchase Schneider Electric shares at a 15% to 20% discount from the price quoted on the stock market. However, the leveraged plan offers a different yield profile as a third-party bank top up the employee's initial investment, essentially multiplying the amount paid by the employee. The total is invested in Schneider Electric shares at a preferential price. The bank converts the discount transferred by the employee into funds with a view to securing the yield for the employee and increasing the indexation on a leveraged number (factor of 4.4 in 2013) of directly subscribed shares.

As with the classic plan, and as per IFRS 2, the share-based payment expense is determined by reference to the fair value of the discount on the locked-up shares (see above). In addition, it includes the value of the benefit corresponding to the issuer's involvement in the plan, which means that employees have access to share prices with a volatility profile adapted to institutional investors rather than to the prices and volatility profile they would have been offered if they had purchased the shares through their retail banks. The volatility differential is treated as a discount equivalent that reflects the opportunity gain offered to employees under the leveraged plan.

As regards the first semester 2013, Schneider Electric offers to its employees the opportunity to purchase shares at a price of EUR50.89 or EUR47.90 per share, depending on the country, as part of its commitment to employee share ownership, on June 5, 2013. This represented a 15% to 20% discount to the reference price of EUR59.87 calculated as the average opening price quoted for the share during the 20 days preceding the management board's decision to launch the employee share issue.

Altogether, 2.7 million shares were subscribed, increasing the company's capital by EUR133 million as of July 11, 2013. Due to significant changes in valuation assumptions, specifically the interest rate available to market participant, the value of the lock-up period is higher than the discount cost. Therefore the Group did not recognize any cost related to the transaction.

The tables below summarize the main characteristics of the plans, the amounts subscribed, the valuation assumptions and the plans' cost for 2013 and 2012.

	Full year 2013		Full year 2012	
Non leveraged plans	**%**	**Value**	**%**	**Value**
Plan characteristics				
Maturity *(years)*		5		5
Reference price *(euros)*		59.87		43.12
Subscription price *(euros)*:				
between		50.89		36.66
and		47.90		34.5
Discount:				
between	15.0%		15.0%	
and	20.0%		20.0%	
Amount subscribed by employees		98,0		75.9
Total amount subscribed		98,0		75.9
Total number of shares subscribed *(millions of shares)*		2		2.1
Valuation assumptions				
Interest rate available to market participant *(bullet loan)* (1)	4.8%		5.5%	
Five year risk-free interest rate (euro zone)	0.8%		1.5%	
Annual interest rate *(repo)*	1.0%		1.0%	
(a) Value of discount:				
between	15.0%	8.4	15.0%	6.4
and	20.0%	12.7	20.0%	10.0
(b) Value of the lock-up period for market participant	**26.3%**	**31.3**	**26.2%**	**24.1**
Total expense for the Group (a-b)		**0**		**0**
Sensitivity				
• decrease in interest rate for market participant (2)	(0.5%)	3.4	(0.5%)	2.5

Amounts in millions of euros, unless otherwise stated.

(1) Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to an individual with an average credit rating.

(2) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

	Full year 2013		Full year 2012	
Leveraged plans	**%**	**Value**	**%**	**Value**
Plan characteristics				
Maturity *(years)*		5		5
Reference price *(euros)*		59.87		43.12
Subscription price *(euros)*:				
between		50.89		36.66
and		47.90		34.50
Discount:				
between	15.0%		15.0%	
and	20.0%		20.0%	
Amount subscribed by employees		3.5		4.8
Total amount subscribed		35.4		47.8
Total number of shares subscribed *(millions of shares)*		0.7		1.4
Valuation assumptions				
Interest rate available to market participant *(bullet loan)* (1)	4.8%		5.5%	
Five year risk-free interest rate (euro zone)	0.8%		1.5%	
Annual dividend rate	3.0%		3.0%	
Annual interest rate *(repo)*	1.0%		1.0%	
Retail/institutional volatility spread	5.0%		5.0%	
(a) Value of discount:				
between	15.0%	0	15.0%	0
and	20.0%	8.9	20.0%	11.9
(b) Value of the lock-up period for market participant	**26.3%**	**11.7**	**26.2%**	**15.6**
(c) Value of the opportunity gain (2)	**3.3%**	**1.5**	**1.3%**	**1.2**
Total expense for the Group (a-b+c)		**0**		**0**
Sensitivity				
• decrease in interest rate for market participant (3)	(0.5%)	1.3	(0.5%)	1.6

Amounts in millions of euros, unless otherwise stated.
(1) Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to an individual with an average credit rating.
(2) Calculated using a binomial model.
(3) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

21.6 – Schneider Electric SA shares

At December 31, 2013, the Group held 7,941,129 Schneider Electric shares in treasury stock, which have been recorded as a deduction from retained earnings.

21.7 – Tax on equity

Total income tax recorded in Equity amounts to EUR309 million as of December 31, 2013 and can be analyzed as follows:

	Dec. 31, 2013	Dec. 31, 2012*	Change in tax
Cash-flow hedges	93	89	4
Available-for-sale financial assets	(8)	(8)	-
Actuarial gains (losses) on defined benefits	225	314	(89)
Other	(1)	(1)	-
TOTAL	**309**	**394**	**(85)**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

Note 22 Pensions and other post-employment benefit obligations

The Group has set up various post-employment benefit plans for employees covering pensions, termination benefits, healthcare, life insurance and other benefits, as well as long-term benefit plans for active employees, primarily long service awards and similar benefits, mainly in France.

First application of IAS 19 Revised at January 1, 2013

IAS 19 Revised has been applied since January 1, 2013 with a retroactive effect from January 1, 2012 on the comparative statements for the first half 2012. The 2012 figures have been restated for the impact of application of revised IAS 19, namely:

- an increase of consolidated reserves of EUR12 million at January 1, 2012;
- a net cost of EUR27 million on the 2012 income statement;
- a net income of EUR26 million in other comprehensive income in 2012.

Assumptions and sensitivity analysis

Actuarial valuations are generally performed each year. The assumptions used vary according to the economic conditions prevailing in the country concerned, as follows:

	Weighted average rate		*Of which US*	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Discount rate	4.1%	3.5%	4.7%	3.75%
Rate of compensation increases	2.4%	2.4%	N/A	N/A
Interest income				
• Under IAS 19 (1)	N/A	6.3%	N/A	7.5%
• Under IAS 19R (2)	3.6%	4.4%	3.75%	4.6%

(1) Corresponding to the 2011 and 2012 rates.
(2) Under IAS 19R, the rate applied in the calculation of the interest income (previously expected return on plan assets) is the discount rate of the period.

The discount rate is determined on the basis of the interest rate for investment-grade (AA) corporate bonds or, if a liquid market does not exist, government bonds with a maturity that matches the duration of the benefit obligation. In the United States, the average discount rate is determined on the basis of a yield curve for investment-grade (AA and AAA) corporate bonds.

The discount rate currently stands at 3.00% for 10 years duration and 3.30% for 15 years duration in the euro zone, 4.70% in the United States and 4.50% in the United Kingdom.

A 0.5 point increase in the discount rate would reduce pension and termination benefit obligations by around EUR163 million and the service cost by EUR2 million. A 0.5 point decrease would increase pension and termination benefit obligations by EUR187 million and the service cost by EUR2 million.

The post-employment healthcare obligation mainly concerns the United States. A one point increase in the healthcare costs rate would increase the post-employment healthcare obligation by EUR26 million and the sum of the service cost and interest cost by EUR1 million. A one point decrease in healthcare costs rate would decrease the post-employment healthcare obligation by EUR23 million and the sum of the service cost and interest cost by EUR1 million.

In 2013, the rate of healthcare cost increases in the United States is based on a decreasing trend from 7.33% in 2014 to 4.5% in 2023. The rate of healthcare cost increases in the United States was based on a decreasing trend from 7.67% in 2013 to 4.5% in 2023 at December 31, 2012. The rate in France was estimated at 4% in 2013 and at 4% in 2012.

Pensions and termination benefits

Pension obligations primarily concern the Group's North American and European subsidiaries. These plans feature either a lump-sum payment on the employee's retirement or regular pension payments after retirement. The amount is based on years of service, grade and end-of-career salary. The average duration of the North American plans is 12.7 years.

Pension obligations also include top-hat payments granted to certain senior executives guaranteeing supplementary retirement income beyond that provided by general, mandatory pension schemes.

The majority of benefit obligations under these plans, which represent 85% of the Group's total commitment or EUR2,253 million at December 31, 2013, are partially or fully funded through payments to external funds. These funds are not invested in Group assets.

External funds are invested in equities (around 33%), bonds (around 59%), real estate (around 5%) and cash (around 3%).

Main contributions are primarily for the North American plans and amount to EUR35 million in 2013. They are estimated at EUR44 million for 2014, EUR57 million for 2015 and EUR61 million for 2016.

At December 31, 2013, provisions for pensions and termination benefits total EUR1,061 million, compared with EUR1,488 million in 2012. These provisions have been included in non-current liabilities, as the current portion was not considered material in relation to the total liability.

Payments made under defined contribution plans are recorded in the income statement in the year of payment and are in full settlement of the Group's liability. Defined contribution plan payments total EUR62 million in 2013, compared with EUR70 million in 2012.

Other post-employment and long-term benefits: including healthcare, life insurance and long service awards

The North American subsidiaries pay certain healthcare costs and provide life insurance benefits to retired employees who fulfill certain criteria in terms of age and years of service. The average duration of these North American plans is 10.5 years. These post-employment benefit obligations are unfunded.

Healthcare coverage for North American employees represents 73% of this obligation.

The main benefits paid in 2013 are primarily for the North American plans and amount to EUR19 million. They are estimated at EUR18 million for each of the next 3 years.

The assumptions used to determine post-employment benefit obligations related to healthcare and life insurance are the same as those used to estimate pension benefit obligations in the country concerned.

Other long-term benefit obligations include healthcare coverage plans in Europe, for EUR85 million, and long-service awards due by subsidiaries in France, for EUR12 million.

At December 31, 2013, provisions for these benefit obligations total EUR425 million, compared with EUR488 million at December 31, 2012. These provisions have been included in non-current liabilities, as the current portion was not considered material in relation to the total liability.

22.1 – Changes in provisions for pensions and other post-employment benefit obligations

Changes in provisions for pensions and other post-employment benefit obligations (net of plan assets) were as follows:

	Pensions and termination benefits	*Of which SE USA*	Other post-employment and long-term benefits	*Of which SE USA*	Provisions for pensions & other post-employment benefits
Dec. 31, 2011	**1,263**	**395**	**460**	**349**	**1,723**
Net cost recognized in the statement of income	74	(2)	11	(9)	85
Benefits paid	(33)	-	(29)	(20)	(62)
Plan participants' contributions	(103)	(9)	2	2	(101)
Actuarial items recognized in equity	291	116	29	14	320
Translation adjustment	(10)	(10)	(7)	(6)	(17)
Changes in the scope of consolidation	6	-	21	-	27
Other changes	-	-	1	2	1
Dec. 31, 2012 published	**1,488**	**490**	**488**	**332**	**1,976**
IAS 19R restatement					
Recognition of past services costs	1	1	(18)	(18)	(17)
Dec. 31, 2012 IAS 19R	**1,489**	**491**	**470**	**314**	**1,959**
Net cost recognized in the statement of income	(33)	25	(1)	(21)	(34)
Benefits paid	(44)	-	(32)	(19)	(76)
Plan participants' contributions	(64)	(35)	2	2	(62)
Actuarial items recognized in equity	(262)	(196)	6	(5)	(256)
Translation adjustment	(32)	(14)	(18)	(12)	(50)
Changes in the scope of consolidation	3	3	(4)	-	(1)
Other changes	4	-	1	2	5
Dec. 31, 2013	**1,061**	**274**	**424**	**261**	**1,485**

The application of IAS 19 Revised led to a decrease of EUR19 million of the provision for pensions and other post-employment benefit obligations at January 1, 2012 linked to the recognition of the past services cost unrecognized under IAS 19 (impact of EUR17 million at January 1, 2013, due to the amortizations of the unrecognized past service costs in 2012).

Changes in gross items recognized in equity were as follows:

	Pensions and termination benefits	Other post-employment and long-term benefits	Provisions for pensions & other post-employment benefits
Dec. 31, 2011	**709**	**(35)**	**674**
Actuarial (gains)/losses on projected benefit obligation	340	28	368
Actuarial (gains)/losses on plan assets	(49)	-	(49)
Effect of the asset ceiling	-	-	-
Dec. 31, 2012 published	**1,000**	**(7)**	**993**
IAS 19R restatement			
Impact of the application of the discount rate in the estimation of the interest income (previously expected return on assets)	(39)	-	(39)
Dec. 31, 2012 IAS 19R	**961**	**(7)**	**954**
Actuarial (gains)/losses on projected benefit obligation arising from demographic assumptions	(1)	(4)	(5)
Actuarial (gains)/losses on projected benefit obligation arising from financial assumptions	(198)	(22)	(220)
Actuarial (gains)/losses on projected benefit obligation from experience effects	11	32	43
Actuarial (gains)/losses on plan assets	(74)	-	(74)
Effect of the asset ceiling	-	-	-
Dec. 31, 2013	**699**	**(1)**	**698**

22.2 – Provisions for pensions and termination benefit obligations

Annual changes in obligations, the market value of plan assets and the corresponding assets and provisions recognized in the consolidated financial statements can be analyzed as follows:

	Dec. 31, 2013		Dec. 31, 2012 IAS 19R		Dec. 31, 2012 Published	
		Of which SE USA		*Of which SE USA*		*Of which SE USA*
1. Reconciliation of balance sheet items						
Pension assets			-	-	-	-
Provisions for pensions and other post-employment benefit	(1,061)	(274)	(1,489)*	(491)*	(1,488)	(490)
NET ASSET/(LIABILITY) RECOGNIZED IN THE BALANCE SHEET	**(1,061)**	**(274)**	**(1,489)***	**(491)***	**(1,488)**	**(490)**

* *Including the IAS 19R restatement of the recognition of past services costs described on paragraph 22.1.*

	Full year 2013		Full year 2012 IAS 19R		Full year 2012 Published	
		Of which SE USA		Of which SE USA		Of which SE USA
2. Components of net cost recognized in the statement of income						
Service cost	52	3	48	3	48	3
Past service cost	(132)	-	1	-	1	-
Curtailments and settlements	(6)	-	-	-	-	-
Interest cost (effect of discounting)	103	49	116	55	116	55
Interest income	(50)	(27)	(52)	(29)	(91)	(60)
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	**(33)**	**25**	**113**	**29**	**74**	**(2)**

	Full year 2013		Full year 2012	
		Of which SE USA		Of which SE USA
3. Change in projected benefit obligation				
Projected benefit obligation at beginning of year	3,061	1,344	2,685	1,210
Service cost	52	3	48	3
Past service cost/Curtailments and Settlements	(160)	-	1	-
Interest cost (effect of discounting)	103	49	116	55
Plan participants' contributions	4	-	4	-
Benefits paid	(126)	(54)	(119)	(54)
Changes in the scope of consolidation	3	3	8	-
Actuarial (gains)/losses recognized in equity	(188)	(157)	340	157
Translation adjustments	(95)	(52)	(17)	(27)
Other	4	-	(5)	-
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	**2,658**	**1,136**	**3,061**	**1,344**

Plans changes occurred in France, Norway and United-Kingdom.

Actuarial gains and losses have been fully recognized in other reserves. They stem mainly from changes in financial actuarial assumptions (primarily discount rates) used to measure obligations in the United States, the United Kingdom and the euro zone.

At December 31, 2013, actuarial gains resulting from changes in financial assumptions on pension and termination benefit obligations total EUR198 million for the Group compared to EUR230 million of losses at December 31, 2012. At December 31, 2013, the gains resulting from changes in demographic assumptions on pension and termination benefit obligations total EUR1 million for the Group compared to EUR43 million of losses at December 31, 2012.

At December 31, 2013, actuarial losses relative to the effects of experience on pension and termination benefit obligations total EUR11 million for the Group compared to EUR67 million at December 31, 2012.

	Full year 2013		Full year 2012 IAS 19R		Full year 2012 Published	
		Of which SE USA		Of which SE USA		Of which SE USA
4. Change in fair value of plan assets						
Fair value of plan assets at beginning of year	1,572	853	1,421	814	1,421	814
Interest income	50	27	52*	29*	91	60
Plan participants' contribution	4	-	4	-	4	-
Employer contributions	64	35	103	9	103	9
Benefits paid	(82)	(54)	(86)	(54)	(86)	(54)
Actuarial gains/(losses) recognized in equity	74	39	88	72	49	41
Changes in the scope of consolidation	-	-	2	-	2	-
Translation adjustments	(63)	(38)	(7)	(17)	(7)	(17)
Curtailments and settlements	(22)	-	-	-	-	-
Other	-	-	(5)	-	(5)	-
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**1,597**	**862**	**1,572**	**853**	**1,572**	**853**

* *Including the IAS 19R impact of the change in rate in the calculation on the interest income (expected return on assets), calculated under IAS 19R with the discount rate of the period.*

For comparison, the net cost recognized in the statement of income increased by EUR39 million for the full year 2012 under IAS 19R due to the use of discount rates in the calculation of expected return on assets.

At December 31, 2013, the actual return on plan assets was EUR124 million compared with EUR140 million at December 31, 2012.

Actuarial gains and losses have been fully recognized in other reserves.

	Full year 2013		Full year 2012 IAS 19R		Full year 2012 Published	
		Of which SE USA		*Of which SE USA*		*Of which SE USA*
5. Funded status						
Projected benefit obligation	(2,658)	(1,136)	(3,061)	(1,344)	(3,061)	(1,344)
Fair value on plan assets	1,597	862	1,572	853	1,572	853
Surplus/(Deficit)	(1,061)	(274)	(1,489)	(491)	(1,489)	(491)
Effect of the asset ceiling	-	-	-	-	-	-
Deferred items:						
Unrecognized past service cost	-	-	-	-	1	1
(LIABILITIES)/NET ASSET RECOGNIZED IN THE BALANCE SHEET	**(1,061)**	**(274)**	**(1,489)**	**(491)**	**(1,488)**	**(490)**

22.3 – Provisions for healthcare costs, life insurance benefits and other post-employment benefits

Changes in provisions for other post-employment and long-term benefits were as follows:

	Full year 2013	Full year 2012 IAS 19R	Full year 2012 Published
1. Components of net cost recognized in the statement of income			
Service cost	20	17	17
Interest cost (effect of discounting)	15	18	18
Interest income	-	-	-
Past service cost	-	-*	(2)
Curtailments and settlements	(34)	(23)	(23)
Amortization of actuarial gains & losses	(2)	1	1
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	**(1)**	**13**	**11**

* *Including the IAS 19R restatement of the recognition of past services costs described on paragraph 22.1.*

Amortization of actuarial gains and losses concerns long-term benefits for active employees, notably long service awards in France.

The healthcare plan amendment to limit the Group's obligations to current and future retirees in the US decreased the benefit obligation of EUR34 million for the full year 2013.

	Full year 2013	Full year 2012
2. Change in projected benefit obligation		
Projected benefit obligation at beginning of year	470	440
Service cost	20	17
Interest cost (effect of discounting)	15	18
Plan participants' contribution	2	2
Benefits paid	(32)	(29)
Actuarial (gains)/losses recognized in equity	6	29
Past service cost	(34)	(23)
Changes in the scope of consolidation	0	21
Translation adjustments	(18)	(7)
Other (including curtailments and settlements)	(5)	2
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	**424**	**470**

Actuarial gains and losses have been fully recognized in other reserves except for long-term benefits for active employees, notably long service awards in France, for which all actuarial gains and losses are recognized in the income statement. Actuarial gains and losses stem from changes in actuarial assumptions (primarily discount rates).

At December 31, 2013, actuarial losses relative to the effects of experience on healthcare costs, life insurance and other post-employment benefits total EUR32 million for the Group compared to EUR11 million at December 31, 2012.

	Dec. 31, 2013	Dec. 31, 2012 IAS 19R	Dec. 31, 2012 Published
3. Funded status			
Projected benefit obligation	(424)	(470)	(470)
Deferred items:	-		
Unrecognized past service cost	-	*	(18)
PROVISION RECOGNIZED IN BALANCE SHEET	**(424)**	**(470)**	**(488)**

* *Including the IAS 19R restatement of the recognition of past services costs described on paragraph 22.1.*

Note 23 Provisions

	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
Dec. 31, 2011	**739**	**87**	**420**	**57**	**137**	**200**	**1,640**
Long-term portion	*388*	*34*	*81*	*28*	*18*	*131*	*680*
Additions	121	14	150	3	112	126	526
Discounting effect	-	-	-	-	-	6	6
Utilizations	(65)	(12)	(143)	(13)	(90)	(107)	(430)
Reversals of surplus provisions	(94)	(7)	(40)	-	(22)	(14)	(177)
Translation adjustments	(21)	(1)	(4)	-	-	(5)	(31)
Changes in the scope of consolidation and other	20	15	27	23	(5)	101	181
Dec. 31, 2012	**700**	**96**	**410**	**70**	**132**	**307**	**1,715**
Long-term portion	*430*	*44*	*93*	*55*	*12*	*151*	*785*
Additions	97	25	115	4	103	135	479
Discounting effect	-	-	-	-	-	(1)	(1)
Utilizations	(70)	(23)	(93)	(13)	(83)	(116)	(398)
Reversals of surplus provisions	(117)	(11)	(29)	(1)	(12)	(14)	(184)
Translation adjustments	(39)	(6)	(20)	(3)	(3)	(17)	(88)
Changes in the scope of consolidation and other	96	14	46	5	(4)	24	181
Dec. 31, 2013	**667**	**95**	**429**	**62**	**133**	**318**	**1,704**
Long-term portion	*439*	*43*	*131*	*44*	*9*	*161*	*827*

(a) Economic risks

These provisions cover, in particular, tax risks arising from audits performed by local tax authorities and financial risks arising primarily on guarantees given to third parties in relation to certain assets and liabilities.

(b) Customer risks

These provisions are primarily established to covers risks arising from products sold to third parties. This risk consists of claims based on alleged product defects and product liability.

Provisions for customer risks also integrate the provisions for losses at completion for some of long term contracts, for EUR42 million.

(c) Product risks

These provisions comprise:

- statistical provisions for warranties: the Group funds provisions on a statistical basis for the residual cost of Schneider Electric product warranties not covered by insurance;
- provisions for disputes over defective products;
- provisions to cover disputes related to recalls of clearly identified products.

(d) Environmental risks

These provisions are primarily funded to cover cleanup costs.

The increase and decrease in provisions retreated at statutory cash flow were as follows:

	Dec. 31, 2013	Dec. 31, 2012
Increase of provision	479	526
Utilization of provision	(398)	(430)
Reversal of surplus provision	(184)	(177)
Provision variance including tax provisions but excluding employee benefit obligation	**(103)**	**(81)**
(Tax provisions net variance)	79	2
Provision variance excluding tax provisions and pension benefit obligation	**(24)**	**(79)**
Employee benefit obligation net variance excluding contribution to plan assets	(77)	43
Increase/(decrease) in provisions in cash-flow statement	**(101)**	**(36)**

Note 24 Total (current and non-current) financial liabilities

Non-current financial liabilities break down as follows:

	Dec. 31, 2013	Dec. 31, 2012
Bonds	6,039	6,100
Bank and other borrowings	942	1,373
Lease liabilities	10	11
Employees profit sharing	11	13
Short-term portion of convertible and non-convertible bonds	(717)	(587)
Short-term portion of long-term debt	(363)	(504)
NON-CURRENT FINANCIAL LIABILITIES	**5,922**	**6,406**

Current financial liabilities break down as follows:

	Dec. 31, 2013	Dec. 31, 2012
Commercial paper	1,205	-
Accrued interest	147	147
Other short-term borrowings	365	368
Drawdown of funds from lines of credit	-	-
Bank overdrafts	140	120
Short-term portion of convertible and non-convertible bonds	717	587
Short-term portion of long-term debt	363	504
Short-term debt	2,937	1,726
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**8,859**	**8,132**

24.1 – Breakdown by maturity

	Dec. 31, 2013			Dec. 31, 2012
	Nominal	Interests	Swaps	Nominal
2012				-
2013				1,726
2014	2,937	215	5	1,083
2015	1,071	167	2	1,061
2016	758	154	-	761
2017	1,158	125	-	1,148
2018	773	83	-	760
2019 and beyond	2,162	133	-	1,593
TOTAL	**8,859**	**877**	**7**	**8,132**

24.2 – Breakdown by currency

	Dec. 31, 2013	Dec. 31, 2012
Euro	6,757	5,993
US Dollar	1,166	1,266
Brazilian Real	264	204
Japanese Yen	239	312
Indian Rupee	112	95
Australian Dollar	101	14
Indonesian Rupiah	36	32
Chinese Yuan	30	100
Other	154	116
TOTAL	**8,859**	**8,132**

24.3 – Bonds

	Dec. 31, 2013	Dec. 31, 2012	Effective interest rate	Maturity
Schneider Electric SA 2013	-	587	CMS 10 + 1.000% variable and 6.750% fixed	July 2013
Schneider Electric SA 2014	717	726	Libor USD +0.490% variable and 4.500% fixed	January 2014
Schneider Electric SA 2015	750	749	5.375% fixed	January 2015
Schneider Electric SA 2016	661	708	Euribor + 0.600% variable and 0.849%, 0.846%, 2.875% fixed	July, November, December 2016
Schneider Electric SA 2017	1,001	994	4.000% fixed	August 2017
Schneider Electric SA 2018	745	744	3.750% fixed	July 2018
Schneider Electric SA 2019	496	496	3.500% fixed	January 2019
Schneider Electric SA 2020	496	495	3.625% fixed	July 2020
Schneider Electric SA 2021	597	-	2.500% fixed	September 2021
Schneider Electric SA 2022	576	601	2.950% fixed	September 2022
TOTAL	**6,039**	**6,100**		

Schneider Electric SA has issued bonds on different markets:

- in the United States, through a private placement offering following SEC 144A rule, for USD800 million worth of bonds issued in September 2012, at a rate of 2.950%, due in September 2022;
- as part of its Euro Medium Term Notes (EMTN) program, which bonds are traded on the Luxembourg stock exchange. Issues that were not yet due as of December 31, 2013 are as follow:
  - EUR600 million worth of bonds issued in September 2013, at a rate of 2.5%, due in September 2021,
  - JPY22.5 billion worth of bonds issued in 2011, comprising a first JPY12.5 billion tranche at a rate of 0.849% issued in November and due in November 2016 and a second JPY10 billion tranche at a rate of 0.84625% issued in December due in December 2016,
  - EUR500 million worth of bonds issued in September 2011, at a rate of 3.5%, due in January 2019,
  - EUR750 million worth of bonds issued in July 2011, at a rate of 3.75%, due in July 2018,
  - USD300 million worth of bonds issued in July 2011, at a rate variable rate indexed on the three-month USD Libor, due in July 2014,
  - EUR300 and EUR200 million worth of bonds issued successively in July and October 2010, at a rate of 2.875%, due on July 20, 2016,
  - EUR500 million worth of bonds issued in July 2010, at a rate of 3.625%, due on July 20, 2020,
  - EUR150 million worth of bonds issued in May 2009 to top up the EUR600 million twelve-year tranche, due January 8, 2015, at a rate of 5.375% issued on October 2007, raising the total issue to EUR750 million,
  - EUR250 million worth of bonds issued in March 2009 to top up the EUR780 million twelve-year tranche, at a rate of 4%, issued in August 2005, raising the total issue to EUR1.03 billion,
  - EUR12 million corresponding to the discounted present value of future interest payments on a EUR177 million eight year bond issue (July 25, 2008 to July 25, 2016) indexed to the three month Euribor. The nominal value of the bonds is not recognized in debt because the bond holder has waived its right to repayment of the principal in exchange for the transfer, on a no-recourse basis, of the future cash flows corresponding to the requested refund of a tax receivable,
  - EUR180 million worth of bonds issued in April 2008 to top up the EUR600 million twelve-year tranche, at a rate of 4%, issued in August 2005, raising the total issue to EUR780 million,
  - EUR600 million worth of bonds issued in October 2007, at a rate of 5.375%, due on January 8, 2015,
  - EUR1 billion worth of bonds issued in July 2006, comprising a EUR500 million five-year variable rate tranche indexed to the three month Euribor and a EUR500 million 7 1/2-year tranche at 4.5%. On July 17, 2011 the first tranche was reimbursed,
  - EUR600 million worth of bonds issued in August 2005, at a rate of 4%, due on August 2017.

For all those transactions, issue premium and issue costs are amortized according to the effective interest method.

24.4 – Other information

At December 31, 2013 Schneider Electric had confirmed credit lines of EUR2,650 million, all unused. This amount excludes the GBP1.5 billion certain funds bridge facility agreement set up for the acquisition of Invensys.

Loan agreements and committed credit lines do not include any financial covenants or credit rating triggers in case of downgrading in Company's long term debt.

Note 25 Other non-current liabilities

	Dec. 31, 2013	Dec. 31, 2012
Debt related to acquisitions	15	25
Electroshield – TM Samara acquisition debt	-	50
Debt on Luminous valuation	92	72
Other	31	48
OTHER NON-CURRENT LIABILITIES	**138**	**195**

The debt on Luminous valuation corresponds to the Group commitments on the minority interest (26%) in Luminous.

Note 26 Financial instruments

The Group uses financial instruments to manage its exposure to fluctuations in interest rates, exchange rates and metal prices.

26.1 – Balance sheet exposure

	Dec. 31, 2013			Breakdown by category		
	Fair Value	Fair value through P&L	Fair value through equity	Available-for-sale financial assets	Loans and account receivables	Financial liabilities measured at amortized cost
ASSETS						
Available-for-sale financial assets	164	-	-	164	-	-
Other non-current financial assets	127	-	-	-	127	-
TOTAL NON-CURRENT ASSETS	**291**	**-**	**-**	**164**	**127**	**-**
Trade accounts receivable	5,082	-	-	-	5,082	-
Other receivables	-	-	-	-	-	-
Current financial assets	28	28	-	-	-	-
Marketable securities	2,193	2,193	-	-	-	-
Derivative instrument – foreign currencies	145	104	41	-	-	-
Derivative instrument – interest rates	-	-	-	-	-	-
Derivative instrument – commodities	-	-	-	-	-	-
Derivative instrument – shares	46	44	2	-	-	-
TOTAL CURRENT ASSETS	**7,494**	**2,369**	**43**	**-**	**5,082**	**-**
LIABILITIES						
Long-term portion of bonds*	(5,704)	-	-	-	-	(5,704)
Other long-term debt	(600)	-	-	-	-	(600)
TOTAL NON-CURRENT LIABILITIES	**(6,304)**	**-**	**-**	**-**	**-**	**(6,304)**
Short-term portion of bonds*	(718)	-	-	-	-	(718)
Short-term debt	(2,220)	-	-	-	-	(2,220)
Trade accounts payable	(3,713)	-	-	-	-	(3,713)
Other	(35)	-	-	-	-	(35)
Derivative instrument – foreign currencies	(11)	(11)	-	-	-	-
Derivative instrument – interest rates	(8)	-	(8)	-	-	-
Derivative instrument – commodities	(3)	-	(3)	-	-	-
Derivative instrument – shares	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	**(6,708)**	**(11)**	**(11)**	**-**	**-**	**(6,686)**

* *Overall, the financial instruments listed in the balance sheet are accounted at the fair value, except for the bonds for which the amortized cost represents EUR6,422 million compared to EUR6,039 million reflected in the balance sheet.*

The impact of financial instruments, by category, on profit and equity was as follows:

- the main impact on profit concerned interest income and expense; a foreign exchange derivative, not documented as hedging, incurred, on the second half of 2013, a gain of EUR46 million in Exchange gains and losses;
- the impact on equity primarily stemmed from the measurement of available-for-sale financial assets and derivative instruments at fair value and from translation adjustments of foreign currency loans, receivables and liabilities.

	Dec. 31, 2012		Breakdown by category			
	Fair Value	Fair value through P&L	Fair value through equity	Available-for-sale financial assets	Loans and account receivables	Financial liabilities measured at amortized cost
ASSETS						
Available-for-sale financial assets	213	-	-	213	-	-
Other non-current financial assets	108	-	-		108	-
TOTAL NON-CURRENT ASSETS	**321**	**-**	**-**	**213**	**108**	**-**
Trade accounts receivable	5,289	-	-	-	5,289	-
Other receivables	-	-	-	-	-	-
Current financial assets	127	127	-	-	-	-
Marketable securities	1,720	1,720	-	-	-	-
Derivative instrument – foreign currencies	91	62	29	-	-	-
Derivative instrument – interest rates	9	9		-	-	-
Derivative instrument – commodities	-	-	-	-	-	-
Derivative instrument – shares	70	72	(2)	-	-	-
TOTAL CURRENT ASSETS	**7,306**	**1,990**	**27**	**-**	**5,289**	**-**
LIABILITIES						
Long-term portion of bonds*	(6,042)	-	-	-	-	(6,042)
Other long-term debt	(892)	-	-	-	-	(892)
TOTAL NON-CURRENT LIABILITIES	**(6,934)**	**-**	**-**	**-**	**-**	**(6,934)**
Short-term portion of bonds*	(603)	-	-	-	-	(603)
Short-term debt	(1,139)	-	-	-	-	(1,139)
Trade accounts payable	(4,190)	-	-	-	-	(4,190)
Other	(36)	-	-	-	-	(36)
Derivative instrument – foreign currencies	(53)	(49)	(4)	-	-	-
Derivative instrument – interest rates	(21)	-	(21)	-	-	-
Derivative instrument – commodities	(2)	-	(2)	-	-	-
Derivative instrument – shares	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	**(6,044)**	**(49)**	**(27)**	**-**	**-**	**(5,968)**

* *Overall, the financial instruments listed in the balance sheet are accounted at the fair value, except for the bonds for which the amortized cost represents EUR6,645 million compared to EUR6,100 million reflected in the balance sheet.*

26.2 – Fair value hierarchy

Financial assets and liabilities can be classified at the fair value following the hierarchy levels below:

1. market value (non-adjusted) on active markets, for similar assets and liabilities, which the company can get at the valuation date;
2. incoming information of the asset or liability (other than the market rate available for the level 1) are directly or indirectly accessible;
3. incoming information non accessible regarding the asset or liability

	Dec. 31, 2013				
	Carrying Amount	Fair value	Level 1	Level 2	Level 3
ASSETS					
Available-for-sale financial assets	163	163	63	-	100*
Marketable securities	2,193	2,193	2,193	-	-
Derivative instruments	191	191	-	191	-
LIABILITIES					
Bonds	(6,039)	(6,422)	(6,422)	-	-
Other long-term debt	(600)	(600)	-	-	(600)
Other current liabilities	(5,969)	(5,969)	-	-	(5,969)
Derivative instruments	(22)	(22)	-	(22)	-

* *Unlisted available-for-sale financial assets are tested once a year and impaired when necessary.*

	Dec. 31, 2012				
	Carrying Amount	Fair value	Level 1	Level 2	Level 3
ASSETS					
Available-for-sale financial assets	213	213	60	-	153*
Marketable securities	1,720	1,720	1,720	-	-
Derivative instruments	170	170	-	170	-
LIABILITIES					
Bonds	(6,100)	(6,645)	(6,645)	-	-
Other long-term debt	(893)	(893)	-	-	(893)
Other current liabilities	(5,365)	(5,365)	-	-	(5,365)
Derivative instruments	(76)	(76)	-	(76)	-

* *Unlisted available-for-sale financial assets are tested once a year and impaired when necessary.*

26.3 – Derivative instruments

26.3.1 Foreign currency

Due to the fact that a significant proportion of affiliates' transactions are denominated in currencies other than their functional currencies, the Group is exposed to currency risks. If the Group is not able to hedge these risks, fluctuations in exchange rates between the functional currencies and other currencies can have a significant impact on its results and distort year-on-year performance comparisons. As a result, the Group uses derivative instruments to hedge its exposure to exchange rates mainly through futures and natural hedge. Furthermore, some long term loans and borrowings granted to the affiliates are considered as net investment according to IAS 21.

Dec. 31, 2013	Carrying amount	Nominal amount	
		Sale	Purchase
Cash flow hedges	119	-	(3,206)
Net investment hedges	2	961	(199)
Fair value hedges	-	-	-
Trading	13	2,797	(1,620)
	134	**3,758**	**(5,025)**

Dec. 31, 2012	Carrying amount	Nominal amount	
		Sale	Purchase
Cash flow hedges	(16)	-	(738)
Net investment hedges	30	1,007	(199)
Fair value hedges	-	-	-
Trading	26	3,386	(2,268)
	40	**4,393**	**(3,205)**

We manage our exposure to currency risk to reduce the sensitivity of earnings to changes in exchange rates through hedging programs relating to receivables, payables and cash flows, which are primarily hedged by means of forward purchases and sales. Depending on market conditions, risks in the main currencies may be hedged based on cash flow forecasting using contracts that expire in 12 months or less. Schneider Electric's currency hedging policy is to protect its subsidiaries against risks on all transactions denominated in a currency other than their functional currency.

Positions of futures hedges of balance sheet items and net investment by currency:

	Dec. 31, 2013		
	Sales	Purchases	Net
GBP	323	(2,263)	**(1,940)**
USD	1,760	(967)	**793**
SGD	766	(268)	**498**
CNY	-	(432)	**(432)**
AUD	162	(515)	**(353)**
HKD	214	(48)	**166**
NOK	128	(6)	**122**
AED	129	(11)	**118**
SEK	1	(118)	**(117)**
BRL	-	(109)	**(109)**
DKK	5	(92)	**(87)**
SAR	64	(4)	**60**
RUB	38	-	**38**
PLN	1	(21)	**(20)**
CHF	22	(39)	**(17)**
MXN	26	(42)	**(16)**
JPY	28	(43)	**(15)**
Others	91	(47)	**44**
TOTAL	**3,758**	**(5,025)**	**(1,267)**

Theses forward currency hedging positions include EUR1,733 million in hedges of loans and borrowings of a financial nature (net sales) and EUR466 million in hedges of operating cash flows (net sales).

The forward contracts in GBP were mainly subscribed to hedge the purchase of Invensys shares.

26.3.2 Interest rate

The Group is exposed to risks associated with the effect of changing interest rates. Interest rate risk on borrowings is managed at the Group level, based on consolidated debt and taking into consideration market conditions in order to optimize overall borrowing costs. At December 31, 2013, most of the Group's bond debt was at fixed rate. As a result, an increase in interest rates should not have any material impact on the Group's net financial expense.

	Dec. 31, 2013		Dec. 31, 2012	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Net position before hedging	**(6,578)**	**(2,281)**	**(6,906)**	**(1,226)**
Cash flow hedges	(346)	346	(551)	551
Fair value hedges	-	-	575	(575)
Net position after hedging	**(6,924)**	**(1,935)**	**(6,882)**	**(1,250)**

26.3.3 Raw materials

Group is exposed to fluctuations in energy and raw material prices, in particular steel, copper, aluminum, silver, lead, nickel, zinc and plastics. If we are not able to hedge, compensate for or pass on to customers any such increased costs, this could have an adverse impact on our financial results. The Group has, however, implemented certain procedures to limit exposure to rising non-ferrous and precious raw material prices. The purchasing departments of the operating units report their purchasing forecasts to the Corporate Finance and Treasury Department. Purchase commitments are hedged using forward contracts, swaps and, to a lesser extent, options.

All commodities instruments are futures and options designated as cash flow hedge under IFRS standards, of which:

	Dec. 31, 2013	Dec. 31, 2012
Carrying amount	(2)	(2)
Nominal amount	(166)	(236)

26.3.4 Share-based payment

Schneider Electric shares are hedged (cash flow hedges) in relation to the Stock Appreciation Rights granted to US employees, details are as follow:

	Dec. 31, 2013	Dec. 31, 2012
Outstanding shares	1,843,846	3,317,727
Carrying amount	46	70
Nominal amount	(84)	(141)

26.4 – Financial assets and liabilities subject to netting

In accordance with IFRS 7 standards, this section discloses financial instruments that are subject to offsetting agreements.

	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)
Dec. 31, 2013	**Gross amounts**	**Gross amounts set off in the statement of financial position**	**Net amounts presented in the statement of financial position**	**Related amount not set off in the statement of financial position**	**Net amount, as per IFRS 7**
Financial assets	1,528	1,337	191	20	171
Financial liabilities	(1,587)	(1,337)	(250)	(20)	(230)

	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)
Dec. 31, 2012	**Gross amounts**	**Gross amounts set off in the statement of financial position**	**Net amounts presented in the statement of financial position**	**Related amount not set off in the statement of financial position**	**Net amount, as per IFRS 7**
Financial assets	1,519	1,349	170	40	130
Financial liabilities	(1,709)	(1,349)	(360)	(40)	(320)

Note 27 Employees

27.1 – Employees

The average number of permanent and temporary employees was as follows in 2012 and 2013:

(number of employees)	**Dec. 31,2013**	**Dec. 31,2012**
Production	81,712	75,601
Administration	81,321	76,783
TOTAL AVERAGE NUMBER OF EMPLOYEES	**163,033**	**152,384**
By region:		
EMEAS*	78,695	71,737
North America	30,980	29,286
Asia-Pacific	53,358	51,361

* *Europe, Middle-East, Africa, South America.*

The increase in the average number of employees is primarily linked to the 2013 acquisitions.

27.2 – Employee benefits expense

	Full year 2013	Full year 2012
Payroll costs	(5,976)	(5,924)
Profit-sharing and incentive bonuses	(64)	(59)
Stock options	(66)	(57)
WESOP	-	-
EMPLOYEE BENEFITS EXPENSE	**(6,106)**	**(6,040)**

27.3 – Benefits granted to senior executives

In 2013, the Group paid EUR1.25 million in attendance fees to the members of its board of directors. The total amount of gross remuneration, including benefits in kind, paid in 2013 by the Group to the members of Senior Management totaled EUR18.1 million, of which EUR9.3 million corresponded to the variable portion.

During the last three periods, 496.250 performance shares have been allocated to members of Senior Management. No stock option has been granted to members of Senior Management during the last three periods. Performance shares were allocated due to the 2013 the long term incentive plan. Since December 16, 2011, 100% of stock grants and/or stock options are conditional on the achievement of performance criteria for members of the Executive Committee.

Pension obligations net of assets with respect to members of Senior Management amounted to EUR21 million at December 31, 2013 versus EUR17 million at December 31, 2012.

Please refer to Chapter 3 Section 8 of the Registration Document for more information regarding the members of Senior Management.

Note 28 Related party transactions

28.1 – Associates

Companies over which the Group has significant influence are accounted through equity consolidation method. Transactions with these related parties are carried out on arm's length terms.

Related party transactions were not material in 2013.

28.2 – Related parties with significant influence

No transactions were carried out during the year with members of the supervisory board or management board.

Compensation and benefits paid to the Group's top senior executives are described in note 27.3.

Note 29 Commitments and contingent liabilities

29.1 – Guarantees and similar undertakings

	Dec. 31, 2013	Dec. 31, 2012
Market counter guarantees (1)	1,214	859
Pledges, mortgages and sureties (2)	47	9
Endorsements and guarantees		-
Other commitments given (3)	164	267
GUARANTEES GIVEN	**1,425**	**1,135**
Endorsements and guarantees received	83	67
GUARANTEES RECEIVED	**83**	**67**

(1) On certain contracts, customers require a guarantee from a bank that the contract will be fully executed by the Group. For these contracts the Group gives a counter guarantee to the bank. If a claim occurs, the risk linked to the commitment is assessed and a provision for contingencies is recorded when the risk is considered probable and can be reasonably estimated.
(2) Certain loans are secured by property, plant and equipment and securities lodged as collateral.
(3) Other guarantees given comprise guarantees given in rental payments.

29.2 – Purchase commitments

Shares in subsidiaries and affiliates

Commitments to purchase equity investments correspond to put options given to minority shareholders in consolidated companies or relate to earn-out payments. At December 31, 2013, there is one material put related to the 26% interests in Luminous that was valued for an amount of EUR92 million as other non-current liabilities.

Information technology services

The Group has agreed with Capgemini to provide outsourcing of certain of its information technology functions in Europe and deployment of a system of shared SAP management applications. This global project has been deployed since 2007 in several countries. At the end of 2013, Schneider Electric had capitalized total costs for a net amount of EUR81 million. The costs are progressively amortized with effect from 2009, over a seven-year rolling calendar and based on the number of users connected worldwide as the system is deployed.

For 2013, the contractual facilities management costs amount to approximately EUR100 million including the volume and indexing factors provided for by the contract (EUR100 million for 2012).

29.3 – Contingent liabilities

Senior Management believes that the provisions recognized in the balance sheet, in respect to the known claims and litigation to which the Group is a party, should be adequate to ensure that such claims and litigation will not have any substantial impact on the Group's financial position or results. This is notably the case for the potential consequences of a current dispute in Belgium involving former senior executives and managers of the Group.

The Group has entered into a company-wide agreement in respect to individual training entitlement. It has applied the French accounting treatment recommended by opinion 2004-F issued by the CNC's urgent issues committee. Expenditure on individual training is written off as an expense during the period and therefore no provision is made for it. As of December 31, 2013, rights accrued but not used by employees of French entities of the Group corresponded to around 1,583,931 hours.

Note 30 Subsequent events

On January 17, 2014, the Group completed its acquisition of Invensys plc, a global automation player with a large installed base and a strong software presence. With this acquisition, Schneider Electric is significantly enhancing its position as a provider of efficiency solutions integrating power and automation. The transaction will allow the combined entity to have a unique position in industrial and infrastructure end-markets. Invensys reported revenue for continuing operations of £1.8 billion in its Fiscal Year 2013 and has approximately 16,000 employees across the globe. The transaction is remunerated through the issuance of 17,207,427 new Schneider Electric shares on January 20, 2014 and the payment of £2.5 billion on January 30, 2014.

On February 5, 2014, Schneider Electric signed an agreement for the sale of the Invensys Appliance division. The disposal follows a strategic review of the Appliance division that concluded the unit is not a core business to Schneider Electric. The Appliance division is one of the world's largest suppliers of components and systems that control the operation of appliances, including cooking, refrigeration, laundry and dishwashing, in both residential and commercial sectors. In the financial year ended March 31, 2013, the division recorded revenues of £331 million, net of intercompany transactions. The consideration for the transaction is £150 million. This disposal will enable Schneider Electric to focus upon the divisions of Industrial Automation, Software and Energy Controls of Invensys that generated revenues of £1,461 million in the financial year ended March 31, 2013.The agreement is conditional upon the satisfaction of certain regulatory conditions and customary closing conditions, and is expected to complete during the first semester of 2014.

Note 31 Statutory auditors' fees

Fees paid by the Group to the statutory auditors and their networks:

	Full year 2013				
(in thousands of euros)	**Ernst & Young**	**%**	**Mazars**	**%**	**Total**
Audit					
Statutory auditing	9,452	85%	8,059	93%	**17,511**
o/w Schneider Electric SA	*100*		*100*		
o/w subsidiaries	*9,352*		*7,959*		
Related services	1,348	12%	552	7%	**1,900**
o/w Schneider Electric SA	*237*		*121*		
o/w subsidiaries	*1,111*		*431*		
Audit sub-total	**10,800**	**97%**	**8,611**	**100%**	**19,411**
Other services Legal, tax	363	3%	32	-	**395**
TOTAL FEES	**11,163**	**100%**	**8,643**	**100%**	**19,806**

	Full year 2012				
(in thousands of euros)	**Ernst & Young**	**%**	**Mazars**	**%**	**Total**
Audit					
Statutory auditing	9,975	87%	7,394	96%	**17,369**
o/w Schneider Electric SA	*100*		*100*		
o/w subsidiaries	*9,875*		*7,294*		
Related services	1,217	11%	342	4%	**1,559**
o/w Schneider Electric SA	*188*		-		***188***
o/w subsidiaries	*1,029*		*342*		***1,371***
Audit sub-total	**11,192**	**98%**	**7,736**	**100%**	**18,928**
Other services Legal, tax	233	2%	-	-	**233**
TOTAL FEES	**11,425**	**100%**	**7,736**	**100%**	**19,161**

Note 32 Consolidated companies

The main companies included in the Schneider Electric Group scope of consolidation are listed below.

		% Interest Dec. 31, 2013	% Interest Dec. 31, 2012
Europe			
Fully consolidated			
Schneider Electric Energy Austria AG	Austria	100.0	100.0
Schneider Electric Austria GmbH	Austria	100.0	100.0
Schneider Electric Power Drives GmbH	Austria	100.0	100.0
Schneider Electric Energy Belgium SA	Belgium	100.0	100.0
Schneider Electric NV/SA	Belgium	100.0	100.0
Schneider Electric Services International SPRL	Belgium	100.0	100.0
Summit Energy International BVBA	Belgium	100.0	100.0
Schneider Electric Bulgaria EOOD	Bulgaria	100.0	100.0
Schneider Electric d.o.o	Croatia	100.0	100.0
Schneider Electric A.S.	Czech Republic	98.3	98.3
Schneider Electric CZ sro	Czech Republic	100.0	100.0
Ørbaekvej 280 A/S	Denmark	100.0	100.0
Schneider Electric Danmark A/S	Denmark	100.0	100.0
Schneider Electric IT Denmark ApS	Denmark	100.0	100.0
Schneider Nordic Baltic A/S	Denmark	100.0	100.0
Schneider Electric EESTI A.S.	Estonia	100.0	100.0
Oy Lexel Finland Ab	Finland	100.0	100.0
Schneider Electric Fire & Security Oy	Finland	100.0	100.0
Schneider Electric Buildings Finland Oy	Finland	100.0	100.0
Schneider Electric Finland Oy	Finland	100.0	100.0
Strömfors Electric Oy	Finland	100.0	100.0
Vamp Oy	Finland	100.0	100.0
Alombard SAS	France	100.0	100.0
Schneider Electric Protection et Contrôle SAS	France	100.0	100.0
BCV Technologies SAS	France	100.0	100.0
BEI Sensors SAS	France	100.0	100.0
Boissière Finance SNC	France	100.0	100.0
Construction Electrique du Vivarais SAS	France	100.0	100.0
Crouzet Automatismes SAS	France	100.0	100.0
D5X	France	100.0	100.0
Dinel SAS	France	100.0	100.0
Energy Pool Developpement	France	100.0	100.0
Epsys SAS	France	100.0	100.0
France Transfo SAS	France	100.0	100.0
Infraplus SAS	France	100.0	100.0
Merlin Gerin Alès SAS	France	100.0	100.0
Merlin Gerin Alpes SAS	France	100.0	100.0
Merlin Gerin Loire SAS	France	100.0	100.0
Schneider Electric IT France	France	100.0	100.0
Muller & Cie SA	France	100.0	100.0
Newlog SAS	France	100.0	100.0
Prodipact SAS	France	100.0	100.0
Rectiphase SAS	France	100.0	100.0
Sarel – Appareillage Electrique SAS	France	99.0	99.0

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		% Interest Dec. 31, 2013	% Interest Dec. 31, 2012
Scanelec SAS	France	100.0	100.0
Schneider Automation SAS	France	100.0	100.0
Schneider Electric Energy France SAS	France	100.0	100.0
Schneider Electric France SAS	France	100.0	100.0
Schneider Electric Holding Amérique du Nord SAS	France	100.0	100.0
Schneider Electric Holding Europe SAS	France	100.0	100.0
Schneider Electric Industries SAS	France	100.0	100.0
Schneider Electric International SAS	France	100.0	100.0
Schneider Electric Manufacturing Bourguebus SAS	France	100.0	100.0
Schneider Electric SA (Société mère)	France	100.0	100.0
Schneider Electric Telecontrol SAS	France	100.0	100.0
Schneider Toshiba Inverter Europe SAS	France	60.0	60.0
Schneider Toshiba Inverter SAS	France	60.0	60.0
Société d'Appareillage Electrique Gardy SAS	France	100.0	100.0
Société d'Application et d'Ingenierie Industrielle et Informatique SAS – SA3I	France	100.0	100.0
Société Electrique d'Aubenas SAS	France	100.0	100.0
Société Française de Construction Mécanique et Electrique SA	France	100.0	100.0
Société Française Gardy SA	France	100.0	100.0
Systèmes Equipements Tableaux Basse Tension SAS	France	100.0	100.0
Transfo Services SAS	France	100.0	100.0
Transformateurs Petit Quevilly	France	100.0	100.0
Crouzet GmbH	Germany	100.0	100.0
Elso GmbH	Germany	100.0	100.0
Kavlico GmbH	Germany	100.0	100.0
Merten GmbH	Germany	100.0	100.0
Merten Holding GmbH	Germany	100.0	100.0
Schneider Electric Automation Deutschland GmbH	Germany	100.0	100.0
Schneider Electric Automation GmbH	Germany	100.0	100.0
Schneider Electric Deutschland Energy GmbH	Germany	100.0	100.0
Schneider Electric Deutschland GmbH	Germany	100.0	100.0
Schneider Electric GmbH	Germany	100.0	100.0
Schneider Electric Motion Real Estate GmbH	Germany	100.0	100.0
Schneider Electric Sachsenwerk GmbH	Germany	100.0	100.0
Telvent Deutschland GmbH	Germany	100.0	100.0
Uniflair GmbH	Germany	100.0	100.0
Schneider Electric AE	Greece	100.0	100.0
Schneider Electric IT Greece ABEE	Greece	100.0	100.0
CEE Schneider Electric Közep-Kelet Europai KFT	Hungary	100.0	100.0
Schneider Electric Energy Hungary Ltd	Hungary	100.0	100.0
Schneider Electric Hungaria Villamassagi ZRT	Hungary	100.0	100.0
APC (EMEA) Ltd	Irland	100.0	100.0
Schneider Electric Ireland	Irland	100.0	100.0
Schneider Electric IT Logistics Europe Ltd	Irland	100.0	100.0
Crouzet Componenti Srl	Italy	100.0	100.0
Schneider Electric Industrie Italia Spa	Italy	100.0	100.0
Schneider Electric IT Italia Srl	Italy	100.0	100.0
Schneider Electric Spa	Italy	100.0	100.0
Uniflair Spa	Italy	100.0	100.0
Lexel Fabrika SIA	Latvia	100.0	100.0
Schneider Electric Baltic Distribution Center	Latvia	100.0	100.0

		% Interest Dec. 31, 2013	% Interest Dec. 31, 2012
Schneider Electric Latvija SIA	Latvia	100.0	100.0
UAB Schneider Electric Lietuva	Lithuania	100.0	100.0
Industrielle de Réassurance SA	Luxembourg	100.0	100.0
American Power Conversion Corp. (A.P.C.) B.V.	Netherlands	100.0	100.0
APC Holdings B.V.	Netherlands	100.0	100.0
APC International Corporation B.V.	Netherlands	100.0	100.0
APC International Holdings B.V.	Netherlands	100.0	100.0
Pelco Europe B.V.	Netherlands	100.0	100.0
Pro-Face HMI B.V. (sub-group)	Netherlands	99.9	99.9
Schneider Electric B.V.	Netherlands	100.0	100.0
Schneider Electric Energy Netherlands B.V.	Netherlands	100.0	100.0
Schneider Electric Logistic Centre B.V.	Netherlands	100.0	100.0
Schneider Electric Manufacturing The Netherlands B.V.	Netherlands	100.0	100.0
Telvent Netherlands B.V.	Netherlands	100.0	100.0
Schneider Electric IT Benelux B.V.	Netherlands	100.0	100.0
ELKO A.S.	Norway	100.0	100.0
Lexel Holding Norgue A.S.	Norway	100.0	100.0
Schneider Electric Norge A.S.	Norway	100.0	100.0
Elda Eltra SA (ex Eltra SA)	Poland	100.0	100.0
Schneider Electric Energy Poland Sp. Z.o.o.	Poland	100.0	100.0
Schneider Electric Industries Polska SP	Poland	100.0	100.0
Schneider Electric Polska SP	Poland	100.0	100.0
Schneider Electric Portugal LDA	Portugal	100.0	100.0
Telvent Portugal SA	Portugal	100.0	100.0
Schneider Electric Romania SRL	Romania	100.0	100.0
DIN Elektro Kraft OOO	Russia	100.0	100.0
OOO Schneider Electric Zavod Electromonoblock	Russia	100.0	100.0
OOO Schneider Electric Buildings (Russia)	Russia	100.0	100.0
Schneider Electric Equipment Kazan Ltd	Russia	100.0	100.0
OOO Potential	Russia	100.0	100.0
ZAO Schneider Electric	Russia	100.0	100.0
ZAO Gruppa Kompaniy Electroshield	Russia	100.0	-
Schneider Electric Srbija doo Beograd	Serbia	100.0	100.0
Schneider Electric Slovakia Spol SRO	Slovakia	100.0	100.0
Schneider Electric d.o.o.	Slovenia	100.0	100.0
Manufacturas Electricas SA	Spain	100.0	100.0
Schneider Electric IT, Spain SL	Spain	100.0	100.0
Schneider Electric Espana SA	Spain	100.0	100.0
Telvent Arce Sistemas, SA	Spain	100.0	100.0
Telvent Energia SA	Spain	100.0	100.0
Telvent Environment SA	Spain	100.0	100.0
Telvent Export SL	Spain	100.0	100.0
Telvent GIT SA	Spain	100.0	100.0
Telvent Global Services, SA	Spain	100.0	100.0
Telvent Servicios Compartidos SA	Spain	100.0	100.0
Telvent Trafico y Transporte SA	Spain	100.0	100.0
Trafico Ingenieria SA	Spain	100.0	100.0
AB Crahftere 1	Sweden	100.0	100.0
AB Wibe	Sweden	100.0	100.0
Elektriska AB Delta	Sweden	100.0	100.0

		% Interest Dec. 31, 2013	% Interest Dec. 31, 2012
Elko AB	Sweden	100.0	100.0
Lexel AB	Sweden	100.0	100.0
Pele Security AB	Sweden	100.0	100.0
Schneider Electric Buildings AB	Sweden	100.0	100.0
Schneider Electric Distribution Centre AB	Sweden	100.0	100.0
Schneider Electric Sverige AB	Sweden	100.0	100.0
Telvent Sweden AB	Sweden	100.0	100.0
Thorsman & Co AB	Sweden	100.0	100.0
Crouzet AG	Switzerland	100.0	100.0
Feller AG	Switzerland	83.7	83.7
Gutor Electronic GmbH	Switzerland	100.0	100.0
Schneider Electric (Schweiz) AG	Switzerland	100.0	100.0
Schneider Electric IT Switzerland AG	Switzerland	100.0	100.0
Schneider Electric Ukraine	Ukraine	100.0	100.0
Andromeda Telematics Ltd	United Kingdom	100.0	100.0
Schneider Electric EMS US Ltd	United Kingdom	100.0	100.0
CBS Group Ltd	United Kingdom	100.0	100.0
Crouzet Ltd	United Kingdom	100.0	100.0
Crydom SSR Ltd	United Kingdom	100.0	100.0
Newall Measurement Systems Ltd	United Kingdom	100.0	100.0
Schneider Electric (UK) Ltd	United Kingdom	100.0	100.0
Schneider Electric Buildings UK Ltd	United Kingdom	100.0	100.0
Schneider Electric Energy UK Ltd	United Kingdom	100.0	100.0
Schneider Electric IT UK Ltd	United Kingdom	100.0	100.0
Schneider Electric Ltd	United Kingdom	100.0	100.0
Serck Control and Safety Ltd	United Kingdom	100.0	100.0
M&C Energy Group Ltd	United Kingdom	100.0	100.0
Samos Acquisition Company Ltd	United Kingdom	100.0	-
Accounted for by proportionate method			
Schneider Electric DMS NS	Serbia	57.0	57.0
Keyland Sistemas de Gestion SL	Spain	50.0	50.0
Accounted for by equity method			
Aveltys	France	51.0	51.0
Delta Dore Finance SA (sub-group)	France	20.0	20.0
Möre Electric Group A/S	Norway	34.0	34.0
North America			
Fully consolidated			
Control Microsystems Inc.	Canada	100.0	100.0
Juno Lighting Ltd	Canada	100.0	100.0
Power Measurement Ltd	Canada	100.0	100.0
Schneider Electric Canada Inc.	Canada	100.0	100.0
Telvent Canada Ltd	Canada	100.0	100.0
Viconics Technologies Inc.	Canada	100.0	100.0
Custom Sensors & Technologies Mexico, S.A. de C.V.	Mexico	100.0	100.0
Custom Sensors & Technologies Transportation de México, S.A. de C.V.	Mexico	100.0	100.0
Gestion Integral de Proyectos y Ingenieria, S.A. de C.V.	Mexico	99.8	99.8
Industrias Electronicas Pacifico, S.A. de C.V.	Mexico	100.0	100.0
Schneider Electric IT Mexico S.A. de C.V.	Mexico	100.0	100.0
Ram Tech Services de Mexico S de R.L. de C.V.	Mexico	100.0	100.0
Schneider Electric Administracion, S.A. de C.V.	Mexico	100.0	100.0

		% Interest Dec. 31, 2013	% Interest Dec. 31, 2012
Schneider Electric Mexico, S.A. de C.V.	Mexico	100.0	100.0
Schneider Industrial Tlaxcala, S.A. de C.V.	Mexico	100.0	100.0
Schneider Mexico, S.A. de C.V.	Mexico	100.0	100.0
Schneider R&D, S.A. de C.V.	Mexico	100.0	100.0
Schneider Recursos Humanos, S.A. de C.V.	Mexico	100.0	100.0
Square D Company Mexico, S.A. de C.V.	Mexico	100.0	100.0
Telvent Mexico S.A. de C.V.	Mexico	99.3	99.3
Adaptive Instruments Corp.	USA	100.0	100.0
Schneider Electric IT America Corp.	USA	100.0	100.0
Schneider Electric IT Corporation	USA	100.0	100.0
APC Holdings Inc.	USA	100.0	100.0
BEI Precisions Systems & Space Co. Inc.	USA	100.0	100.0
BEI Sensors & Systems Company, Inc.	USA	100.0	100.0
Crydom, Inc.	USA	100.0	100.0
Custom Sensors & Technologies, Inc.	USA	100.0	100.0
Juno Lighting LLC	USA	100.0	100.0
Juno Manufacturing Inc.	USA	100.0	100.0
Kavlico Corp.	USA	100.0	100.0
Lee Technologies Puerto Rico, LLC	USA	100.0	100.0
Schneider Electric IT Mission Critical Services, Inc.	USA	100.0	100.0
Netbotz Inc.	USA	100.0	100.0
Newall Electronics Inc.	USA	100.0	100.0
Pelco, Inc.	USA	100.0	100.0
Power Measurement Inc.	USA	100.0	100.0
Pro-face America, LLC	USA	100.0	100.0
Schneider Electric Buildings Americas, Inc.	USA	100.0	100.0
Schneider Electric Buildings Critical Systems, Inc.	USA	100.0	100.0
Schneider Electric Buildings, LLC	USA	100.0	100.0
Schneider Electric Engineering Services, LLC	USA	100.0	100.0
Schneider Electric Holdings Inc.	USA	100.0	100.0
Schneider Electric Investments 2, Inc.	USA	100.0	100.0
Schneider Electric Motion USA, Inc.	USA	100.0	100.0
Schneider Electric USA, Inc.	USA	100.0	100.0
Schneider Electric Vermont Ltd	USA	100.0	100.0
SNA Holdings Inc.	USA	100.0	100.0
Square D Investment Company	USA	100.0	100.0
Summit Energy Services, Inc.	USA	100.0	100.0
Telvent DTN, LLC	USA	100.0	100.0
Telvent USA Corp.	USA	100.0	100.0
Veris Industries LLC	USA	100.0	100.0
Asia-Pacific			
Fully consolidated			
Schneider Electric IT Australia Pty Limited	Australia	100.0	100.0
Clipsal Australia Pty Limited	Australia	100.0	100.0
Clipsal Integrated Systems Pty Limited	Australia	100.0	100.0
Clipsal Technologies Australia Pty Limited	Australia	100.0	100.0
Control Microsystems Asia Pacific Pty Ltd	Australia	100.0	100.0
Pelco Australia Pty Limited	Australia	100.0	100.0
Scadagroup Pty Ltd	Australia	100.0	100.0
Schneider Electric (Australia) Pty Limited	Australia	100.0	100.0

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		% Interest Dec. 31, 2013	% Interest Dec. 31, 2012
Schneider Electric Australia Holdings Pty Limited	Australia	100.0	100.0
Schneider Electric Buildings Australia Pty Limited	Australia	100.0	100.0
Serck Controls Pty.Ltd	Australia	100.0	100.0
Telvent Australia Pty.Limited	Australia	100.0	100.0
SolveIT Software Pty.Limited	Australia	100.0	100.0
APC (Xiamen) Power Infrastructure Co., Ltd	China	100.0	100.0
Schneider Electric (Xiamen) Switchgear Co. Ltd	China	100.0	100.0
Schneider Electric Huadian Switchgear (Xiamen) Co., Ltd	China	55.0	55.0
Shanghai Schneider Electric Power Automation Co., Ltd	China	100.0	100.0
Schneider Switchgear (Suzhou) Co., Ltd	China	58.0	58.0
Beijing Leader & Harvest Electric Technologies Co. Ltd	China	100.0	100.0
Schneider Great Wall Engineering (Beijing) Co. Ltd	China	75.0	75.0
Clipsal Manufacturing (Huizhou) Ltd	China	100.0	100.0
Custom Sensors & Technologies Asia (Shanghai) Ltd	China	100.0	100.0
MGE Manufacturing Shanghai Co. Ltd	China	100.0	100.0
Proface China International Trading (Shanghai) Co. Ltd	China	100.0	100.0
RAM Electronic Technology and Control (Wuxi) Co., Ltd	China	100.0	100.0
Schneider (Beijing) Medium & Low Voltage Co., Ltd	China	95.0	95.0
Schneider (Beijing) Medium Voltage Co. Ltd	China	95.0	95.0
Schneider (Shaanxi) Baoguang Electrical Apparatus Co. Ltd	China	70.0	70.0
Schneider (Shanghai) Supply Co. Ltd	China	100.0	100.0
Schneider (Suzhou) Drives Company Ltd	China	90.0	90.0
Schneider (Suzhou) Enclosure Systems Co Ltd	China	100.0	100.0
Schneider (Suzhou) Transformers Co. Ltd	China	100.0	100.0
Schneider Automation Solutions (Shanghai) Co., Ltd.	China	100.0	100.0
Schneider Busway (Guangzhou) Ltd	China	95.0	95.0
Schneider Electric (China) Co. Ltd	China	100.0	100.0
Schneider Electric IT (China) Co., Ltd	China	100.0	100.0
Schneider Electric Low Voltage (Tianjin) Co. Ltd	China	75.0	75.0
Schneider Shanghai Apparatus Parts Manufacturing Co. Ltd	China	100.0	100.0
Schneider Shanghai Industrial Control Co. Ltd	China	80.0	80.0
Schneider Shanghai Low Voltage Term. Apparatus Co. Ltd	China	75.0	75.0
Schneider Shanghai Power Distribution Electric Apparatus Co. Ltd	China	80.0	80.0
Schneider Wingoal (Tianjin) Electric Equipment Co. Ltd	China	100.0	100.0
Telvent – BBS High & New Tech (Beijing) Co. Ltd	China	80.0	80.0
Telvent Control System (China) Co. Ltd	China	100.0	100.0
Tianjin Merlin Gerin Co. Ltd	China	75.0	75.0
Wuxi Proface Electronic Co. Ltd	China	100.0	100.0
Schneider Electric Manufacturing (Chongqing) Co. Ltd	China	100.0	100.0
Custom Sensors & Technologies (Huizhou) Ltd	China	100.0	100.0
Schneider Electric Manufacturing (Wuhan) Co. Ltd	China	100.0	100.0
Clipsal Asia Holdings Limited	Hong Kong	100.0	100.0
Clipsal Asia Limited	Hong Kong	100.0	100.0
Custom Sensors & Technologies Asia (Hong Kong) Limited	Hong Kong	100.0	100.0
Schneider Electric IT Hong Kong Limited	Hong Kong	100.0	100.0
Schneider Electric (Hong Kong) Limited	Hong Kong	100.0	100.0
Schneider Electric Asia Pacific Limited	Hong Kong	100.0	100.0
Schneider Electric IT Business India Private Ltd	India	100.0	100.0
Schneider Electric President Systems Ltd	India	75.0	75.0
Cimac Automation Private Ltd	India	85.0	85.0

		% Interest Dec. 31, 2013	% Interest Dec. 31, 2012
Cimac Software Systems Private Ltd	India	85.0	85.0
CST Sensors India Private Limited	India	100.0	100.0
Luminous Power Technologies Private Ltd	India	100.0	100.0
Luminous Renewable Energy Solutions Private Ltd	India	100.0	100.0
Luminous Teleinfra Ltd	India	100.0	100.0
Schneider Electric India Private Ltd	India	100.0	100.0
Uniflair India Private Ltd	India	100.0	100.0
Schneider Electric Infrastructure Limited	India	78.1	73.4
PT Clipsal Manufacturing Jakarta	Indonesia	100.0	100.0
PT Schneider Electric IT Indonesia	Indonesia	100.0	100.0
PT Schneider Electric Indonesia	Indonesia	100.0	100.0
PT Schneider Electric Manufacturing Batam	Indonesia	100.0	100.0
Schneider Electric Japan, Inc.	Japan	100.0	100.0
Digital Electronics Corporation	Japan	100.0	100.0
Schneider Electric Japan Holdings Ltd	Japan	100.0	100.0
Toshiba Schneider Inverter Corp.	Japan	60.0	60.0
Clipsal Manufacturing (M) Sdn Bhd	Malaysia	100.0	100.0
Gutor Electronic Asia Pacific Sdn Bhd	Malaysia	100.0	100.0
Huge Eastern Sdn Bhd	Malaysia	100.0	100.0
KSLA Energy & Power Solutions (M) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric (Malaysia) Sdn Bhd	Malaysia	30.0	30.0
Schneider Electric Industries (M) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric IT Malaysia Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric (NZ) Ltd	New-Zealand	100.0	100.0
American Power Conversion Land Holdings Inc.	Philippines	100.0	100.0
Clipsal Philippines	Philippines	100.0	100.0
Schneider Electric IT Philippines Inc.	Philippines	100.0	100.0
Schneider Electric (Philippines) Inc.	Philippines	100.0	100.0
Pelco Asia Pacific Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Buildings Singapore Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Export Services Pte. Ltd	Singapore	100.0	100.0
Schneider Electric IT Logistics Asia Pacific Pte. Ltd	Singapore	100.0	100.0
Schneider Electric IT Singapore Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Logistics Asia Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Overseas Asia Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Singapore Pte. Ltd	Singapore	100.0	100.0
Schneider Electric South East Asia (HQ) Pte. Ltd	Singapore	100.0	100.0
Pro Face Korea Co. Ltd	South Korea	100.0	100.0
Schneider Electric Korea Ltd (ex Samwha EOCR Co. Ltd)	South Korea	100.0	100.0
Schneider Electric Lanka (Private) Limited	Sri Lanka	100.0	100.0
Pro Face Taiwan Co. Ltd	Taiwan	99.9	99.9
Schneider Electric Taiwan Co Ltd	Taiwan	100.0	100.0
Pro Face South East Asia Pacific Co. Ltd	Thailand	100.0	100.0
Schneider (Thailand) Ltd	Thailand	100.0	100.0
Schneider Electric CPCS (Thailand) Co. Ltd.	Thailand	100.0	100.0
Clipsal Vietnam Co. Ltd	Vietnam	100.0	100.0
Schneider Electric IT Vietnam Ltd	Vietnam	100.0	100.0
Schneider Electric Vietnam Co. Ltd	Vietnam	100.0	100.0
Accounted for by proportionate method			
Delixi Electric Ltd (sub-group)	China	50.0	50.0

		% Interest Dec. 31, 2013	% Interest Dec. 31, 2012
Accounted for by equity method			
Sunten Electric Equipment	China	40.0	50.0
Fuji Electric FA Components & Systems Co., Ltd (sub-group)	Japan	37.0	37.0
Rest of the world			
Fully consolidated			
Himel Algerie	Algeria	100.0	100.0
Schneider Electric Algerie	Algeria	100.0	100.0
Schneider Electric Argentina SA	Argentina	100.0	100.0
Telvent Argentina SA	Argentina	100.0	100.0
APC Brasil Ltda	Brazil	100.0	100.0
CST Latino America Comercio E Representacao de Produtos Electricos E Elestronicos Ltda	Brazil	99.8	99.8
Telvent Global Services Brasil Ltda	Brazil	100.0	100.0
Schneider Electric IT Brasil Industria e Comercio de Equipamentos Eletronicos Ltda	Brazil	100.0	100.0
Schneider Electric Brasil Ltda	Brazil	100.0	100.0
Telvent Brazil SA	Brazil	100.0	100.0
Steck da Amazonia Industria Electrica Ltda	Brazil	100.0	100.0
Steck Industria Electrica Ltda	Brazil	100.0	100.0
CP Eletronica S/A	Brazil	100.0	100.0
Inversiones Schneider Electric Uno Limitada	Chile	100.0	100.0
Marisio SA	Chile	100.0	100.0
Schneider Electric Chile SA	Chile	100.0	100.0
Telvent Chile SA	Chile	100.0	100.0
Dexson Electric SAS	Colombia	100.0	100.0
Schneider Electric de Colombia SA	Colombia	80.0	80.0
Schneider Electric Centroamerica Ltda	Costa Rica	100.0	100.0
Delixi Electric Egypt s.a.e	Egypt	98.0	98.0
Schneider Electric Distribution Company	Egypt	87.4	87.4
Schneider Electric Egypt SAE	Egypt	91.0	91.0
Telemecanique Iran	Iran	100.0	100.0
Schneider Electric LLP	Kazakhstan	100.0	100.0
Schneider Electric Services Kuweit	Kuwait	49.0	-
Schneider Electric East Mediterranean SAL	Lebanon	96.0	96.0
Delixi Electric Maroc SARL AU	Morocco	100.0	100.0
Schneider Electric Maroc	Morocco	100.0	100.0
Schneider Electric Nigeria Ltd	Nigeria	100.0	100.0
Schneider Electric Oman LLC	Oman	100.0	100.0
Schneider Electric Pakistan (Private) Limited	Pakistan	80.0	80.0
Schneider Electric Peru SA	Peru	100.0	100.0
Cimac Electrical and Automation W.L.L	Qatar	49.0	49.0
EPS Electrical Power Distribution Board & Switchgear Ltd	Saudi Arabia	51.0	51.0
Telvent Saudi Arabia Co. Ltd	Saudi Arabia	100.0	100.0
AMPS	Saudi Arabia	100.0	100.0
Conlog (Pty) Ltd	South Africa	80.0	80.0
Schneider Electric South Africa (Pty) Ltd	South Africa	74.9	74.9
Uniflair South Africa (Pty) Ltd	South Africa	100.0	100.0
Schneider Enerji Endustrisi Sanayi Ve Ticaret A.S.	Turkey	100.0	100.0
Himel Elektrik Malzemeleri Ticaret A.S.	Turkey	100.0	100.0
Schneider Elektrik Sanayi Ve Ticaret A.S.	Turkey	100.0	100.0

		% Interest Dec. 31, 2013	% Interest Dec. 31, 2012
Cimac Electrical and Control Systems LLC	United Arab Emirates	80.0	80.0
Cimac FZCO	United Arab Emirates	100.0	100.0
Cimac LLC	United Arab Emirates	49.0	49.0
Clipsal Middle East FZC	United Arab Emirates	100.0	100.0
Clipsal Middle East FZCO	United Arab Emirates	60.0	60.0
CLS Systems FZCO	United Arab Emirates	100.0	100.0
Delixi Electric FZE	United Arab Emirates	100.0	100.0
Schneider Electric DC MEA FZCO	United Arab Emirates	100.0	100.0
Schneider Electric FZE	United Arab Emirates	100.0	100.0
Schneider Electric Venezuela SA	Venezuela	93.6	91.9

6. Statutory auditors' report on the consolidated financial statements

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.
This report also includes information relating to the specific verification of information given in the group's management report and in the documents addressed to shareholders.
This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying consolidated financial statements of Schneider Electric S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the management board. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 as at December 31, 2013 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.

Without qualifying the conclusion expressed above, we draw your attention to note 1.2 "Restated 2012 comparative consolidated financial statements" to the consolidated financial statements which sets out the consequences resulting from the application from January 1st, 2013 of IAS 19 revised "Employee Benefits".

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

- Note 1.9 to the consolidated financial statements outlines the method for recognizing research and development costs and describes the criteria under which development costs may be capitalized. We reviewed the data and assumptions used to identify projects that qualify for capitalization, as well as the Group's calculations, and verified that adequate disclosure is made in the notes to the consolidated financial statements.
- As explained in notes 1.11 and 8 to the consolidated financial statements, your Group carries out intangible assets and goodwill impairment tests at least once a year and when factors exist indicating that the related assets may have suffered a loss of value. We analyzed, on a test basis, the indicators of a loss of value and the other information evidencing the absence of any loss of value. We reviewed the data, assumptions used, and calculations made, and verified that adequate disclosure is made in the notes to the consolidated financial statements.
- As indicated in notes 1.16 and 16 to the consolidated financial statements, future tax benefits arising from the utilization of tax loss carry forwards are recognized only when they can reasonably be expected to be realized. We verified the reasonableness of the assumptions used to produce estimate of future taxable income supporting assessments of the recoverability of these deferred tax assets.
- Notes 1.19 and 22 describe the method for valuing pensions and other post-employment obligations. Actuarial valuations were performed for these commitments. We reviewed the data, the assumptions used and calculations made, and verified that adequate disclosure is made in the notes to the consolidated financial statements.

- Note 7 "Restructuring costs" states the amount of restructuring costs recorded in 2013. We verified that, based on currently available information, these costs concern restructuring measures initiated or announced before December 31, 2013, for which provisions have been recorded based on an estimate of the costs to be incurred. We also reviewed the data and assumptions used by the Group to make these estimates.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

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

Courbevoie and Paris-La Défense, February 19, 2014

The statutory auditors

French original signed by

MAZARS	ERNST & YOUNG et Autres
David Chaudat	**Yvon Salaün**

6 Company financial statements

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1. Balance sheet

ASSETS

(in thousands of euros)	Notes	Gross	A. & D. or Prov.	Dec. 31, 2013 Net	Dec. 31, 2012 Net
Non-current assets:					
Intangible assets	1.1				
Intangible rights		27,474	(27,474)	-	-
Property, plant and equipment	1.2				
Land		2,934	-	2,934	2,944
Buildings		48	(48)	-	-
Other		1,468	(242)	1,226	1,226
		31,924	(27,764)	4,160	4,170
Investments					
Shares in subsidiaries and affiliates	2.1	4,601,996	(114,264)	4,487,732	4,500,254
Other investment securities	2.2	48,909	(77)	48,832	48,832
Advances to subsidiaries and affiliates	2.3	4,099,920	-	4,099,920	4,178,758
Other		-	-	-	-
		8,750,825	(114,341)	8,636,484	8,727,844
Total non-current assets		**8,782,749**	**(142,105)**	**8,640,644**	**8,732,014**
Current assets:					
Accounts receivable					
Accounts receivable – trade		68	-	68	610
Other	3	43,800	(226)	43,574	53,512
		43,868	(226)	43,642	54,122
Cash and cash equivalents					
Marketable securities	4	1,630,996	-	1,630,996	199,949
Advances to the Group cash pool	5	7,773,657	-	7,773,657	9,105,114
Other		1,189	-	1,189	5
		9,405,842	-	9,405,842	9,305,068
Total current assets		**9,449,710**	**(226)**	**9,449,484**	**9,359,189**
Accruals and other assets:					
Prepaid expenses	6.1	18,117	-	18,117	1,351
Deferred charges	6.2	12,193	-	12,193	12,456
Call premiums	6.3	39,239	-	39,239	45,723
Translation losses		112,846	-	112,846	53,867
TOTAL ASSETS		**18,414,854**	**(142,331)**	**18,272,523**	**18,204,602**

The notes form an integral part of these Company financial statements.

EQUITY AND LIABILITIES

(in thousands of euros)	Note	Dec. 31, 2013	Dec. 31, 2012
Equity:	7		
Share capital	7.1	2,247,832	2,221,668
Additional paid-in capital	7.2	6,991,724	6,783,187
Reserves and retained earnings			
Legal reserve		222,167	219,577
Retained earnings	7.3	973,551	1,779,581
Net income for the financial year		(132,771)	225,115
Untaxed **provisions**		2	2
Total equity		**10,302,505**	**11,229,131**
Provisions for contingencies and pension accruals:	8		
Provisions for contingencies		45	45
Provisions for pension accruals		-	-
Total provisions for contingencies and pension accruals		**45**	**45**
Non-current liabilities:			
Bonds	9	6,260,659	6,326,323
Other borrowings	10	317,014	544,009
Amounts payable to subsidiaries and affiliates		13	13
Borrowings and financial liabilities	11	1,205,375	68
		7,783,061	6,870,414
Current liabilities:			
Accounts payable – trade		441	135
Accrued taxes and payroll costs		54,571	42,320
Other		18,225	8,689
		73,237	51,145
Total non-current and current liabilities		**7,856,298**	**6,921,559**
Deferred income	12	829	-
Translation gains		112,846	53,867
TOTAL EQUITY AND LIABILITIES		**18,272,523**	**18,204,602**

The notes form an integral part of these Company financial statements.

2. Statement of income

(in thousands of euros)	Note	2013	2012
Sales of services and other		5,998	752
Reversals of provisions, depreciation and amortization and expense transfers		-	32,596
Operating revenues		**5,998**	**33,347**
Purchases and external expenses		13,228	40,266
Taxes other than on income		2,258	1,172
Payroll expenses		1,023	3,604
Depreciation and provision expense		1,300	600
Other operating expenses and joint-venture losses		1,404	1,365
Operating expenses		**19,212**	**47,007**
Operating profit/loss		**(13,214)**	**(13,660)**
Dividend income		10,378	371,978
Interest income		125,487	161,442
Reversals of impairment provisions for long-term receivables and other		-	61
Financial income		**135,866**	**533,481**
Interest expense		283,290	308,158
Provision expense		4,146	4,626
Financial expenses		**287,436**	**312,784**
Net financial income/(loss)	14	**(151,571)**	**220,697**
Proceeds from fixed asset disposals		3,089	122,729
Provision reversals and expense transfers		64,058	19,960
Other		-	6,244
Non-recurring income		**67,147**	**148,933**
Carrying amount of fixed asset disposals		6,486	129,976
Provisions, depreciation and amortization		72,420	89,067
Other		371	-
Non-recurring expenses		**79,276**	**219,043**
Net non-recurring income/(expense)	15	**(12,130)**	**(70,109)**
Net income tax benefit	16	**44,143**	**88,187**
NET INCOME		**(132,771)**	**225,115**

The notes form an integral part of these Company financial statements.

3. Notes to the financial statements

(All amounts in thousands of euros unless otherwise indicated)

Significant events of the financial year

During the financial year, Schneider Electric SA carried out EUR235 million in share capital increases, as follows:

- the employee share issue carried out on July 11, 2013 as part of the worldwide Employee Stock Purchase Plan, for EUR134 million;
- the exercise of stock options, for EUR101 million.

The company carried out a bond issue during the financial year for a nominal of EUR600 million. The company reimbursed two bonds for EUR587 million and EUR213 million on "*Schuldschein*" credit line.

On May 14, 2013, the company booked the merge of its investments in Cofibel, for a EUR137 million amount with the value of its investment in Cofimines, that brings to a total investment of EUR220 million. The company also booked a EUR63 million reversal of depreciation of Cofibel investment and a EUR72 million increase in depreciation of Cofimines investment.

On May 31, 2013, the company booked a loss on a 2005 receivable for an amount of EUR45 million fully depreciated.

The company issued commercial paper in 2013 and the corresponding EUR1,205 million balance will mature within 2014.

Accounting principles

As in the prior financial year, the financial statements for the financial year ended December 31, 2013 have been prepared in accordance with French generally accepted accounting principles.

Non-current assets

Non-current assets of all types are stated at cost.

Intangible assets

Intangible rights are amortized over a maximum of five years.

Property, plant and equipment

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, ranging from three to ten years.

Shares in subsidiaries and affiliates

Shares in subsidiaries and affiliates are stated at acquisition cost.

Provisions for impairment may be funded where the carrying amount is higher than the estimated value in use at the end of the financial year. This estimate is primarily determined on the basis of the underlying net assets, earnings outlook and economic forecasts. For the more recently-acquired investments, the analysis also takes account of the acquired business goodwill. For listed securities, the average stock price over the previous month is used. Unrealized gains resulting from such estimates are not recognised.

Own shares

Treasury stock is stated at weighted average cost.

In the case of treasury stock held for allocation on the exercise of stock options, a provision is recorded if the exercise price is lower than the carrying value of the related treasury shares or if the average stock price for the month previous to the closing is lower than the weighted average cost.

Pension obligations

The present value of termination benefits is determined using the projected unit credit method.

Provisions are funded for the supplementary pension benefits provided by the company on the basis of the contractual terms of top-hat agreements.

The company applies the corridor method to actuarial gains and losses arising from changes in estimates. Under this method, the portion of net cumulative actuarial gains and losses exceeding 10% of the projected benefit obligation is amortized over 10 years.

Currency risk

Where necessary, a contingency provision is in place for unrealized exchange losses. However, where there are unrealized exchange gains and losses on back-to-back transactions in the same currency and with the same maturity, the amount of the provision is then limited to the net loss.

Bonds

Redemption premiums and issue costs are amortized over the life of the bonds.

Note 1 Non-current assets

1.1 – Intangible assets

This item primarily consists of share issue and merger expenses, which are fully amortized.

1.2 – Tangible assets

(in thousands of euros)

Tangible assets	Dec. 31, 2012	Additions	Disposals	Dec. 31, 2013
Cost	4,460	-	(10)	4,450
Depreciation	(290)	-	-	(290)
NET	**4,170**	**-**	**(10)**	**4,160**

Note 2 Investments

2.1 – Shares in subsidiaries and affiliates

(in thousands of euros)

Shares in subsidiaries and affiliates	Dec. 31, 2012	Additions	Disposals	Dec. 31, 2013
Cost	4,605,759	14	(3,777)	4,601,996
Provisions	(105,505)	(72,420)	63,661	(114,264)
NET	**4,500,254**	**(72,406)**	**59,884**	**4,487,732**

The main changes over the financial year are mainly related to the additional depreciation of Cofimines for EUR72 million.

The main investments at December 31, 2013 were as follows:

Shares in subsidiaries and affiliates	Carrying value
Schneider Electric Industries SAS	4,344,481
Cofimines	139,064
Schneider Electric Japan Holding	3,149
Other (less than EUR5 million)	1,038
TOTAL	**4,487,732**

2.2 – Other investment securities

(in thousands of euros)

Other investment securities	Dec. 31, 2012	Increases	Decreases	Dec. 31, 2013
Schneider Electric SA shares	48,778	-	-	48,778
Other	131	-	-	131
Provisions for other shares	(77)	-	-	(77)
NET	**48,832**	**-**	**-**	**48,832**

Other investment securities primarily include Schneider Electric SA shares acquired for allocation on the exercise of certain stock options. Schneider Electric SA has not reclassified own shares allocated to this line item as of December 31, 2004. However, since then, all purchases made for allocation to stock option plans have been classified as marketable securities.

2.3 – Advances to subsidiaries and affiliates

(in thousands of euros)

Advances to subsidiaries and affiliates	Dec. 31, 2012	Increases	Decreases	Dec. 31, 2013
Cost	4,178,758	99,365	(178,203)	4,099,920
Provisions	-	-	-	-
NET	**4,178,758**	**99,365**	**(178,203)**	**4,099,920**

At December 31, 2013, this item mainly consisted of two loans totaling EUR3,100 million granted to Schneider Electric Industries SAS, repayable in 2014 and 2015, of four loans granted in 2011 and 2012 to Boissière Finance for a total amount of EUR1 billion with maturity date 2016 and 2022 and of accrued interest of EUR46 million.

Note 3 Other receivables

(in thousands of euros)

Other receivables	Dec. 31, 2013	Dec. 31, 2012
Cost	43,800	98,768
Provisions	(226)	(45,256)
NET	**43,574**	**53,512**

At December 31, 2013, "Other receivables" main changes relate to the cancellation of a disputed receivable for EUR45 million fully written down, the Group income tax paid for EUR18 million and research tax credit for EUR22 million.

Note 4 Marketable securities

	Dec. 31, 2012		Aquisitions	Disposals	Dec. 31, 2013	
(in thousands of euros)	Number of shares	Value	Value	Value	Value	Number of shares
Treasury shares						
Stock options plan 26	876,034	25,965	-	(18,938)	7,027	237,083
Stock options plan 27	1,892,054	54,128	-	-	54,128	1,892,054
Stock options plan 28	2,000,000	57,348	-	-	57,348	2,000,000
Stock options plan 29	62,666	1,797	-	-	1,797	62,666
Stock options plan 30	1,755,172	60,711	-	-	60,711	1,755,172
Stock grants plan 10	-	-	18,851	(18,851)	-	-
Stock grants plan 10 *bis*	-	-	87	(87)	-	-
Gross	6,585,926	199,949	18,938	(37,876)	181,011	5,946,975
Provisions		-	-	-	-	
Net		199,949	18,938	(37,876)	181,011	
Market Fund						
Gross		-	1,449,985	-	1,449,985	
Provisions		-	-	-	-	
Net		-	1,449,985	-	1,449,985	
TOTAL NET		**199,949**	**1,468,923**	**(37,876)**	**1,630,996**	

Marketable securities primarily represent own shares held by the company for allocation to stock option plans. The shares of stock grants plans n°10 and n°10 bis are registered as direct shareholders and blocked during two years.

Since 2012, plans 26, 27, 28, 29 and 30 has been determined as stock-options plans. The reallocation of Schneider Electric SA shares, initially allocated to these plans has not been decided yet by the board of directors.

Note 5 Advances to the Group cash pool

This item consists of interest-bearing advances by Schneider Electric SA to the Group cash pool (Boissière Finance) that are recoverable on demand.

Note 6 Accruals and other assets

6.1 – Prepaid expenses

This EUR18 million item consists mainly on prepaid expenses on Invensys acquisition to be allocated to the capital increase mentioned in note 18.

6.2 – Bond issue expenses

(in thousands of euros)

Bond issue expenses	Dec. 31, 2012	Increases	Decreases	Dec. 31, 2013
Aug. 11, 2005 due 2017 (EUR600 million)	637	-	(128)	509
July 17, 2006 due 2014 (EUR500 million)	27	-	(26)	1
Oct. 8, 2007 due 2015 (EUR600 million)	432	-	(214)	218
Feb. 16, 2007 due 2014 (EUR4,500 million) (bridge loan)	1,064	-	(526)	538
May 21, 2008 due 2013 (EUR18 million)	6	-	(6)	-
May 21, 2008 due 2013 (EUR183 million)	53	-	(53)	-
May 21, 2008 due 2015 (EUR55 million)	73	-	(29)	44
May 21, 2008 due 2015 (EUR129 million)	164	-	(68)	96
June 11, 2008 due 2013 (EUR12 million)	4	-	(4)	-
July 25, 2008 due 2016 (EUR177 million)	74	-	(33)	41
Mar. 20, 2009 due 2018 (EUR250 million)	68	-	(13)	55
Apr. 30, 2009 due 2014 (EUR150 million)	87	-	(42)	45
Jan. 16, 2009 due 2013 (EUR750 million)	220	-	(220)	-
July 20, 2010 due 2016 (EUR300 million)	496	-	(134)	362
July 20, 2010 due 2016 (EUR200 million)	326	-	(90)	236
July 20, 2010 due 2020 (EUR500 million)	1,197	-	(126)	1,071
July 1, 2011 due 2014 (USD300 million)	133	-	(97)	36
July 12, 2011 due 2018 (EUR750 million)	2,134	-	(386)	1,748
Sep. 22, 2011 due 2019 (EUR500 million)	1,228	-	(70)	1,158
Nov. 18, 2011 due 2016 (JPY12 billion)	235	-	(49)	186
Dec. 8, 2011 due 2016 (JPY10 billion)	197	-	(41)	156
Sep. 27, 2012 due 2022 (USD800 million)	3,602	-	(316)	3,286
Sep. 6, 2013 due 2021 (EUR600 million)	-	2,497	(89)	2,408
	12,456	**2,497**	**(2,760)**	**12,193**

6.3 – Redemption premiums

(in thousands of euros)

Redemption premiums	Dec. 31, 2012	Increases	Decreases	Dec. 31, 2013
Aug. 11, 2005 due 2017 (EUR600 million)	2,061	-	(414)	1,647
July 17, 2006 due Jan. 2014 (EUR500 million)	502	-	(479)	23
Oct. 8, 2007 due 2015 (EUR600 million)	142	-	(70)	72
Apr. 11, 2008 due 2018 (EUR55 million)	4,116	-	(801)	3,315
Apr. 11, 2008 due 2018 (EUR125 million)	9,615	-	(1,869)	7,746
Mar. 20, 2009 due 2018 (EUR250 million)	19,975	-	(3,869)	16,106
Apr. 30, 2009 due 2014 (EUR150 million)	(1,631)	-	792	(839)
Jan. 16, 2009 due 2013 (EUR750 million)	25	-	(25)	-
July 20, 2010 due 2016 (EUR300 million)	1,247	-	(338)	909
July 20, 2010 due 2016 (EUR200 million)	(2,340)	-	642	(1,698)
July 20, 2010 due 2020 (EUR500 million)	3,571	-	(375)	3,196
July 1, 2011 due 2014 (USD300 million)	169	-	(136)	33
July 12, 2011 due 2018 (EUR750 million)	3,827	-	(692)	3,135
Sep. 22, 2011 due 2019 (EUR500 million)	2,828	-	(161)	2,667
Sep. 27, 2012 due 2022 (USD800 million)	1,618	-	(141)	1,477
Sep. 6, 2013 due 2021 (EUR600 million)	-	1,506	(54)	1,452
	45,723	**1,506**	**(7,990)**	**39,239**

The increases in this line item were due to the 2013 bond issues (see note 9).

6

Note 7 Shareholders' equity and retained earnings

(in millions of euros)	Share capital	Additional paid-in capital	Reserves and retained earnings	Net income for the year	Untaxed provisions	Total
December 31, 2011 before allocation of net income for the year	**2,195**	**6,588**	**314**	**2,604**	**-**	**11,701**
Change in share capital	26	196	-	-	-	222
Allocation of 2011 net income	-	-	2,604	(2,604)	-	-
2011 dividend	-	-	(919)	-	-	(919)
Other changes during the period	-	-	-	-	-	-
2012 net income	-	-	-	225	-	225
December 31, 2012 before allocation of net income for the year	**2,221**	**6,784**	**1,999**	**225**	**-**	**11,229**
Change in share capital	26	208	(4)	-	-	230
Allocation of 2012 net income	-	-	225	(225)	-	-
2012 dividend	-	-	(1,024)	-	-	(1,024)
Other changes during the period	-	-	-	-	-	-
2013 net income	-	-	-	(132)	-	(132)
DECEMBER 31, 2013 BEFORE ALLOCATION OF NET INCOME FOR THE YEAR	**2,247**	**6,992**	**1,196**	**(132)**	**-**	**10,303**

7.1 – Capital

Share capital

The company's share capital at December 31, 2013 amounted to EUR2,247,832,092, consisting of 561,958,023 shares with a par value of EUR4, all fully paid up.

Changes in share capital

During the financial year, 2,752,071 shares were issued as part of the worldwide Employee Stock Purchase Plan amounting to the EUR11 million in share capital while 3,788,938 new shares were issued on the exercise of stock options, increasing the share capital by EUR15 million.

Own shares

The total number of own shares held at the reporting date stood at 7,941,129, representing a net amount of EUR230 million.

7.2 – Additional paid-in capital

Additional paid-in capital rose by EUR208 million over the financial year, including EUR122 million from the worldwide Employee Stock Purchase Plan and EUR86 million from the exercise of stock options.

7.3 – Retained earnings

Pursuant to the third resolution of the Annual and Extraordinary Shareholders' Meeting of April 25, 2013, EUR3 million of the EUR225 million in 2012 distributable earnings was allocated to the legal reserve. EUR1,024 million was paid out in dividends.

Note 8 Provisions for contingencies and pension accruals

(in thousands of euros)

	Dec. 31, 2012	Increases	Decreases	Dec. 31, 2013
Provisions for contingencies				
Disputes	15	-	-	15
Other	30	-	-	30
	45	-	-	45
Provisions for pension accruals	**-**	**-**	**-**	**-**
Pension accruals	-	-	-	-
	45	**-**	**-**	**45**

8.1 – Contingencies

Management is confident that overall the balance sheet provisions for disputes of which it is currently aware and in which the company is involved should be sufficient to ensure that these disputes do not have a material impact on its financial position or income.

8.2 – Pension accruals

The company has various obligations towards its current and retired senior executives and managers. During 2012, the company closed the previous plan to new comers and implemented a new plan with progressing vesting rights based on seniority in the Group and in Executive Committee. The financing of this new plan was externalized to AXA France Vie.

The company applied the corridor method to the actuarial gains and losses arising from this valuation (see “accounting principles”). At December 31, 2013, cumulative actuarial gains and losses totaled EUR11 million. From 2014, a total of EUR7 million, exceeding 10% of the obligation, is being amortized over 16 years.

Note 9 Bonds

	Share capital			
(in thousands of euros)	**Dec. 31, 2013**	**Dec. 31, 2012**	**Interest rate**	**Maturity**
Schneider Electric SA 2017	600,000	600,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SA 2014	500,000	500,000	4.50% Fixed	Jan. 17, 2014
Schneider Electric SA 2015	600,000	600,000	5.375% Fixed	Jan. 08, 2015
Schneider Electric SA 2017	125,000	125,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SA 2017	55,000	55,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SA 2016	177,565	177,565	Euribor + 0.60% Floating	July 25, 2016
Schneider Electric SA 2013	-	100,000	CMS + 1% Floating	July 31, 2013
Schneider Electric SA 2013	-	487,000	6.75% Fixed	July 16, 2013
Schneider Electric SA 2015	150,000	150,000	5.375% Fixed	Jan. 08, 2015
Schneider Electric SA 2017	250,000	250,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SA 2016	300,000	300,000	2.875% Fixed	July 20, 2016
Schneider Electric SA 2016	200,000	200,000	2.875% Fixed	July 20, 2016
Schneider Electric SA 2020	500,000	500,000	3.625% Fixed	July 20, 2020
Schneider Electric SA 2014	217,533	227,376	Libor + 0.49% Floating	July 1, 2014
Schneider Electric SA 2018	750,000	750,000	3.75% Fixed	July 12, 2018
Schneider Electric SA 2019	500,000	500,000	3.50% Fixed	Jan. 22, 2019
Schneider Electric SA 2016	86,374	110,026	0.849% Fixed	Nov. 18, 2016
Schneider Electric SA 2016	69,099	88,020	0.84625% Fixed	Dec. 8, 2016
Schneider Electric SA 2022	580,088	606,336	2.95% Fixed	Sep. 27, 2022
Schneider Electric SA 2021	600,000	-	2.50% Fixed	Sep. 6, 2021
	6,260,659	**6,326,323**		

Fixed: fixed rate.
Floating: floating rate.

Schneider Electric SA has issued bonds on different markets:

- in the Unites States, through a private placement offering following SEC 144A rule, for USD800 million worth of bonds issued in September 2012, at a rate of 2.950%, due in September 2022;
- as part of its Euro Medium Term Notes (EMTN) program, which bonds are traded on the Luxembourg stock exchange. Issues that were not yet due as of December 31, 2013 are as follows:
  - EUR600 million worth of 2.50% bonds issued in September 2013 and maturing on September 6, 2021,
  - JPY12 and JPY10 billion for a total amount of EUR225 million worth of respectively 0.849% and 0.84625% bonds issued in November and December 2011 and maturing on November 18, 2016 and December 8, 2016,
  - EUR500 million worth of 3.50% bonds issued in September 2011 and maturing on January 22, 2019,
  - EUR750 million worth of 3.75% bonds issued in July 2011 and maturing on July 12, 2018,
  - USD300 million for a total amount of EUR232 million worth of bonds issued in July 2011 at a floating rate and maturing on July 1, 2014,
  - EUR300 and EUR200 million worth of 2.875% bonds successively issued in July and October 2010 and maturing on July 20, 2016,
  - EUR500 million worth of 3.625% bonds issued in July 2010 and maturing on July 20, 2020,
  - EUR150 million worth of bonds issued in May 2009 to top up the EUR600 million tranche at 5.375% maturing on January 8, 2015 and issued in October 2007, thereby raising the total issue to EUR750 million,
  - EUR250 million worth of bonds issued in March 2009 to top up the EUR780 million 12 year tranche at 4% issued in August 2005, thereby raising the total issue to EUR1.03 billion,
  - EUR177 million worth of floating-rate bonds issued in July 2008 and maturing on July 25, 2016,
  - EUR180 million worth of bonds issued in April 2008 to top up the EUR600 million 12 year tranche at 4% issued in August 2005, thereby raising the total tranche to EUR780 million,

- EUR600 million worth of 5.375% bonds issued in October 2007 and maturing on January 8, 2015,
- EUR1 billion worth of bonds issued in July 2006, comprising a EUR500 million five-year floating rate tranche reimbursed on July 18, 2011 and a EUR500 million 7 1/2-year 4.5% tranche,
- EUR600 million worth of 4% bonds issued in August 2005 and maturing in August 2017.

The EUR487 million worth of bonds issued in January 2009 was repaid at its maturity on July 16, 2013 and the EUR100 million worth of bonds issued in July 2008 was repaid at its maturity on July 31, 2013.

The issue premiums and issue costs are amortized in line with the effective interest method.

Note 10 Other borrowings

Other borrowings at December 31, 2013 included accrued interest on bonds and other debt issued by the company. Acrued interest amounted to EUR133 million, compared to EUR147 million at end of 2012.

The company repaid a EUR213 million on its “Schuldschein” credit line out of which EUR201 million at its maturity date on May 21, 2013 and EUR12 million at its maturity date on June 11, 2013, comprising two tranches: a EUR195 million five-year floating-rate tranche and a EUR18 million five-year fixed- rate tranche. The EUR184 million residual amount comprises two tranches: a EUR129 million seven-year floating-rate tranche and a EUR55 million seven-year fixed-rate tranche.

Note 11 Interest-bearing liabilities

(in thousands of euros)

Interest-bearing liabilities	Dec. 31, 2012	Increase	Decrease	Dec. 31, 2013
Commercial paper	-	2,635,000	(1,430,000)	1,205,000
Overdrafts	68	307	-	375
Other	-	-	-	-
NET	**68**	**2,635,307**	**(1,430,000)**	**1,205,375**

All commercial paper are redeemable in 2014.

Note 12 Maturities of receivables and payables

(in thousands of euros)

	Total	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Non-current assets				
Advances to subsidiaries and affiliates	4,099,920	264,359	3,255,473	580,088
Other investment	-	-	-	-
Current assets				
Accounts receivable – trade	68	68	-	-
Other receivables	43,793	32,926	8,018	2,849
Marketable securities	1,630,996	1,449,985	181,011	-
Prepaid expenses	18,117	17,827	290	-
Debt				
Bonds	6,260,659	717,533	3,363,038	2,180,088
Bank loans	184,000	-	184,000	-
Other borrowings	133,014	133,014	-	-
Amounts payable to subsidiaries and affiliates	13	-	13	-
Interest-bearing liabilities	1,205,375	1,205,375	-	-
Accounts payable – trade	441	441	-	-
Accrued taxes and payroll costs	54,571	54,571	-	-
Other	18,225	18,225	-	-
Deferred income	829	829	-	-

Note 13 Related-party transactions (minimum 10% interest)

(in thousands of euros)

	Gross	Net
Shares in subsidiaries and affiliates	4,601,996	4,487,732
Advances to subsidiaries and affiliates	4,099,209	4,099,209
Accounts receivable	1,225	999
Cash and cash equivalents	7,773,657	7,773,657
Interest-bearing liabilities	-	-
Accounts payable	-	-
Expenses:		
• rebilled fees		5,812
Revenues:		
• rebilled stock grants		12,420
• dividends		10,312
• interests		67,829

Note 14 Net financial income

(in thousands of euros)

	Dec. 31, 2013	Dec. 31, 2012
Dividends	10,378	371,978
Net interest income (expense)	(157,803)	(146,716)
Other	(4,146)	(4,565)
NET FINANCIAL INCOME	**151,571**	**220,697**

The 2013 dividends received by Schneider Electric SA were paid by its subsidiary Cofibel (EUR10 million).

Note 15 Net non-recurring income/(expense)

(in thousands of euros)

	Dec. 31, 2013	Dec. 31, 2012
Net gains/(losses) on fixed asset disposals	(3,397)	(7,247)
Provisions net of reversals	(8,362)	(69,107)
Other non-recurring income/(expense)	(371)	6,244
NET NON-RECURRING INCOME/(EXPENSE)	**(12,130)**	**(70,109)**

On December 31, 2013 a EUR19 million loss was booked on marketable securities on treasury shares of plan 26.

The company also booked a EUR63 million reversal of depreciation of Cofibel investment and a EUR72 million increase in depreciation of Cofimines investment.

Note 16 Net income tax benefit

The "income tax expense" line item in the statement of income mainly consists of the Group tax relief recorded by the tax Group headed by Schneider Electric SA, net of 2013 income tax due by EUR87 million, EUR8 million less than last year.

Schneider Electric SA is the parent company of the tax Group comprising all French subsidiaries that are over 95%-owned. Tax loss carryforwards available to the company in this capacity totaled EUR947 million at December 31, 2013.

Note 17 Off-balance sheet commitments

17.1 – Partnership obligations

The share of liabilities of "SC" non-trading companies attributable to Schneider Electric SA as partner is not material.

The share of liabilities of "SNC" flow-through entities attributable to Schneider Electric SA as partner is not material.

17.2 – Guarantees given and received

Commitments given

Counter-guarantees of bank guarantees: None

Other guarantees given: EUR517 million

Commitments received

Bank counter-guarantees: None

17.3 – Financial instruments

Schneider Electric Group hedging transactions, exchange guarantees and the establishment of financial instruments are carried out by the manager of the Group cash pool, Boissière Finance, a wholly-owned subsidiary of Schneider Electric Industries SAS, which in turn is wholly- owned by Schneider Electric SA. Nevertheless, Schneider Electric SA has arranged fixed-rate/floating-rate interest rate swaps to hedge certain bond issues, the market value of which is as follows:

Underlying			**Hedging instrument** *(in thousands of euros)*	
Type	**Face value**	**Maturity**	**Impact on net financial income**	**Market value**
Bond issue	USD300,000,000	July 1, 2014	(1,530)	(745)
Schuldschein	EUR129,000,000	May 21, 2015	(5,698)	(7,443)
TOTAL			**(7,228)**	**(8,189)**

Note 18 Other information

18.1 – Workforce

At December 31, 2013, the company had two employees.

18.2 – Consolidated financial statements

Schneider Electric SA is the parent company of the Group and accordingly publishes the consolidated financial statements of the Schneider Electric Group.

18.3 – Subsequent events

On January 20, 2014, Schneider Electric SA acquired about 26% of Invensys plc through the issuance of 17,207,427 new Schneider Electric shares. The remaining 74% of Invensys was purchased by a subsidiary of Schneider Electric SA.

4. Statutory auditors' report on the financial statements

This is a free translation into English of the statutory auditors' report on the Financial Statements issued in French and it is provided solely for the convenience of English speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2013 on:

- the audit of the accompanying financial statements of Schneider Electric SA;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the board of directors. Our role is to express an opinion on these financial statements based on our audit.

I – Opinion on the Financial Statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at December 31, 2013 and of the results of its operations for the year then ended in accordance with French accounting principles.

II – Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

As part of our assessment of the accounting principles and methods used by your company, we verified the appropriateness of the principles and methods used to value shares in subsidiaries and affiliates, as well as the detail of capitalized investments, described respectively in the notes "Accounting Principles" and "Note 2 – Investments" to the financial statements, and obtained assurance that they were correctly applied.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III – Specific verifications and information

We have also performed, in accordance with professional standards applicable in France the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the report of the board of directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of French Commercial Code (Code de Commerce) relating to remunerations and benefits received by the Corporate officers concerned and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements; and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French Law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders has been properly disclosed in the report of the board of directors.

Courbevoie and Paris-La Défense, March 10, 2014,

The statutory auditors

French original signed by

MAZARS	ERNST & YOUNG et Autres
David Chaudat	Yvon Salaün

5. List of securities held at December 31, 2013

Number amount *(in thousands of euros)*	Company	Carrying of securities
A. Major investments		
(Carrying amounts over EUR5 million)		
56,019,611	Schneider Electric Industries SAS	4,344,481
1,994,154	Schneider Electric SA own shares	48,778
		4,393,259
B. Other investments		
(Carrying amounts under EUR5 million)		1,092
C. Investments in real estate companies		**-**
D. Investments in foreign companies		142,213
Total		**4,536,564**
Marketable securities		
5,946,975	Schneider Electric SA own shares (stock option plans 26, 27, 28, 29 and 30)	181,011
TOTAL		**181,011**

6. Subsidiaries and affiliates

Company *(in thousands of euros)*	**Capital**	**Reserves and retained earnings & retained earnings prior to appropriation of earnings***	**Share interest held (%)**
I. Detailed information on subsidiaries and affiliates with a carrying amount of over 1% of the share capital of Schneider Electric SA			
A. Subsidiaries (at least 50% owned)			
Schneider Electric Industries SAS 35, rue Joseph-Monier 92500 Rueil-Malmaison, France	896,313	6,455,617	100,00
Cofimines Place du Champs-de-Mars, 5 Tour Bastion 1050 Brussels	96,884	13,488	99,82
B. Affiliates (10 to 50%-owned)			
II. Other subsidiaries and affiliates			
A. Subsidiaries not included in Section I: (+50%)			
a) French subsidiaries (aggregate)			
b) Foreign subsidiaries (aggregate)			
B. Affiliates not included in Section I: (0-50%)			
a) French companies (aggregate)			
b) Foreign companies (aggregate)	18,028	27,667	4,8

* *Including income or loss in prior financial year.*

Book value of securities held							
Gross	**Net**	**Loans and advances provided by the company and still outstanding**	**Amount of guarantees given by the company**	**2013 Revenues (ex. VAT)**	**2013 Profit or loss (-)**	**Dividends received by the company during 2013**	**Comments**
4,344,481	4,344,481	3,139,891	-	3,464,503	948,033	-	
219,884	139,064	-	-	Holding company	43	10,312	
16,382	1,038	-	-	-	-	-	
-	-	-	-	-	-	-	
130	53	-	-	-	-	-	
21,249	3,149	-	-	-	(2,824)	-	

7. The company's financial results over the last five years

Description	2013	2012	2011	2010	2009
Financial position at December 31					
Share capital (in thousands of euros)	2,247,832	2,221,668	2,195,772	2,175,672	2,102,016
Number of shares in issue	561,958,023	555,417,014	548,943,024	271,959,091	262,752,025
Number of convertible bonds in issue *(in thousands)*					
Maximum number of shares to be created *(in thousands)*:					
• through conversion of bonds					
• through exercise of rights	8,794	11,313	15,556	7,478	9,860
Results of operations *(in thousands of euros)*					
Sales (ex. VAT)	2,194	695	215	2,225	2,419
Investment revenue, interest income and other revenue	135,866	533,420	1,652,422	833,865	723,928
Earnings before tax, depreciation, amortization and provisions	(154,000)	170,417	1,345,453	506,204	393,238
Income tax	91,443	42,875	168,347	9,922	13,244
Earnings after tax, depreciation, amortization and provisions	(132,771)	225,115	2,603,738	702,982	475,753
Dividends paid [(1)] excluding tax credit and with holdings	1,050,862 [(2)]	1,038,630	933,203	870,269	538,642
Results of operations per share *(in euros)*					
Earnings before depreciation, amortization and provisions	(0,28)	0.50	4.79	2.61	1.71
Earnings after tax, depreciation, amortization and provisions	(0,24)	0.41	4.74	2.58	1.81
Net dividend per share	1.87 [(2)]	1.87	1.70	3.20	2.05
Employees					
Average number of employees during the financial year	2	2	2	2	2
Total payroll for the financial year *(in thousands of euros)*	996	1,641	4,549	4,262	3,859
Total of employee benefits paid over the financial year (Social security, other benefits, etc.) *(in thousands of euros)*	459	1,963	1,170	3,936	2,004

(1) Dividends on shares held in treasury on the dividend payment date and the associated withholding are credited to retained earnings.
(2) Pending approval by the Annual Shareholders' Meeting of May 6, 2014.

7 Information on the company and its capital

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This chapter includes the Chairman's report on the composition, conditions applicable for the preparation and organization of the work carried out by the board of directors and the internal control and risk management procedures implemented by the company.

Sections 2 (General Meetings and Voting Rights) and 7, as well as the sections entitled "Governance Structure", Sections 1, 2, 3, 4, 7 (Group senior management compensation policy and Pension benefits and Compensation of members of the board of directors), 9 and 10 of Chapter 3 constitute the board of directors Chairman's report prepared in accordance with article L. 225-68 of the French Commercial Code. They are indicated with**.

1. General information on the Company

Schneider Electric SA is a French corporation (*société anonyme*) with a board of directors (since April 25, 2013) governed by the French Commercial Code, with share capital of EUR2,316,847,784, whose registered head office is located at 35, rue Joseph-Monier, 92500 Rueil-Malmaison, France (phone: +33 (0) 1 41 29 70 00).

The Shareholders' Meeting will be called on May 6, 2014, to express its opinion on the change of the legal form of the company by adopting the european company form (Societas Europea) (see pages 301 and 302).

Schneider Electric SA is registered in Trade and Company Register of Nanterre under No. 542 048 574, APE code (principal activity code) 7010Z.

The company was founded in 1871 and its term is through July 1, 2031. It was first called Spie Batignolles, then changed its name to Schneider SA when it merged with Schneider SA in 1995, and then to Schneider Electric SA in May 1999.

As stated in article 2 of its articles of association, the company has the following objectives, directly or indirectly, in any form, in France and in all other countries:

(i) the design, development and sale of products, equipment and solutions related to the metering, management and use of energy in all its forms and delivering reliability, efficiency and productivity, in particular through engaging in, whether by creating, acquiring or otherwise, all activities related to:

- electrical equipment manufacturing, electrical distribution and secure power supply,
- building control, automation and safety,
- industrial control and automation, including software,
- management of all types of data centers, networks, equipment and other infrastructure;

(ii) the acquisition, purchase, sale and use of any intellectual and/or industrial property rights relative to these industries;

(iii) involvement in any way in any enterprise, company or consortium, of whatever type, undertaking activities related to the company's business or that will promote its industry and commerce, and, more generally, all industrial, commercial and financial, real estate and other operations related directly or indirectly in any way to the above objective.

The company may enter into any transactions that fall within the scope of its objectives either alone for its own account or on behalf of third parties, either by having an interest in, or by the purchase, subscription, contribution or exchange of company shares, partnership shares and the purchase of any company, irrespective of type, in pursuance of a similar or related objective, or that promote its expansion or development.

The board of directors of February 19, 2014 adopted a plan to transform the company into a European Company. This project will be submitted to the annual shareholders' meeting of May 6, 2014 for approval.

The articles of association, minutes of General Meetings, statutory auditors' reports and other legal documents concerning the company are available for consultation at the company's head office (secretariat of the board of directors) located at 35, rue Joseph-Monier – 92500 Rueil-Malmaison, France.

The articles of association, regulated information, Registration Documents, sustainable development reports, notice of the General Meeting and other documents are also available on the company's website (http:// www.schneider-electric.com).

2. Shareholders' rights and obligations**

General Meetings (article 19 of the articles of association)**

The procedures for calling and holding General Meetings are governed by French law.

The meetings are held at the head office or any other address provided in the call to meeting. When the decision is made to call a General Meeting, the board of directors may decide to make all or part of the meeting available for public viewing via video conferencing or remote transmission.

All shareholders may attend personally or be represented at General Meetings after providing proof of their identity and share ownership in accordance with the applicable laws and regulations.

When the decision is made to call a General Meeting, the board of directors may also decide to allow shareholders to participate or vote at the General Meetings using videoconferencing facilities and/or any other telecommunication medium allowed under the applicable legislation.

Remote voting procedures are governed by the applicable laws and regulations. In particular, shareholders may send proxy and postal voting forms before General Meetings either on paper or, if approved by the board of directors and stated in the meeting announcement and/or notice, electronically.

When the decision is made to call a General Meeting, the board of directors may authorize shareholders to fill out and sign these forms electronically through a secure site set up by the General Meeting organizer using a process that complies with article 1316-4, paragraph 2, line 1 of the French Civil Code, for example by entering an ID and a password.

Proxies or votes submitted electronically before the General Meeting, as well as the related acknowledgements of receipt, will be considered irrevocable and binding documents. However, in the event that shares are sold before the applicable record date (*i.e.*, midnight CET three days before the meeting date), the company will cancel or amend, as appropriate, any related proxies or votes submitted electronically before the General Meeting.

The Chairman of the board of directors chairs the General Meetings. In his absence, he is replaced by the Vice-chairman or, if the Vice-chairman is unavailable, by another member of the board of directors specifically designated for this purpose by the Board. If none of the above are available, the General Meeting itself selects a Chairman.

The two shareholders with the largest number of voting rights present at the meeting or accepting the mission serve as scrutineers.

The meeting committee selects the secretary, who may or may not be a shareholder.

An attendance sheet is filled out in accordance with French law.

Copies or extracts of the Meeting's minutes are certified either by the Chairman or Vice-chairman of the board of directors, a member or the General Meeting secretary.

Voting rights**

1 – Double voting rights (article 20 of the articles of association)

Voting rights attached to shares are proportionate to the equity in the capital they represent, assuming that they all have the same nominal value. Each share carries one voting right, unless there are unavoidable legal restrictions on the number of voting rights that may be held by any single shareholder. Notwithstanding the foregoing, double voting rights are attributed to fully paid-up shares registered in the name of the same holder for at least two years prior to the end of the calendar year preceding the one in which the General Meeting takes place, subject to compliance with the provisions of the law. In the case of a bonus share issue paid up by capitalizing reserves, earnings or additional issue premiums, each bonus share allotted in respect of shares carrying double voting rights will also have double voting rights.

The shares are stripped of their double voting rights if they are converted into bearer shares or transferred, except in the case of the transfer from one registered holder to another as part of an inheritance or family gift.

Double voting rights may also be stripped by a decision of the Extraordinary Shareholders' Meeting after ratification by a Special General Shareholders' Meeting of beneficiaries benefiting from double voting rights.

The minimum holding period to qualify for double voting rights was reduced from four to two years by decision of the Combined Annual and Extraordinary Shareholders' Meeting of June 27, 1995.

2 – Ceiling on voting rights (article 20 of the articles of association)

At the General Meeting, no shareholder may exercise more than 10% of the total voting rights attached to the company's shares. The 10% ceiling is calculated on the basis of the single voting rights held directly and proxies held by the shareholder concerned. If the shareholder holds or represents shares carrying double voting rights, the limit may be raised to 15%, provided that the 10% ceiling is exceeded solely by virtue of the double voting rights.

To apply these provisions:

- the total number of voting rights is calculated on the date of the General Meeting and announced to shareholders when the General Meeting is called to order;
- the number of voting rights held directly and indirectly include those attached to shares owned by a shareholder personally, those attached to shares held by a legal entity over which the shareholder exercises control, as defined in article L. 233-3 of the French Commercial Code, and those attached to shares assimilated to shares owned, as defined by article L. 233-7 et seq. of the French Commercial Code;
- shareholders' proxies returned to the company that do not appoint a representative are subject to the above ceilings. However, these ceilings do not apply to the Meeting Chairman voting on behalf of such proxies.

The above ceilings will no longer apply, without it being necessary to put the matter to the vote again by the Annual and Extraordinary Meeting, if any individual or legal entity, acting alone or jointly with one or other individuals or legal entities, acquires or increases its stake to at least two-thirds of the company's capital through a public tender offer for all the company's shares. In this case, the board of directors will place on record the lifting of the above ceilings and will amend the articles of association accordingly. The ceiling on voting rights was approved by the Combined Annual and Extraordinary Shareholders' Meeting of June 27, 1995.

In accordance with article L. 225-96, paragraph 1 of the French Commercial Code, any amendment to the articles of association must be approved by the Extraordinary General Meeting, by a majority of at least two-thirds of the voting rights represented by shareholders in attendance or participating by proxy.

Allocation of income (article 22 of the articles of association)

Net income for the year less any losses brought forward from prior years is appropriated in the following order:

- 5% to the legal reserve (this appropriation is no longer required once the legal reserve represents one-tenth of the capital, provided that further appropriations are made in the case of a capital increase);
- to discretionary reserves, if appropriate, and to retained earnings;
- to the payment of the balance in the form of a dividend.

The General Meeting may decide to offer shareholders the opportunity to receive the dividend in cash or in the form of new shares of common stock.

Dividends not claimed within five years from the date of payment are forfeited and paid to the State in accordance with the law.

Types of shares (article 7 paragraph 1 of the articles of association)

Shareholders may elect to hold their shares in registered or bearer form. To establish proof of ownership, the shares must be recorded in the shareholder's account in accordance with the procedures and conditions defined by current legislation and regulations.

Disclosure thresholds (article 7 paragraph 2 of the articles of association)

The articles of association stipulate that any individual or legal entity that owns or controls (as these terms are defined in article L. 233-9 of the French Commercial Code) directly or indirectly, shares or voting rights representing at least 1% of the total number of shares or voting rights outstanding, or a multiple thereof, is required to disclose the total number of shares, voting rights and share equivalents held directly, indirectly or in concert to the company by registered letter with return receipt requested, within five trading days of the disclosure threshold being crossed. In addition, effective November 1, 2009 the shareholder must notify the company, in the disclosure letter, of the number of existing shares it is entitled to acquire by virtue of agreements or financial instruments referred to in point b) of the third paragraph of article L. 233-7 of the French Commercial Code and of the number of existing shares covered by any agreement or financial instrument referred to in point c) of said paragraph. Shareholders are also required to notify the company if the number of shares or voting rights held falls below one of the thresholds defined above. In the case of failure to comply with these disclosure obligations, the shares in excess of the disclosure threshold will be stripped of voting rights at the request of one or several shareholders owning at least 2.5% of the share capital, subject to compliance with the relevant provisions of the law. These provisions are from the Combined Annual and Extraordinary Shareholders' Meetings of June 27, 1995; May 5, 2000 and April 23, 2009.

Identifiable holders of bearer shares (article 7 paragraph 3 of the articles of association)

The company may at any time request Euroclear to identify holders of bearer securities conferring immediate or future voting rights. This provision was adopted by the Combined Annual and Extraordinary Shareholders' Meetings of June 30, 1988 and May 5, 2000.

Disposal of shares (article 8 of the articles of association)

The company's shares are transferable and negotiable.

3. Capital

Share capital and voting rights

The company's share capital at December 31, 2013 amounted to EUR2,247,832,092, consisting of 561,958,063 shares with a nominal value of EUR4, all fully paid up. 609,815,400 voting rights were attached to the 561,958,063 outstanding shares as at December 31, 2013. On January 17, 2014, the share capital was increased to EUR2,316,847,784, in application of the decision of the board of directors of July 30, 2013, and ratified by the board of directors on August 8, 2013, acting within the framework of the acquisition of Invensys plc by Schneider Electric by means of a scheme of arrangement, in consideration for the contribution in kind to Schneider Electric of common shares in Invensys 1B. This contribution transaction resulted in the issuance of 17,207,427 shares with a nominal value of EUR4 each.

Potential capital

At December 31, 2013, the potential capital consisted of:

- 3,308,230 shares under the stock option plans (plans 28 to 33);
- 5,456,008 shares under the performance shares or stock grant plans (plans 11 to 16bis) relating to shares to be issued and to existing shares or shares to be issued whose type will be determined later;
- in addition, as part of share subscription plans in the framework of capital increases restricted to employees, the company has issued 29,620 share subscription warrants;

together, these plans represent a total of 8,793,858 shares.

The potential maximum dilution in case of issue of all the shares as a result of the exercise of stock options, stock grants, performance shares and warrants would be 1.6% of share capital at December 31, 2013.

Authorizations to issue shares

The following authorizations were given to the board of directors at the Combined Annual and Extraordinary Shareholders' Meetings of April 25, 2013:

1) to increase the company's capital by capitalizing reserves, earnings or additional paid-in-capital;
2) to increase the share capital by a maximum nominal value of EUR800 million (200 million shares) by issuing shares or share equivalents:
   - in the case of an issue with preemptive subscription rights, the ceiling stands at a nominal value of EUR800 million (200 million shares),
   - in the case of an issue without preemptive subscription rights, the ceiling stands at a nominal value of EUR220 million (55 million shares) with the possibility of:

(i) proceeding to issue by private placements of shares subject to a ceiling of EUR110 million (27.5 million shares),

(ii) to pay for securities contributed to the company in connection with a public exchange offer initiated by the Company

(iii) within the limit of 9.9% of capital, making payment for contributions in kind of shares or share equivalents of unlisted companies.

These authorizations include, in case of oversubscription, the power to increase the nominal amount of the issues within the limit set on the ceiling on the number of shares or share equivalents to be issued;

3) to grant existing or new shares to employees and corporate officers of the company and its affiliates under the provisions of article L. 225-197-1 et seq. of the French Commercial Code, within a limit of 1.8% of the company's issued capital as of April 25, 2013;
4) to grant stock options or share purchase options to employees and corporate officers of the company and its affiliates under the provisions of articles L. 225-177 and L. 225-180 of the French Commercial Code, within a limit of 0.5% of the issued capital as of April 25, 2013;
5) to issue new shares to members of the Employee Stock Purchase Plan (ESPP), within a limit of 2% of the issued capital on the date of the implementation of the authorization.
6) to issue new shares under programs to promote stock ownership among employees in non-French companies of the Group, within a limit of 1% of the company's share capital as of April 25, 2013 to be applied to the ceiling for the authorization given in 5 above.

On July 30, 2013, the board of directors decided, and then ratified that decision on August 8, 2013, within the framework of the acquisition of Invensys plc by Schneider Electric by means of a scheme of arrangement, to increase the capital in consideration for the contribution in kind to Schneider Electric of common shares in Invensys 1B. On January 17, 2014, this capital increase resulted in the issue of 17,207,427 shares with a nominal value of EUR4 each with the same rights as the existing shares and accordingly entitled to the dividend for the year 2013, which will be paid in 2014.

At its meeting on December 17, 2013, the board of directors authorized a capital increase reserved for employees, within a limit of 0.77% of the capital. This capital increase reserved for employees, who are part of the company saving plan (*Plan d'Epargne d'Entreprise*) or not, under a non-leveraged and leveraged stock ownership plan, will take place in June 2014; the subscription prices will be set on that date.

At the General Meeting to be held on May 6, 2014 (see pages 303, 309 and 310), shareholders will be asked to renew the authorizations for the issuance of new shares under programs to promote stock ownership among employees participating in the company saving plan (*Plan D'epargne d'Entreprise*) or employees of non-French companies of the Group in 5 and 6) and above.

	Maximum aggregate nominal value of authorized share issues	Number of shares *(in million)*	Authorization date/authorization expires	Amount used at 12/31/2013
I – Issues with preemptive subscription rights,				
shares, warrants and other securities, giving access immediately or in the future to the capital	800 million (1)	200	25/04/2013 24/06/2015	– (3),(4)
II – Issues without preemptive subscription rights:				
a) for the issue, in cash or listed securities, of shares, warrants and other securities giving access immediately or in the future to the capital	220 million (1)	55	25/04/2013 24/06/2015	– (3),(4)
b) to make private placements of shares	110 million (1) (2)	27,5	25/04/2013 24/06/2015	
c) to issue new shares as consideration for the shares of unlisted companies	9.9% of the capital (1) (2)	57,4	25/04/2013 24/06/2015	3,09% (3)
III – Employee share issues				
Share issues restricted to employees (ESPP)	2% of the capital (7)	11,2	25/04/2013 24/06/2015	(4)
Share issues to promote stock ownership among employees in foreign companies of the Group	1% of the capital (5) (7)	5,6	25/04/2013 24/10/2014	(4)
Stock options	0.5% of the capital (7)	2,8	25/04/2013 24/06/2016	–
Bonus shares or stock options	1.8% of the capital (7)	10	25/04/2013 24/06/2016	(6)

(1) The overall ceiling for issues with and without preemptive subscription rights are not cumulative and are capped at EUR800 million in aggregate.

(2) Within the limit of the ceiling of EUR220 million of a).

(3) The board of directors of July 30 and August 8, 2013, decided to increase the capital in consideration for the contribution in kind to Schneider Electric of common shares in Invensys 1B. On January 17, 2014, this capital increase resulted in the issue of 17,207,427 shares representing 3.09% of the capital on April 25, 2013.

(4) At its meeting on December 17, 2013, the board of directors authorized the issue of new shares to employees, within a limit of 0.77% of the capital. These new shares issued to employees, part of the company saving plan or not, under a non-leveraged and leveraged stock ownership plan, will take place in June 2014; the subscription prices will be set on that date. The capital increases will be deducted from the amount of the authorizations referred to in I and II a).

(5) Issues of shares to entities reserved for employees in non-French subsidiaries will be deducted from the ceiling for employee share issues (ESPP).

(6) The board of directors of December 17, 2013 decided to grant performance shares at the end of March 2014 within the limit of 2.9 million shares (0.52% of the capital) as part of the long-term incentive plan for 2014.

(7) On the date of the 2013 Annual Shareholder's Meeting, the capital is EUR2,226 million.

Three-year summary of changes in capital

The following table shows changes in Schneider Electric SA's share capital and additional paid-in-capital since December 31, 2010 through share issues and the exercise of stock options:

	Number of shares issued or cancelled	Cumulative number of shares	Total capital
Payment of dividend in shares	4,345,794*		
Employee share issue	2,151,390*		
Exercise of stock options	2,709,882*		
Capital at 12/31/2010 (1)		**271,959,091***	**EUR2,175,672,728**
Employee share issue	3,855,632		
Exercise of stock options and performance shares issued	1,169,210		
Capital at 12/31/2011 (2)		**548,943,024**	**EUR2,195,772,096**
Employee share issue	3,521,812		
Exercise of stock options and performance shares issued	2,952,178		
Capital at 12/31/2012 (3)		**555,417,014**	**EUR2,221,668,056**
Employee share issue	2,752,071		
Exercise of stock options and performance shares issued	3,788,938		
CAPITAL AT 12/31/2013 (4)		**561,958,023**	**EUR2,247,832,092**

* *Not adjusted for the two-for-one share split on September 2, 2011.*
(1) Increase in share capital (EUR73.6 million), increase in additional paid-in-capital (EUR561.2 million).
(2) Increase in share capital (EUR20.1 million), increase in additional paid-in-capital (EUR194.7 million).
(3) Increase in share capital (EUR25.9 million), increase in additional paid-in-capital (EUR195.5 million).
(4) Increase in share capital (EUR26.2 million), increase in additional paid-in-capital (EUR208.5 million).

Share buybacks

The general meeting of May 3, 2012 authorized the company to buy back shares. This authorization was renewed at the general meeting of April 25, 2013.

Pursuant to these authorizations, the company did not buy back any of its own shares during the year.

Details of the share buyback program submitted for approval at the general meeting of May 6, 2014 are as follows:

- number of shares and percentage of share capital held directly and indirectly by Schneider Electric SA (as of February 28, 2014):
  - own shares: 7,941,129 shares, or 1.37% of the share capital,
  - treasury stock: 1,058 shares,
  - total: 7,942,187 shares, or 1.37% of the share capital;
- overview of purposes for which shares have been held:
  - the 7,942,187 shares held in own shares are held for allocation on the exercise of stock options and performance shares;
- share buyback program objectives:
  - reduce the capital by cancelling shares,
  - hold shares for allocation on the exercise of stock option plans or performance shares plans or to permit the conversion of convertible debt securities,
  - maintenance and subsequent remission of existing shares in exchange or in payment instead of a capital increase when financing external growth,
  - market making under a liquidity agreement;
- maximum number of shares that may be acquired:
  - 10% of the issued share capital as of the date of the annual shareholders' meeting, representing, on the basis of the issued share capital at February 28, 2014, a total of 57,937,040 Schneider Electric SA shares with a nominal value of EUR4,
  - taking into account treasury stock and own shares at February 28, 2014 (7,942,187 shares), the number of shares that could be bought back under the authorization is 49,994,853 or 8.63% of the share capital;
- maximum purchase price and maximum aggregate amount of share purchases the fund may enter into:
  - the maximum purchase price is set at EUR80 per share,
  - EUR4,634,963,200;
- duration of the buyback program:
  - 18 months maximum, expiring on November 5, 2015;
- transactions carried out pursuant to the program authorized by the general meeting 2012 and renewed by the general meeting 2013 between January 1, 2013 and February 28, 2014:
  - transactions carried out by the company:

number of shares acquired: 0,

number of shares transferred since the beginning of the program: 638,951.

4. Ownership structure

Three-years summary of changes in capital

	Dec.31, 2013				Dec.31,2012		Dec.31,2011	
	Capital	Number of shares	Voting rights	Number of voting rights	Capital	Voting rights	Capital	Voting rights
	%		%		%	%	%	%
Capital Group Companies [(1)]	5.44	30,561,902	5.01	30,561,902	7.50	6.93	9.43	8.86
Group CDC	3.42	19,239,002	6.18	37,693,092	3.66	6.46	3.71	4.57
Employees	4.19	23,536,150	6.52	39,731,360	4.44	6.77	4.55	7.06
Own shares	0.00	1,058	-	-	0.00	-	0.00	-
Treasury shares	1.41	7,941,129	-	-	1.54	-	1.67	-
Public	85.54	480,678,782	80.99	493,886,859	82.86	78.40	80.64	77.95
TOTAL	**100.00**	**561,958,023**	**100.00**	**609,815,400** [(2)]	**100.00**	**100.00**	**100.00**	**100.00**

(1) To the best of the company's knowledge.
(2) Number of voting rights as defined in article 223-11 of the AMF general regulations, which includes shares stripped of voting rights.

Disclosure thresholds

To the best of the company's knowledge, no shareholders other than Capital Group companies, listed above, hold, either directly or indirectly, more than 5 % of Schneider Electric's capital or voting rights.

Changes in holdings (for stake equal to or greater than 5 %)

Date	Company	Capital (%)	Voting rights (%)
February 28, 2014	Capital Group Companies	5.41	5.00
December 19, 2013	Capital Group Companies	5.36	4.98
November 7, 2013	Capital Group Companies	5.44	5.05
July 23, 2013	Capital Group Companies	5.34	4.98

Pledges on Schneider Electric shares

30,520 shares are pledged.

Pledges on subsidiaries'share

Schneider Electric SA has not pledged any shares in significant subsidiaries.

5. Employee incentive plans – Employee shareholding

Profit-sharing plans

Most of the Group's French companies have profit-sharing and other profit-based incentive plans.

The amounts paid by the Group's French entities over the last five years were:

(in millions of euros)	2013	2012	2011	2010	2009
Profit-based incentive plans and profit-sharing plans	76.7	50.9	59.9	56.5	48.5

In 2013, almost 53% of the total from incentives and profit-sharing was invested in the Schneider Electric shareholder fund and nearly 25% was cashed in by employees.

The "Schneider Electric" employee shareholding

Schneider Electric employees are the drivers of Company growth. They are the main force behind the Group with their knowledge of the business and their involvement in the roll-out of Group strategy. By linking employees to its capital, Schneider Electric allows them to profit from value creation other than by their salary, thus aligning the interests of the employees and the company. In countries where regulations permit, Schneider Electric offers its employees the opportunity to invest during share capital increases reserved to its employees.

The Group's last employee share issue took place in July 2013. This resulted in a subscription of 2.7 million shares.

At December 31, 2013, Group employees held a total of 23.5 million Schneider Electric SA shares through the corporate mutual funds (FCPE) or directly, representing 4.19% of the capital and 6.52% of the voting rights, taking into account double voting rights.

Voting rights attached to shares held by corporate mutual funds are exercised by the supervisory boards of the corporate mutual funds.

The Group's employee shareholders are broken down as follows: 39% in France, 10% in the United States and 51% internationally. More than 37% of employees are shareholders of the Group. They are spread among nearly 60 countries.

Profit sharing bonus

In 2013, employees of French entities received a EUR100 payment as a profit sharing bonus.

6. Performance shares and stock option plans

Performance shares and stock option plans

The figures below have been calculated where necessary to take account of the two-for-one share split, effective from September 2, 2011.

Grant policy

As part of its overall staff pay policy, each year Schneider Electric sets up a long-term incentive plan. This plan is based on an annual allocation of performance shares. Stock options, until December 2009, and, for employees who are US citizens or residents, stock appreciation rights (SARs) have been granted. Since December 2009, stock options have no longer been granted. SARs continued to be granted to US citizens or residents until December 2011.

Phantom shares which mirror performance share grants have also been granted to certain beneficiaries in emerging market countries in the framework of the 2012 long-term incentive plan.

These plans are established by the board of directors, which makes decisions based on the report from the Remuneration, Human Resources and CSR Committee.

Beneficiaries include members of Senior Management, top managers of the Group in all countries, high-potential managers and employees whose performance and potential were judged exceptional.

Each year Schneider Electric increases the number of beneficiaries of the annual plan. There were 2,637 beneficiaries in the framework of the 2012 long-term incentive plan and 2,846 in the framework of the 2013 long-term incentive plan. In the framework of the 2014 long-term incentive plan, there will be about 3,100 beneficiaries.

Allocations to Group Senior Management, including executive directors, represented 14% of the total attributions in the framework of the 2009 plan. They are on the order of 11,6% in the framework of the 2014 long-term incentive plan.

As a reminder, Schneider Electric's practice since 2005 is to implement, in December of each year, a long-term incentive plan in the framework of the following year. However, to allow alignment of allocations with a review of the personal situations of employees, it was decided to postpone the implementation of the long-term incentive plans to the end of March.

Description of the shares allocated

For the French plans (plans 8, 10, 10bis, 13, 13bis, 13ter, 15 and 15bis), the vesting and lock-up periods for stock allocations are at least two years each.

For international plans (plans 6, 9 and 11, 11bis, 12, 14, 14bis, 14ter, 16 and 16bis), the vesting period for share allocations is four years. There is no lock-up period.

Performance shares and phantom shares vest only if the beneficiary is a Group employee as of the vesting date and if certain performance targets, detailed below, are met (see page 287).

Since January 2009, for executive directors, and since December 2011 for members of the Executive Committee, allocations of performance shares are fully subject to the achievement of performance conditions.

Description of the options allocated

The option exercise price is equal to the average closing price of the twenty trading days prior to the date of allocation. No discount is applied.

Since 2006, the options have a ten year life. They may not be exercised until after the fourth year. However, they can be exercised before maturity in the case of a takeover bid for the company's shares. Exceptionally, options granted under plan 25 may have been exercised as from the first year. Similarly, US citizens and residents may exercise their rights following the third year under certain plans.

Options may only be exercised by Group employees. In addition, exercise of all or part of the options is dependent on specific targets being met, detailed below (see page 285). All of the options granted to executive directors have been subject to performance criteria.

Description of Stock Appreciation Rights (SARs)

SARs mirror the mechanism of options. They are subject to conditions, particularly performance criteria. The beneficiary receives the proceeds in cash.

Description of phantom shares

Phantom shares mirror performance shares and are partially subject to specific performance criteria. The beneficiary receives the proceeds in cash.

Lock-up period applicable to executive directors

The supervisory board has set:

- a retention target of shares representing three years of base salary for Mr Jean-Pascal Tricoire, and two years of base salary for Mr Emmanuel Babeau. Calculation of the number of shares held is based on Schneider Electric SA shares and the equivalent in shares of the corporate mutual fund units invested in Schneider Electric shares held by the beneficiaries.

In accordance with the provisions of articles L. 225-185 and L. 225-197-1 of the French Commercial Code and the AFEP/MEDEF guidelines, the supervisory board has approved the following:

- retention of a proportion of shares arising from the exercise of options granted under plans 30 and following must be held in a registered account. This number corresponds to a percentage of the capital gains realized through exercise of the options, net of taxes and mandatory contributions and the sums necessary to fund the purchase of such shares. The percentage is fixed at 25% for Mr Jean-Pascal Tricoire and 15% for Mr Emmanuel Babeau;
- mandatory retention beyond the lock-up period of a percentage of the shares acquired under plans 3 and following. The percentage is fixed at 25% for Jean-Pascal Tricoire and 15% for Emmanuel Babeau;
- mandatory investment in Schneider Electric SA shares of 10% of the selling price (net of taxes and contributions) of performance shares grants acquired through plans set up since 2009.

These obligations are suspended once the shareholding targets described above are met.

Stock options and performance shares held by executive directors

Mr Jean-Pascal Tricoire

As of December 31, 2013, Mr Jean-Pascal Tricoire's situation with regard to options and stock grants was as follows:

(i) 396,574 options may be exercised under plans 28, 30,31, 33;

(ii 100,000 shares are being acquired and are subject to performance conditions under plans 13, 15 and 16;

(iii) 95,900 performance shares are vested and will become available as of February 23, 2014 for 47,500 shares under plans 5 and 8, and as March 18, 2015 for 48,400 shares under plan 10;

(iv) 17,338 shares are vested and are available under plans 1 and 3.

Mr Emmanuel Babeau

As of 31 December 2013, Mr Emmanuel Babeau's situation with regard to options and stock grants was as follows:

(i) 30,000 options may be exercised under plan 33;

(ii) 46,000 shares are being acquired and are subject to performance conditions unders plans 13 and 15;

(iii) 29,360 shares are vested and will become available as of February 23, 2014 for 7,500 shares under plan 8, as of August 21, 2014 for 2,500 shares under plan 7, and as March 18, 2015 for 19,360 shares under plan 10.

Past stock option plans

The data below are adjusted for the two-for-one share split, effective September 2, 2011.

Plan	Plan date	Number of beneficiaries at inception	Number of options at inception	of which executive directors	Exercise price *(in euros)*	Performance criteria	% of targets reached	Options cancelled by performance criteria (1)	Options outstanding at December 31, 2013 (2)
25	12/05/2005	157	277,000	-	28.23	Without – plan reserved to winners of the trophy	NA	NA	-
26	28/06/2005	458	4,007,600	400,000	30.09	50% of options – 2005 and 2006 operating margin and revenue	100	-	-
27	01/12/2005	419	3,229,800	300,000	35.70	50% of options – 2006 and 2007 operating margin and revenue	100	-	-
28	21/12/2006	489	2,514,240	224,000	40.67	50% of options – 2007 and 2008 operating margin and revenue	100	-	867,055
29	23/04/2007	43	166,300	-	48.52	50% of options – 2007 and 2008 operating margin and revenue	100	-	70,875
30	19/12/2007	542	1,889,852	176,400	46.00	50% of options – 2008 and 2009 operating margin and revenue	-	887,952	476,827
31	05/01/2009	328	1,358,000	137,000	26.06	50% of options/100% for the management board – 2011 operating margin (4) and 2009 to 2011 EPS compared to a benchmark selection (3)	80	133,760	557,359
32	21/08/2009	1	10,000	10,000	31.30	without	-	-	-
33	21/12/2009	391	1,652,686	130,000	37.92	50% of options/100% for the management board – 2010 and 2011 operating margin (2) and 2011 share of revenue generated in the new economies	100	-	1,336,114
			15,105,478	**1,377,400**			**-**	**1,021,712**	**3,308,230**

(1) Number of options remaining to be exercised after deduction of all cancellations and exercises since plan implementation.
(2) Excluding restructuring costs.
(3) On the basis of a pre-defined and fixed list of 11 competitor companies.

Details on outstanding options (2013)

The data below are adjusted for the two-for-one share split, effective September 2, 2011.

Plan	Plan date	Type of plan (1)	Expiration date	Exercise price *(in euros)* (2)	Plans as at January 1, 2013	of which executive directors	Number of options exercised during the financial year	Number of options cancelled during the financial year	Options outstanding at December 31, 2013
25	12/05/2005	S	11/05/2013	28.23	27,610	-	10,440	17,170	-
26	28/06/2005	S	27/06/2013	30.09	431,591	-	339,571	92,020	-
27	01/12/2005	S	30/11/2013	35.70	1,106,285	-	967,703	138,582	-
28	21/12/2006	S	20/12/2016	40.67	1,347,548	161,574	470,595	9,898	867,055
29	23/04/2007	S	22/04/2017	48.52	110,900	-	28,025	12,000	70,875
30	19/12/2007	S	18/12/2017	46.00	711,240	63,000	229,933	4,480	476,827
31	05/01/2009	S	04/01/2019	26.06	1,075,770	72,000	516,611	1,800	557,359
32	21/08/2009	S	20/08/2019	31.30	10,000	10,000	10,000	-	-
33	21/12/2009	S	20/12/2019	37.92	1,565,526	130,000	187,942	41,470	1,336,114
					6,386,470	**436,574**	**2,760,820**	**317,420**	**3,308,230**

(1) S = Subscription stock option plan.
(2) Average of the 20 quotations preceding the grant, with no discount or premium.

Situation of executive directors, broken down by plan (at December 31, 2013)(1)

The data below are adjusted for the two-for-one share split, effective September 2, 2011.
(In Italics, options still subject to performance conditions)

28	Jean-Pascal Tricoire	161,574
30	Jean-Pascal Tricoire	63,000
31	Jean-Pascal Tricoire	72,000
33	Jean-Pascal Tricoire	100,000
33	Emmanuel Babeau	30,000

(1) In the role as executive director at the date of attribution.

Past share plans (at December 31, 2013)

The data below are adjusted for the two-for-one share split, effective September 2, 2011.

Plan	Plan date	Number of beneficiaries at inception	Number of shares at inception	Acquisition/ delivery period	Lock-up period	Performance criteria	% of targets reached	Rights cancelled[(1)]	Executive directors[(2)]	Total rights cancelled since the grant[(5)]	Rights outstanding at December 31, 2013
6	05/01/2009	721	424,702	4 years	-	50% of the shares/100% for the management board - 2011[(3)] operating margin and share of revenue generated in the new economies 2011	100	-	-	67,282	-
9	21/12/2009	1,184	780,190	4 years	-	50% of shares /100% for the management board - 2010 & 2011 operating margin[(3)]) and share of revenue generated in 2011 in the new economies	100	-	-	109,492	-
10	17/12/2010	658	665,524	2 years and 3 months	2 years	50% of shares/100% for the management board - 2011 & 2012[(3)] operating margin and 2011 and 2012 average revenue growth compared to changes in world GDP over the same period	96.8	11,409	67,760	18,981	-
10 *bis*	26/06/2010	1	3,000	2 years	2 years	As plan 10	96.8	48	-	48	-
11	17/12/2010	1,702	1,161,696	4 years	-	As plan 10	96.8	17,237	-	123,995	1,037,701
11 *bis*	26/06/2011	1	5,882	4 years	-	As plan 10	96.8	94	-	94	5,788
12	26/06/2011	1	19,850	4 years	-	with no performance conditions	-	-	-	-	19,850
13 and 13 *bis*[(4)]	16/12/2011	608	647,943	2 years and 3 months	2 years	50% of the shares/100% for the management board and Executive Committee – 2012 and 2013 [(3)] operating margin and change in the Planet & Society barometer at the end of 2013	100	-	72,000	11,700	636,243
13 *ter*	27/07/2012	1	625	2 years	2 years	As plan 13	100	-	-	-	625
14	16/12/2011	2,029	1,38	4 years	-	As plan 13	100	-	-	94,029	1,292,771
14 *bis*[(4)]			6,800			As plan 13					
14 *ter*	27/07/2012	1	1,500	4 years		As plan 13	100				1,500
15	28/03/2013	639	645,550	2 years	2 years	50% of the shares/100% for the management board and Executive Committee – 2013 and 2014 [(3)] operating margin and change in the Planet & Society barometer at the end of 2014	100	-		-	639,950
15 *bis*	24/10/2013	3	4,500	2 years	2 years	As plan 15	-	-	39,000	5,600	4,500
16	28/03/2013	2,207	1,844,830	4 years	-	As plan 15	-	-	35,000	-	1,797,480
16 *bis*	24/10/2013	15	19,600	4 years	-	As plan 15	-	-	-	47,350	19,600
			7,612,192					**28,788**	**213,760**	**478,571**	**5,456,008**

(1) Rights cancelled for non-achievement of targets.
(2) Rights after cancellations for non-achievement of targets.
(3) Excluding restructuring costs.
(4) Plans 13 bis and 14 bis include each one beneficiary.
(5) Including rights created upon death and invalidity.

Situation of executive directors [(1)], broken down by option plan (at December 31, 2013)

The data below are adjusted for the two-for-one share split, effective September 2, 2011.

(In Italics, shares still subject to performance conditions)

1	Jean-Pascal Tricoire	10,558[(3)]
3	Jean-Pascal Tricoire	6,750[(3)]
5	Jean-Pascal Tricoire	22,500
7	Emmanuel Babeau	2,500 [(2)]
8	Jean-Pascal Tricoire	25,000
8	Emmanuel Babeau	7,500
10	Jean-Pascal Tricoire	48,400
10	Emmanuel Babeau	19,360
13	Jean-Pascal Tricoire	*50,000*
13	Emmanuel Babeau	*22,000*
15	Jean-Pascal Tricoire	15,000
15	Emmanuel Babeau	24,000
16	Jean-Pascal Tricoire	35,000

(1) In the role as executive director at the date of attribution.
(2) Shares attributed at the time of his recruitment as Financial Director.
(3) The holding period of plan 1 ended on December 20, 2011 and on December 19, 2012 under plan 3.

Options granted and exercised and stock grants made to top 10 employee grantees during the year

The data below are adjusted for the two-for-one share split, effective September 2, 2011.

Stock options or share purchase options granted to the ten most highly paid employees (non-executive directors) and options exercised by them

	Number	Exercise price/ Average weighted price	Plans
Options exercised in 2013 of which the number of shares bought or subscribed is the highest	263,980	EUR 35.99	26-27-28-29-30-31-33

Shares awarded to the ten most highly paid employees (non-executive directors)

	Number	Plan
2013 Performance Shares grant (allocation on March 28, 2013)	188,000	16

7. Disclosure of information required in accordance with article L. 225-100-3 of the French Commercial Code**

Items that could have an impact in the event of a public tender offer include:

- agreements calling for payments to the executive directors (see page 156) or to employees if they resign or are terminated without real cause or if their employment ends due to a public tender offer;
- agreements entered into by the company with change of control clauses: provisions on the exercise of stock options (see page 283); information on certain loans with change of control clauses (see page 43);
- statutory restrictions in the articles of association on the exercise of voting rights (see pages 275 and 276) relating to the non-application of the ceiling on voting rights when a public tender offer is in process.

8. Stock market data

In France, Schneider Electric is listed on Euronext Paris (sub-fund A), where it is traded on a per-share basis under ISIN code FR0000121972. Schneider Electric SA shares are included on the CAC 40 index established by Euronext.

18-month trading data in Paris

Year	Month	Number of securities traded *(in thousands of shares)*[1]	Value *(in millions of euros)*	High [2]	Low [2]	Number of trading sessions
2012	September	39,558	1,970	53.39	46.06	20
	October	34,771	1,690	50.70	45.85	23
	November	30,115	1,526	54.80	47.96	22
	December	27,624	1,487	56.37	53.25	19
2013	January	23,958	1,335	57.17	54.11	22
	February	31,838	1,795	60.00	53.50	20
	March	31,282	1,815	60.71	55.26	20
	April	37,073	2,075	58.56	52.49	21
	May	30,406	1,817	63.00	56.27	22
	June	33,053	1,884	62.56	52.70	20
	July	34,976	1,994	61.25	54.66	23
	August	23,239	1,400	62.79	57.52	22
	September	31,970	2,020	66.99	58.53	21
	October	33,387	2,063	64.11	59.69	23
	November	26,412	1,625	63.26	59.31	21
	December	29,488	1,774	63.76	57.89	20
	TOTAL 2013	**367,082**	**21,597**	**66.99**	**52.49**	**255**
2014	January	38,412	2,401	65.92	58.68	22
	February	34,311	2,157	66.13	58.50	20

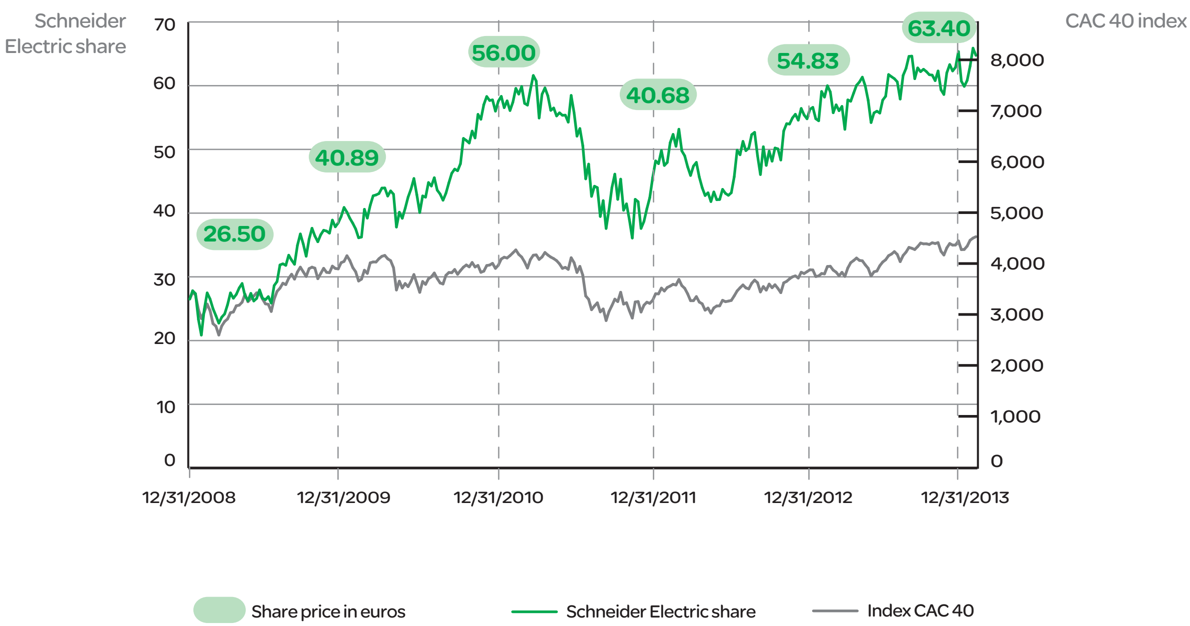
(1) The data corresponds to trading volumes on NYSE Euronext.
(2) During the trading session.

Five-year trading summary

	2013	2012	2011	2010	2009
Average daily trading volume on the Paris stock exchznges (NYSE Euronext):					
• Number of shares *(in thousands)*	1,439.54	1,886.81	2,316.01	2,462.57	2,647.16
• in million of euros	84.70	89.36	115.78	108.23	77.12
High and low share prices *(in euros)*					
• high	66.99	56,37	61.83	60.00	40.93
• low	52.49	39.40	35.00	36.00	20.65
Year-End closing price *(in euros)*	63.40	54.83	40.68	56.00	40.89
Yield *(%)*	2.95	3.41	4.18	2.86	2.51

The data correspond to trading volumes on NYSE Euronext (2009 to 2011 data restated of the two-for-one share split, effective as of September 2, 2011)

The Schneider Electric SA share results versus the CAC 40 index over five years



MONEP

Options on Schneider Electric SA shares have been on the MONEP market sinve December 20, 1996.

Ordinary bonds

The information is disclosed in note 9 of the company financial statements (pages 264 and 265).

9. Investor relations

Person responsible for financial information

Emmanuel Babeau
Deputy CEO, in charge of Finance and Legal Affairs
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Contacts

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For institutional investors and financial analysts: Tel: +33 (0)1 41 39 60 84
Toll-free number for individual investors in France: +33 (0) 800 20 55 14.

Shareholders' relations committee

The committee consists of eight individual shareholders appointed by Schneider Electric for a three-year term. Members may serve a maximum of two terms. The committee is designed to reflect the geographical and professional diversity of the Group's shareholders and to relay their concerns to the company.

The committee meets three times a year to discuss the actions and financial communication tools offered by the Group. It shares its opinions and makes proposals to strengthen the strategy of individual shareholders.

These meetings are also an opportunity to discover the Group's businesses, particularly with educational visits. In 2013, visits focused on the energy efficiency and office space optimization solutions as well as on security desk solutions has been implemented.

Shareholder documents

The company makes available to its shareholders:

- the annual report and a short form;
- a shareholder's guide;
- a letter to shareholders;
- general, economic and financial information about the Group (in the form of press releases and presentations);
- a corporate website - http://www.schneider-electric.com/finance/fr.

8 Shareholders' Meeting

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1. Report of the board of directors to the combined annual and extraordinary shareholders' meeting

Ordinary meeting

Approval of financial statements – First resolution –

We request that you approve the transactions and financial statements for the year 2013, as presented, which show a loss of EUR132.8 million. This loss results from the ambition of the company, which has more than EUR10 billion in equity, not to receive dividends from its wholly owned subsidiary Schneider Electric Industries SAS. Because the latter directly and indirectly holds all of the entities constituting the Schneider Electric Group, it seemed appropriate to strengthen its equity, to leave dividends and other financial income it received in 2012 from Group subsidiaries at their same level.

Approval of the consolidated financial statements – Second resolution –

We request that you approve the transactions and consolidated financial statements for the year 2013, as presented, which show a net profit for the Group of EUR1,888 million.

Distribution: Appropriation of profit, withholding on share premiums and setting of a dividend of 1.87 euro per share – Third resolution –

We recommend a dividend of EUR1.87 per EUR4 par value share. This dividend represents a distribution rate of 56,7% of the Group's net profit. The dividend will be paid on May 19, 2014 on 579,167,716 shares with dividend rights on January 1, 2013 that made up the capital on January 17, 2014. No dividend will be paid on shares held in treasury by the company on the payment date; the corresponding amounts will be allocated to retained earnings.

The dividend will be paid out of distributable earnings, consisting of:

(i) retained earnings from the previous financial year of EUR973,551,474,73;

(ii) the allocation of the loss for the fiscal year amounting to EUR132,771,491.80 on the retained earnings;

(iii) less the charge of EUR2,216,403.60 to reconstitute the legal reserve;

(iv) less the charges of EUR244,480,049.59 on issue premiums relating to the transfer of Legrand shares;

and amounting to EUR1,083,043,628.92.

The dividend will be paid on May 19, 2014, according to the following schedule:

Dividend ex-date	Wednesday, May 14, 2014
Date of approval of the positions	Friday, May 16, 2014
Dividend payment date	Monday, May 19, 2014

For individual shareholders resident for tax purposes in France, a social security tax of 15.5% will be charged on the gross amount.

Dividends are required to be subject to the progressive income tax rate.

After applying a 40% (uncapped) allowance, only 60% of the dividend amount will be included in taxable income, less any deductible charges and expenses, notably including social security tax.

The full dividend will be eligible for the 40% allowance. No amounts eligible or not eligible for the 40% deduction provided for in article 158-3-2 of the French Tax Code will be distributed, other than the dividend described above.

The dividends are subject to a mandatory non-definitive levy at source of 21%. This levy will be charged on the income tax that will be due in 2015 for income earned in 2014. If it exceeds the income tax due, the surplus will be paid back.

Nevertheless, individuals belonging to a tax household whose taxable income for the penultimate year is less than EUR50,000 with the status of single, divorced or widowed taxpayer, and EUR75,000 for couples who file a joint tax return, can request exemption from this levy.

To this end, under their responsibility, they should submit their application for exemption to the paying entity, in the form of a sworn statement indicating that their reference taxable income listed on their tax form established under income for the penultimate year preceding the payment of the revenues, shows income lower than the thresholds indicated above. This application must be filed no later than November 30 of the year preceding that of the payment.

Dividend payments authorized by Schneider Electric SA for the last three years were as follows:

	2010	2011	2012
Net dividend paid per share restated to reflect division of the par value by 2 (1) (2)	1.60	1.70	1.87

(1) The full dividend is eligible for a 40% deduction for individuals resident for tax purposes in France. The company paid no dividends that were ineligible for the allowance.
(2) The stock split (division of the par value) took effect on September 2, 2011.

Agreements regulated by articles L. 225-38 and L. 225-42-1 – Resolutions from the fourth to the sixth resolutions –

We request that you approve the regulated agreements presented in the statutory auditor's report drawn up pursuant to article L. 225-40. These agreements concern:

- on one hand, the compensation of the Lead Director as well as the adjustments to the top-hat pension scheme applicable to executive corporate officers (Chief executive officer and Executive Vice-president) and the non-compete agreements binding them to the company;
- on the other hand, the elements of the status of executive corporate officers who, pursuant to the TEPA Act require approval by the annual General Meeting on the occasion of any new appointment or renewal of appointment.

By **resolution fourth**, we request that you approve the agreement setting the annual compensation for Mr Henri Lachmann at EUR250,000 for his duties as Vice-president/Lead Director, on the understanding that Mr Lachmann as Director also receives attendance fees which in 2013 amounted to EUR89,000 It is also decided that the resources placed at the disposal of Mr Lachmann as part of his duties as Vice-president/Lead-Director relate to the use of an office, the services of an assistant and the possibility of using the cars of the Group's senior management with ou without chauffeur services.

By the same resolution, we request that you also approve:

- an amendment to the top-hat pension scheme for executive corporate officers which seeks to prevent, in accordance with AFEP/MEDEF guidelines, the accumulation of involuntary severance pay with a pension allowance. It is hereby henceforth expected that if the persons concerned find themselves in a situation where they receive involuntary severance pay, although they could within a short time claim a pension entitlement, the right to receive income under their top-hat pension scheme shall be postponed by 2 years;
- the modification of the non-compete agreements applicable to executive corporate officers to account for the new AFEP/MEDEF recommendations. It is now expected that the board will decide on the application or not of the agreement upon the departure of the person concerned, unless this departure is the result of a voluntary resignation (excluding Involuntary Departure) and insofar as the concerned party:
  - has fulfilled the performance criteria on which the payment of the Involuntary Severance Pay is contingent, and
  - is not or will not be entitled or in a position to accumulate the non-compete pay with the payment of a pension.

These non-compete commitments are limited to 1 year and remunerated up to a maximum of 60% of the authorized gross pay (target compensation for Mr Tricoire, compensation paid to Mr Babeau).

In the same resolution, we ask that you also approve:

- Finally, under this resolution, you also take note of the information provided in the statutory auditor's report (page 305) on regulated agreements and commitments made in previous years.

By the **fifth resolution,** we request that you approve the renewal of the status of Mr Tricoire, in accordance with the provisions of the TEPA Act.

We remind you that pursuant to the AFEP/MEDEF recommendations of October 2008, Mr Tricoire had agreed to resign from his employment contract on the occasion of the renewal of his term as Chairman of the management board in 2009. Furthermore, in agreement with Mr Tricoire, the supervisory board has defined a status which was approved by the Annual General Meeting of 2009. The annual general meeting of 2012 approved its renewal.

The status thus renewed granted Mr Tricoire, who is covered by the Group's top-hat pension scheme for French executives and is subject to a non-compete obligation, presented above, for the benefit of:

1°) the Schneider Electric SA and Schneider Electric Industries SAS employee benefit plan for health, incapacity, invalidity and death, as well as the supplementary cover for health, incapacity, invalidity and death for the Group's French executives;

2°) compensation in the event of termination capped at two years of his target remuneration (fixed salary and target bonus, hereinafter the maximum amount) taking into account compensation provided for in the non-compete agreement described below and subject to performance criteria;

3°) the right to retain, subject to performance criteria, the benefit of his stock options, stock grants and performance shares granted to him or that will be granted to him, should he leave the company.

Pursuant to the TEPA Act, the board of directors was required to renew these elements of the status of Mr Tricoire owing to his appointment as Chief executive officer. However, on this occasion, the board decided to define more restrictive conditions, given below, for the commitments linked to a departure from the Group.

The board therefore decided that Mr Tricoire:

1°) who benefits from the Schneider Electric SA and Schneider Electric Industries SAS employee benefit plan for health, incapacity, invalidity and death, is entitled to the supplementary for health, incapacity, invalidity and death for the Group's French executives. This contingency and supplementary cover compensation is subject to performance criteria. Compensation is subject to the fulfillment of one of the following two criteria: A positive average net profit for the five years preceding the event, or positive average free cash flow for the five years preceding the event;

2°) benefits from an Involuntary Severance Pay that may not exceed, considering the non-compete compensations specified above that may be paid to him, twice the mathematical average of the effective annual compensation (fixed and variable) for the last three years (hereafter "Maximum amount").

The right to compensation shall only apply in the following cases:

(i) Mr Tricoire is dismissed, is not reappointed, resigns as a member or Chairman and CEO within 6 months (and not within 12 months as previously stated) following a material change in Schneider Electric's shareholder structure that could change the membership of the board of directors,

(ii) Mr Tricoire is dismissed, is not reappointed, resigns as a member or Chairman and CEO following reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in Schneider Electric's shareholder structure as described above,

(iii) Mr Tricoire is asked to resign, is dismissed or is not reappointed as a member or as Chairman and CEO when two-thirds (and not 50% as previously) of the mathematical average for the rate of achievement of Group objectives used to calculate the variable portion of his remuneration are achieved for the four completed financial years preceding his date of departure. The latter case in fact corresponds to a presumption of Involuntary Severance resulting from a change of strategy.

In addition, the Involuntary Severance Pay is subject to performance criteria. Compensation and the amount thereof is in fact dependent on the mathematical average of the rate of achievement of Group objectives used to determine the variable portion of Mr Tricoire's target compensation for the three completed financial years preceding the date of the board meeting at which the decision is taken.

Accordingly, if:

- less than two-thirds of the Group's objectives are fulfilled (and not at least half as previously stated): no compensation will be paid;
- two-thirds are fulfilled (and no longer half): he will receive 75% of the Maximum Sum;
- at least 100% fulfilled: he will receive 100% of the Maximum Sum;
- between 66% and 100% fulfilled: he will receive between 75% and 100% of the Maximum Amount calculated on a straight-line basis according to the rate of achievement.

We note that the arithmetical average of the rate of achievement for Group objectives for the last three financial years (2011 to 2013) was 117,4%;

It is also provided that involuntary termination benefits will not be due if the dismissal or resignation requested of Mr Jean-Pascal Tricoire is motivated by serious or gross misconduct according to the criteria adopted by jurisprudence.

3°) retains forthwith, subject to the performance criteria and only in the event of involuntary severance that is not the result of gross or willful misconduct (new criterion with respect to the previous status), the benefit of all of his stock options and bonus or performance shares awarded or yet to be awarded. The performance criterion states that the mathematical average of the rate of achievement of Group performance objectives, used to determine the variable portion of Mr Tricoire's compensation for the three completed financial years preceding his departure, must be equal to 66% of the target, not the previous 50%.

By the **sixth resolution**, we request that you approve the status of Mr Babeau. Mr Babeau is covered by a Schneider Electric Industries SAS employment contract as well as a Schneider Electric Services Investissement management contract which guarantee him a certain number of benefits linked to the termination of his duties. However, on the occasion of the appointment of Mr Babeau as the Executive Vice-president in charge of finances and legal affairs, your board of directors decided in accordance with the recommendations of the AMF to submit these commitments to the approval of the annual General Meeting as part of the provisions of the TEPA Act. On this occasion, the board aligned them, pursuant to the provisions of the French Labor Code, with those granted to Mr Tricoire as required by his status.

You are therefore requested to approve these commitments pertaining to the benefit by Mr Babeau to the same rights as Mr Tricoire and under the same conditions:

1°) the Group employee benefit plan for French executives for health, incapacity, invalidity and death and cover under Group individual accident policies;

2°) compensation in case of involuntary departure;

3°) the retention of his stock options or performance shares in case of involuntary severance;

4°) the benefit of non-compete compensation provided that the compensation that would be paid to him is 50% or 60% of his last effective compensation depending on whether or not his departure is the result of dismissal.

We would like to stress the fact that overall, the benefits thus granted to Mr Babeau in case of departure from the Group are more limited than those that would stem from his employment contract. His entitlement to compensation is contingent on an Involuntary Severance linked to a change of control or strategy and the amount is capped at two years of compensation subject to the achievement of performance conditions and considering the non-compete compensations, if any, that would be paid to him. However, by virtue of the provisions of the French Labor Code, Mr Babeau in any case retains the right to receive conventional or statutory severance pay. Similarly, the benefit of coverage under the Group's employee benefit plan for French executives for major hazards and the Group's individual accident insurance policies, is contingent on the achievement of the performance criteria.

Consultation of shareholders on the individual compensation of executive directors – Resolutions from the seventh to the eighth resolutions –

In accordance with the provisions of the AFEP/MEDEF code, you are requested to issue a favorable opinion on the compensation elements due or awarded under financial year 2013 to your company's executive directors. These elements are presented to you in the tables below, on the understanding that they are detailed in chapter 3.7 of the reference document, and with respect to the benefits granted in the event of the termination of the duties of the parties concerned in the preceding paragraphs.

By the **seventh resolution**, you are kindly requested to give a favorable opinion regarding the compensation elements for 2013 of Mr Jean-Pascal Tricoire and, by the **eighth resolution**, regarding those of Mr Emmanuel Babeau.

Mr Jean-Pascal Tricoire, Chairman and CEO

I – Elements of compensation due or awarded for the year ended

	Amounts submitted to the vote	Description
1) Fixed part	€934,028	● Annual fixed compensation of €900,000 from January 1 to April 25, 2013 set by the supervisory board of February 20, 2013. ● Annual fixed compensation of €950,000 from April 26 to December 31, 2013, set by the board meeting of April 25, 2013.
2) Annual variable part	€1,443,072	The variable part is 110% of the fixed part. This part may vary from 0 to 220% depending on the achievement of objectives. The board meeting of February 19, 2014 set the 2013 variable part paid in March 2014 at 154.5% of the fixed part. This achievement is broken down as follows: 1) in connection with Group criteria, the variable part amounted to 88.5% of the fixed part; The Group criteria include: ● a Group economic criteria component. These criteria are based on organic sales growth, adjusted EBITA and cash generation targets; ● a component comprising criteria that are in line with the *Connect* company program and social and environmental responsibility, evaluated amount other things through customer satisfaction, solutions development and trends in the Planet & Society barometer targets. 2) with respect to individual objectives, the board set the variable part at 66% of fixed part.
3) Performance shares	€740,250 for 15,000 performance shares according to the IFRS valuation €1,599,150 for 35,000 performance shares according to the IFRS valuation	● The 15,000 performance shares were allocated, in the context of the France plan, to Mr Tricoire in his capacity as Chairman of the management board of Schneider Electric SA. ● The 35,000 performance shares were allocated, in the context of the international plan, to Mr Tricoire in his capacity as executive director of Schneider Electric Asia Pacific. 100% all performance shares are subject to performance criteria: ● 80% of the shares are contingent on the level of achievement of an adjusted EBITA operational margin objective at constant perimeter (consolidation scope on December 31, 2012) for the 2013 and 2014 financial years included within a range of 13% to 17%, which is the Group's objective through a normal cycle of activity; this objective was presented in early 2012, in the framework of the *Connect* program. The operating margin objective being based on an average over the period 2013/2014, it is not disclosed to avoid interfering with the annual objectives communicated to the market; 20% of the shares are contingent on the progression of the "Planet and Society Barometer" index at the end of 2014 according to the foloowing modalities: 0% if the index is lower or equal to 7, 100% if the index is higher or equal to 8, with a linear progression between the two points. 25% of the shares acquired are subject to mandatory retention until the termination of the duties of Mr Tricoire. Furthermore, in case of termination, Mr Tricoire is required to reinvest 10% of the disposal price in Schneider Electric shares (net of taxes and contributions). These obligations are suspended insofar as Mr Tricoire holds Schneider Electric shares with a value representing three years of basic fixed compensation. The percentage of capital represented by Mr Tricoire's allocation is 0.009%. Annual General Meeting authorization date: April 21, 2011 Resolution number: 21st Date of the management board's allocation decision: March 28, 2013 pursuant to authorization by the supervisory board on February 20, 2013
4) Attendance fees	€0	Mr. Tricoire has waived his attendance fees.
5) Fringe benefits	€1.400	This related to the employer matching contribution paid to employees subscribing to the capital increase reserved for employees.

II – Other elements of compensation which were or are subject to the approval of the annual shareholders' meeting pursuant to the regulation agreements

	Amounts submitted to the vote	Description
Severance pay	€0	Mr Tricoire is entitled to Involuntary Severance Pay in case of change of control or strategy, taking into account the non-compete compensation described below, to twice the arithmetical average of his annual fixed and variable parts paid over the last three years authorized by the board of directors. (See chap. 3-7 of 2013 reference document and reports to the shareholders' meeting on May 6, 2014). Board decision on June 18 & 19 2013 Date of submission to the General Meeting: May 06, 2014 Number of resolution within the regulated agreements procedure: 5
Non-compete compensation	€0	Mr Tricoire may be entitled to non-compete compensation for a period of one year capped at 6/10 of his average gross compensation (monthly average total gross compensation (fixed and target variable) over the last twelve months of presence). (See chap. 3-7 of 2013 reference document and reports to the shareholders' meeting on May 6, 2014). Board decisions of 2009, 2012 and June 18 & 19, 2013 Dates of submission to the General Meeting: 2009, 2012 and May 6, 2014 Number of resolution in the context of the regulated agreements procedure:4
Top-hat pension scheme	€0	Mr Tricoire is covered by the Group's defined benefits top-hat pension plan (article 39) of the Group's senior management subject to the French social security system. See chap. 3-7 of 2013 reference document. Board decisions of 2009, 2012 and June 18 & 19, 2013 Dates of submission to the General Meeting: 2009, 2012 and May 6, 2014 Number of resolution in the context of the regulated agreements procedure:4

Mr Emmanuel Babeau, Executive Vice-president in charge of finance and legal affairs.

I – Elements of compensation due or awarded for financial year 2013

	Amounts submitted to the vote	Description
1) Fixed part	€550,000	Annual fixed compensation as of January 1, 2013 set by the supervisory board of February 20, 2013.
2) Annual variable portion	€695,200	The variable part is 90% of the fixed part. This part may vary from 0 to 180% depending on the achievement of objectives. The board meeting of February 19, 2014 set the 2013 variable part paid in March 2014 at 126.4% of fixed part. This achievement is broken down as follows: 1) in connection with Group criteria, the variable part amounted to 72.4% of fixed part; The Group criteria include: ● a Group economic criteria component. These criteria are based on organic sales growth, adjusted EBITA and cash generation target; ● a component comprising criteria that are in line with the Connect company program and social and environmental responsibility, evaluated amoung other things through customer satisfaction, solutions development and trends in the Planet & Society barometer. 2) with respect to individual objectives, the board set the variable part at 54% of fixed part.
3) Performance shares	€1,184,400 for 24,000 performance shares according to the IFRS valuation	These 24,000 performance shares were allocated within the France plan to Mr Babeau. 100% of these performance shares are subject to performance criteria: ● 80% of the shares are contingent on the level of achievement of an adjusted EBITA operational margin objective at constant perimeter (consolidation scope on December 31, 2012) for the 2013 and 2014 financial years included within a range of 13% to 17%, which is the Group's objective through a normal cycle of activity; this objective was presented in early 2012, in the framework of the Connect program. The operating margin objective being based on an average over the period 2013/2014, it is not disclosed to avoid interfering with the annual objectives communicated to the market; ● 20% of the shares are contingent on the progression of the "Planet and Society barometer" at the end of 2014 according to the foloowing modalities: 0% if the index is lower or equal to 7, 100% if the index is higher or equal to 8, with a linear progression between the two points. 15% of the shares acquired are subject to mandatory retention until the termination of the duties of Mr Babeau. Furthermore, in case of termination, Mr Babeau is required to reinvest 10% of the disposal price in Schneider Electric shares (net of taxes and contributions). These obligations are suspended insofar as Mr Babeau holds Schneider Electric shares with a value representing two years of basic fixed compensation. The percentage of capital represented by Mr Babeau's allocation is 0.004%. Annual General Meeting authorization date: April 21, 2011 Resolution number: 21st Date of the management board's allocation decision: March 28, 2013 pursuant to authorization by the supervisory board on February 20, 2013
4) Attendance fees	N/A	
5) Fringe benefits	€1.400	Mr Babeau received the employer matching contribution paid to employees subscribing to the capital increase reserved for employees. board of directors' authorization: April 25, 2013.
	€7.989	Mr Babeau benefited from the profit-sharing and profit-based incentive plans. Board authorization: April 25, 2013.
	€3.932	Mr Babeau benefited from a company car.

II – Other elements of compensation which were or are subject to the approval of the Annual General Meeting pursuant to the regulation agreements

	Amounts submitted to the vote	Description
Severance pay	€0	Mr Babeau is entitled to Involuntary Severance Pay in the event of change of control or strategy capped at twice the arithmetical average of his annual actual fixed and variable remuneration for the last three years authorized by the board of directors, including all other kinds of compensations to which Mr Babeau would be entitled under his work contract. (See chap. 3-7 of 2013 reference document and reports to the shareholders' meeting on May 6, 2014) Board decision on June 18 & 19 2013 Date of submission to the General Meeting: May 06, 2014 Number of resolution in the context of the regulated agreements procedure: 6
Non-compete compensation	€0	Mr Babeau may receive non-compete monthly compensation equal to 5/10 of his gross compensation (monthly average of fixed and variable part paid in the last twelve months of presence) increased to 6/10 in case of dismissal. (See chap. 3-7 of 2013 reference document and reports to the shareholders' meeting on May 6, 2014). Date of board decision: June 18 & 19, 2013 Dates of submission to the General Meeting: May 06, 2014 Number of resolution in the context of the regulated agreements procedure:4
Top-hat pension plan	€0	Mr Babeau is entitled to the defined-benefit top-hat pension plan (article 39) for the Group's senior management subject to the French social security system in addition to the defined contributions plans (article 83) set up for Group senior management under French contract and managed by Cardif and for all Group employees managed by Malakoff-Médéric in France. See chap. 3-7 of the reference document. Board decisions: 2009, 2012 and June 18 & 19, 2013 Dates of submission to the General Meeting: 2010, 2012 and May 6, 2014 Number of resolution in the context of the regulated agreements procedure: 4

Composition of the board of directors – Ninth to Fifteenth resolutions –

We remind you that the appointments of Messrs. Noël Forgeard, Willy Kissling, Mrs Cathy Kopp and Messrs. Henri Lachmann, Richard Thoman and Serge Weinberg expire at the end of the Annual General Meeting. In addition, the board of directors on October 24, 2013 co-opted Mr Kim Jeong as a replacement for Mrs Dominique Sénéquier.

Your board is working towards its "regeneration" with the objective of increasing its female quota, internationallization and bringing new skills on board (including digitization and technologies, marketing, human resources), which will also rejuvenate its composition. With this in mind, the governance committee has sought out the services of a head-hunting firm. The priorities of this committee include strengthening the audit and risks committee and finding a successor to the Chairman of the compensation, human resource and CSR committee.

We propose the appointment of Linda Knoll as director because Mr. Weinberg, who for reasons of availability, does not want his appointment to be renewed, and we that the other expiring appointments be renewed.

The following is therefore proposed:

- the appointment of Linda Knoll. Ms. KNOLL, 53, a U.S. citizen, has been Chief Human Resources Officer and Member of the Group Executive Council of CNH INDUSTRIAL N.V. since September 2007. She has also been Chief Human Resources Officer and Member of the Group Executive Council of Fiat Chrysler since September 2011.

  After a career in the Land Systems Division of General Dynamics, Ms. Knoll joined Industrial CNH in 1994 (Case Corporation at the time). She held various positions there, culminating in her appointment to multiple senior management positions.

  With the creation of CNH Global N.V. in 1999, Ms. Knoll became Vice-president and General Manager of the Group's Crop Production Global Product Line. From 2003 to 2005, she was Vice-president for North America Agricultural Industrial Operations. She then served as Vice-president for Worldwide Agricultural Manufacturing until 2007, managing twenty plants in ten countries, before being appointed Executive Vice-president for Development of Agricultural Products. From 2007 to 2011, she represented CNH as a board Member for the National Association of Manufacturers.

  From 2010 to 2011, Ms. Knoll served as Interim President of CNH Parts & Service, in addition to her duties as Senior Vice-president of Human Resources.

  Linda Knoll holds a Bachelor of Science Degree in Business Administration from Central Michigan University.

  Ms Knoll will be an independent director;

- to renew the appointments of Messrs Kissling, Lachmann and Thoman for a 2-year period due to the new statutory provisions relating to the age of board members, and of Mr. Kopp for a period of 4 years; their curriculum vitae is detailed from pages 128 to 134 of the registration document;

- to ratify the co-option of Mr. Jeong Kim and appoint him as director for the outstanding period of the appointment of his predecessor, namely one year, his curriculum vitae is detailed from page 132.

  Ms Kopp and Mrs Forgeard, Kim and Thoman are independent directors.

If you agree with these proposals, the board of directors will be 29% female, 43% non-French origin or nationality and 64% independent directors.

In fact, according to your board of directors, in addition to Jean-Pascal Tricoire, Henri Lachmann and Magali Herbaut, who are not independent directors, Gérard de La Martinière and Willy Kissling, pursuant to the AFEP/MEDEF code, are no longer counted as independent directors due to their seniority with the board. The other board members are or will be independent directors.

Your board of directors intends to appoint Mr. Léo Apotheker as Vice-president/Independent Lead Director, replacing Mr. Henri Lachmann. It appeared that Léo Apotheker, who joined the board in 2007, was the most appropriate person to perform this function taking into account his authority with the board, his great familiarity with new technologies related to digitization and his extensive knowledge of global industry. He will bring to the exercise of his new responsibilities his very strong international experience, as well as his knowledge of the Group that he has developed in the last two years through close cooperation with Henri Lachmann.

Share buybacks – Sixteenth resolution –

We request that you renew the authorization given to the company by the General Meeting of April 25, 2013, to buy back its shares by any appropriate method, including through the use of derivatives, pursuant to the provisions of article L. 225-209 of the French Commercial Code.

The company buyback programs may have various objectives: To reduce capital stock, cover stock option plans or other share allocations to employees or corporate officers, fulfill obligations related to convertible bonds, engage in external acquisitions, and market making as part of a liquidity contract.

Shares bought back may be cancelled under the authorization (twentieth resolution) adopted by the Annual General Meeting of April 25, 2013.

Further information on your Company's share buyback programs can be found on page 280.

You are asked to authorize the company to buy back shares representing a maximum of 10% of the issued capital as of the date of the Meeting (for reference purposes, 57,921,194 shares based on the issued capital on January 17, 2014). The maximum purchase price is set at EUR80. We remind you that this authorization may not be used during public offer periods.

Extraordinary Meeting

Conversion of the company's corporate form by adoption of the European company form (Societas Europaea) – Seventeenth resolution –

Economic aspects of the operation

Schneider Electric has experienced major changes over the last few years. The considerable development and geographical diversification of the company's activities have raised Schneider Electric to the rank of a fully global group. In light of the foregoing, Europe, which has become an integrated economic area, has increasingly become a major market for the company and a significant base for its technological innovation and human capital.

Your board of directors therefore proposes to change the legal form of Schneider Electric from that of a French public limited-liability company (*société anonyme*, SA) to a European Company (Societas Europaea, SE). The board of directors has arrived at the conclusion that this international statute under French and European law, promulgated by the legislative branch almost a decade ago and increasingly adopted by businesses in Europe, best reflects the European and international dimension of Schneider Electric.

This statute would enable Schneider Electric to project to all its stakeholders an image of economic power, as a talent pool, of technological excellence and of leadership in the sustainable development principles advocated by Europe throughout the world.

Legal aspects of the operation

Legal implications of the conversion on the company

As a European company, Schneider Electric SE will be governed by European Council Regulation (EC) No. 2157/2001 of October 8, 2001, governing the statutes of European Companies ("SE Regulation"). Issues not covered by the regulation will be governed by the provisions of the French Commercial Code applicable to public limited-liability companies, as well as by their articles of association.

The provisions of the French Commercial Code regarding the management and governance of public limited-liability companies are applicable to the S.E.

Thus, the conversion of Schneider Electric SA into a European company will have no impact on the organization of its governance. The board of directors will remain unchanged, in the same way as its operating procedure and the term of office of its members. Its internal rules and procedures will not be amended due to this change.

With respect to the organization and the operation of a public limited-liability company under French law, the only visible change resulting from the adoption of the SE statute will relate to the voting of resolutions at the company's Annual Shareholders' General Meetings. In effect, pursuant to the provisions of the SE Regulation for voting at Annual General Meetings of Shareholders, votes cast do not include those attached to shares where a shareholder has not taken part in the vote, abstained or returned a blank or spoiled ballot paper. Thus, abstentions, blank and spoiled ballot papers are no longer counted as votes against.

Completion of the conversion

The conversion is regulated by the provisions of the SE Regulation, articles L. 225-245-1 and R.229-20 to R.229-22 of the French Commercial Code and articles L. 2351-1 and following the French Labor Code transposing directive no. 200186-EC supplementing the statute for a European Company with regard to the involvement of employees ("SE Directive").

As per these provisions, a public limited-liability company constituted under the laws of a Member State and having its registered office and head office in the European Union, may only transform itself into an SE provided that the two following conditions are fulfilled:

- it has been the holding company of a subsidiary governed by the law of another Member State for at least two years;
- it has minimum subscribed capital of EUR120,000.

Your company is a "*société anonyme*", a public limited-liability company under French law with its registered office and head office in France, with share capital amounting to EUR2,316,847,784 as of January 17, 2014, and the holding company for many years now of the Belgian company Cofimines; therefore the required conditions are effectively fulfilled.

The conversion into a european company does not require the winding-up of the company or the creation of a new legal person. It has no impact on the company's term, on its object, on its registered office, or on its corporate fiscal year. Similarly, the company's capital and the number of shares remain unchanged.

The approval of the conversion of Schneider Electric SA into a european company is subject to the approval of the annual shareholders' meeting and of the relevant bondholders. However, the company may optionally override the lack of approval of the latter by offering to repay the bonds in question.

Furthermore, the conversion assumes the completion of the procedure relating to the involvement of employees, as set out in articles L. 2351-1 and following of the French Labour Code. To this end, pursuant to the provisions of the SE Regulation, a Special Negotiating Body (SNB) has been created comprising representatives of the employees of all direct and indirect subsidiaries of Schneider Electric SA and related companies with registered offices located in the European Union or in the European Economic Area. The negotiations will be carried out within a maximum period of 6 months, renewable once, which may result in:

- a written agreement on the procedures for the involvement of employees within the european company;
- a decision, taken by a double qualified majority, from at least two Member States provided they represent at least two-thirds of the employees of the participating companies and the subsidiaries and institutions in question, not to open negotiations or terminate negotiations already under way and to apply the regulation regarding information and consultation in Member States where the european company employs salaried workers;
- an application of subsidiary provisions relating to the committee of the european company provided for in articles L. 2353-1 and following the French Labor Code where, at the end of the negotiating period specified in article L. 2352-9 of said Code, no agreement is reached.

The company's registration as a european company, which will mark its conversion, may only occur after the completion of the procedure for employee involvement.

The directors and statutory and alternate auditors in office at the time of the company's conversion into a European Company will continue their appointments until their respective expiry dates.

All authorizations and commitment limits and powers granted to the Schneider Electric SA board of directors under its form as a public limited-liability company by the Annual General Meeting of shareholders and in force on the day of implementation will be transferred ipso facto to the board of directors of Schneider Electric SA in its new form as a European Company.

Implications for shareholders

The conversion has no impact on shareholders, whose liability remains limited to the contributions made. The number of shares and voting rights remain unchanged. Shares will still be listed on the NYSE Euronext Paris stock exchange.

However, the conversion into a european company will enhance the rights of shareholders: One or more shareholders holding at least 10% of the capital may request the convening of a General Meeting and set the agenda. We recall however that shareholders who have (alone or together) at least 0.5% of the capital or voting rights may request the recording of new items or draft resolutions on the agenda of the General Meeting.

As soon as by the adoption of the **seventeenth resolution** you have approved the company's conversion into a European Company with a board of directors and recorded the following in the minutes:

- the continuation until their respective expiry dates of the appointments of the directors and statutory and alternate auditors in office at the time of the company's conversion into a European Company,
- the automatic transfer of all of the authorizations and delegations of competence and powers of the board of directors in its form as a public limited-liability company by all of the company's General Meetings, to the board of directors under its new form of European Company,

we ask by the **eigteenth** and **nineteent**. **resolutions**, the approval of the company's corporate name in its new form as a European Company, namely "Schneider Electric SE", in addition to its articles of association. These articles of association are repeated from the company's current articles of association in its form as a public limited-liability company, with the three changes below:

- the first to indicate that the company no longer has a public limited-liability form, but that of a European company;
- the second to specify that it has been transformed into a European company by decision of your Shareholders' Meeting;
- the third to change the company name from Schneider Electric SA to Schneider Electric SE.

Implications for employees

The conversion has no impact on the european company's employees, whose employment contracts and all corporate benefits remain unchanged.

Capital increases reserved for employees with cancellation of pre-emptive subscription rights of Shareholders – Twentieth and twenty-first-resolutions –

We remind you that the Combined Annual and Extraordinary Shareholders' Meetings of April 25, 2013, authorized the management board, up to a limit of 2% of the capital, to undertake capital increases reserved for employees participating in the Employees Stock Purchase Plan (Eighteenth Resolution), and to make capital increases reserved for employees of non-French Group companies or entities set up to purchase shares on behalf of the employees (Nineteenth Resolution). This last resolution aims to permit employee shareholder operations in certain countries where the Employee Stock Purchase Plan rules do not easily comply with national legislation.

As part of these authorizations, the management board of December 17, 2013, decided to renew the annual employee shareholder operation in 2014, within a limit of 4.3 million shares (almost 0.77% of the capital). This operation which will include a classical offering and, mainly in the new economies, a leveraged offer (x 6), will be proposed in 38 countries representing more than 80% of the Group's employees.

The **Nineteenth Resolution** expires in October 2014. Therefore, to allow a new global employee shareholder program in 2015, we propose a renewal of this authorization under the same conditions. This is the objective of the **twenty-first resolution**.

We remind you that the authorization will not exceed 1% of the capital. The issues to be carried out will be deducted from the ceiling of 2% of the capital set for the issuance of shares to employees who are members of the Employee Stock Purchase Plan. At the discretion of the board of directors, the issue price will be based on either (i) the opening or closing price of the company's shares quoted on the trading day on which the decision of the management board or its delegate setting the issue price is made, or (ii) the average of the opening and closing prices quoted for the company's shares over the twenty trading days preceding the decision of the management board or its delegate setting the issue price under the Twentieth Resolution of the Shareholders'Meeting. A maximum discount of 20% may be applied to the reference stock price. The application of this discount will be determined by the board of directors, taking into consideration, in particular, any foreign legal, regulatory or tax provisions that may apply to any beneficiary governed by foreign law.

This authorization cancels and replaces as of August 1, 2014 the existing authorization given in the Nineteenth Resolution for the amounts remaining unused by July 31, 2014. This authorization is valid for a period of 18 months and can only be used from August 1, 2014.

In addition, under the NRE Act (New Economic Regulations, France), if a company asks shareholders for an authorization for a capital increase, a separate resolution must be tabled at each general meeting covering a capital increase to employees who are members of an employee stock purchase plan. In addition, we ask you to renew forthwith the eighteenth resolution. This is the objective of the **twentieth resolution**.

The board of directors would have full powers to carry out capital increases reserved for employees enrolled in the company Savings Plan up to the equivalent of 2% of the company's capital. Under the new authorization, whereby it is noted that the maximum discount at which the shares could be offered is set at 20%.

This authorization, which requires the waiver by shareholders of their pre-emptive subscription rights in favor of employees enrolled in a Company Savings Plan, will nullify, with effect from July 1, 2014, the current authorization passed by the Shareholders' Meeting of April 25, 2013 in its eighteenth resolution. This authorization is valid for a period of 26 months.

Finally, by the **twenty second resolution**, we request the powers necessary to carry out formalities.

2. Appendix to the report of the board : charter of the Vice-chairman – lead independent director

1. The board of directors may appoint a Vice-chairman. He shall be appointed for a period that may not be any longer than his term of office as a Director. He is eligible for re-election. He may be removed from office by the board of directors at any time.
2. The Vice-chairman shall preside over board meetings in the absence of the Chairman.

   The Vice-chairman shall be called upon to replace the Chairman of the board of directors in the event of any temporary inability of the latter to fulfill his functions or his death. In the event of the Chairman's inability to fulfill his functions, he will be replaced by the Vice-chairman as long as his inability may last and, in the case of his death, until the election of a new Chairman.
3. In exception to 1 above, and in compliance with article 12.2 of the articles of association, the appointment of a Vice-chairman is compulsory if the functions of Chairman and CEO are exercised by the same person. In this case, the Vice-chairman also exercises the function of lead independent director. In this respect:
   - the Vice-chairman is kept informed of major events in Group life in the context of regular contacts and monthly meetings with the Chairman and CEO;
   - the Vice-chairman is consulted by the Chairman and CEO on the agenda and the sequence of events for every board meeting as well as on the schedule for board meetings;
   - the Vice-chairman may convene executive sessions with non-executive members of the board of directors, over which he will preside. An executive session shall be included on the agenda for every board meeting. It is the Vice-chairman's responsibility to decide whether it should be held or not. It is therefore held as decided by the Vice-chairman, either directly before or after each board meeting. In addition, the Vice-chairman may convene an executive session between two board meetings. Any director may request the Vice-chairman to convene an executive session;
   - the Vice-chairman shall promptly report to the Chairman and CEO on the conclusions to executive sessions;
   - the Vice-chairman shall draw the attention of the Chairman of the board of directors to any possible conflicts of interest that he may have identified;
   - the Vice-chairman is Chairman of the governance committee;
   - the Vice-chairman may attend any meetings of Committees of which he is not a member;
   - in order to complement his knowledge, the Vice-chairman may meet the Group's leading managers and make site visits;
   - the Vice-chairman carries out annual and biennial assessments of the board of directors and, in this context, assess the real contribution made by every member of the board to its deliberations;
   - the Vice-chairman shall report on his action at Shareholders' Annual General Meetings;
   - the Vice-chairman shall meet any shareholders who so wish and inform the board of their preoccupations on questions of governance.
4. The Vice-chairman-Lead Independant Director must be an independent member of the board in respect of criteria published by the company.

As a transitional measure, article 12.2 of the articles of association provides for the first Vice-chairman & Lead Director to be the former Chairman of the supervisory board for his remaining term of office.

3. Auditors' special reports

Statutory auditors' special report on regulated agreements and commitments

To the Shareholders,

In our capacity as statutory auditors of Schneider Electric S.A., we hereby present our report on regulated agreements and commitments.

We are required to inform you, based on the information provided, on the main terms and conditions of those agreements and commitments that have been disclosed to us or that we may have identified in the performance of our engagement, without commenting on their relevance or substance or researching the existence of other agreements and commitments. It is your responsibility, in accordance with article R. 225-31 of the French commercial code (Code de commerce), to determine whether the agreements and commitments are appropriate and should be approved.

In addition, we are required, where applicable, to inform you in accordance with article R. 225-31 of the French commercial code (Code de commerce) concerning the implementation, during the year, of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed those procedures which we considered necessary in accordance with professional guidance issued by the national auditing body (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with documentation from which it has been extracted.

Agreements and submitted for approval by the general meeting of shareholders

Agreements and commitments authorised during the financial year

In accordance with article L. 225-40 of the French commercial code (Code de commerce), we have been advised of regulated agreements and commitments, which received prior authorisation from your board of directors.

Renewal of the status of Mr. Jean-Pascal TRICOIRE

Person concerned: Mr. Jean-Pascal TRICOIRE (Chairman & Chief executive officer)

The supervisory board, in its meetings of February 18, 2009, February 21, 2012 and May 3, 2012, authorised the commitments and agreements in favor of Mr. Jean-Pascal TRICOIRE. All of these conventions and agreements were approved by your shareholders' meetings of April 23, 2009, May 3, 2012 and April 25, 2013.

Following the change in corporate governance, the board of directors, in its meetings of April 25, 2013 and June 18/19 2013, authorised, pursuant to the TEPA act and the AFEP/ MEDEF code, the commitments and agreements in favor of Mr. Jean-Pascal Tricoire as described hereunder:

- Mr. Jean-Pascal TRICOIRE benefits from the collective pension plan applicable to employees of Schneider Electric SA and Schneider Electric Industries SAS, covering sickness, incapacity, disability and death. He also benefits from the supplementary health, incapacity, disability and death cover available to the Group's French senior executives as well as from coverage under the Group personal accident insurance policies. Contingency and supplementary cover or insurance compensation plans are nevertheless subject to performance criteria. They are subject to one of the following two criteria being present: positive average net profit of the five years preceding the event, or positive average free cash flow for the five years preceding the event;
- Mr. Jean-Pascal TRICOIRE benefits from an Involuntary Severance Pay scheme (hereinafter "the Compensation"). The Compensation is capped, taking into account the non-compete compensation stipulated below, at twice the mathematical average of the effective annual remuneration for the last three years as authorised by the board of directors (hereinafter "Maximum Amount"). The right to Compensation shall be granted in the following cases:
  - dismissal, non-renewal or resignation as Chief executive officer in the six months following a material change in Schneider Electric's shareholder structure that could change the membership of the board of directors;
  - dismissal, non-renewal or resignation as Chief executive officer in the event of a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in shareholder structure as described above;
  - requested dismissal, non-renewal or resignation as Chief executive officer when the average rate of achievement of performance objectives used to calculate the variable bonus in the four full financial years preceding his departure was 66.67 percent.

  The right to Compensation is subject to and shall depend on the rate of achievement of Group performance objectives used to determine part of the variable portion of Mr. TRICOIRE's compensation for the three financial years preceding the date of the board meeting at which the decision is made.

  Hence, if the Group's performance rate is:

  - less than 66.67 percent; no compensation shall be awarded;

- 66.67 percent; he shall receive 75 percent of the Maximum Amount;
- at least 100 percent; he shall receive 100 percent of the Maximum Amount;
- between 66.67 and 100 percent; he shall receive compensation calculated on a straight-line basis at a rate of 75 to 100 percent of the Maximum Amount.

It is hereby stipulated that compensation of any kind whatsoever which should be awarded by companies of the Group in which Mr. Jean-Pascal TRICOIRE exercises duties and responsibilities shall be deducted from the amount due by Schneider Electric, it being expressly specified that i) such compensation shall be recognized exclusively as Involuntary Severance Pay due to Mr. Jean-Pascal TRICOIRE and that ii) in each and every case, such compensation may not exceed the amount of Involuntary Severance Pay defined hereunder.

Involuntary Severance Pay shall not be due in the event that termination occurs as a result of serious or gross misconduct;

- Mr. Jean-Pascal TRICOIRE retains forthwith, subject to performance criteria and only in the event of his Involuntary Departure, the benefit of all his stock options, stock grants or performance shares or any other shares granted to Mr. Jean-Pascal TRICOIRE or that will be granted to him. The performance criterion depends on the mathematical average of the rate of achievement of Group performance objectives, used to determine Mr. Jean-Pascal TRICOIRE's bonus for the three completed financial years preceding his departure, will be equal to at least 66.67 percent of the target and on the condition that Mr. Jean-Pascal TRICOIRE's termination does not occur as a result of serious or gross misconduct.

Renewal of the above-mentioned items relating to the status of Mr. Jean-Pascal TRICOIRE is subject to approval by the shareholders' meeting convened to approve the financial statements for the year ended December 31, 2013.

Adoption of the status of Mr. Emmanuel BABEAU

Person concerned: Mr. Emmanuel BABEAU (Deputy Chief operating officer in charge of Finance and Legal Affairs)

Following the change in corporate governance, the board of directors, in its meeting of June 18/19, 2013, authorised, pursuant to the recommendations of the AMF and to the AFEP/ MEDEF code, the commitments and agreements as described hereunder in favor of Mr. Emmanuel BABEAU, who also holds an employment contract with Schneider Electric Industries SAS (hereinafter the "Employment contract") as well as a management agreement with Schneider Electric Services International (hereinafter the "Management agreement"):

- Mr. Emmanuel BABEAU benefits from the supplementary health, incapacity, disability and death cover available to the Group's French senior executives under his employment contract as well as from coverage under the Group personal accident insurance policies. Contingency and supplementary cover or insurance compensation plans are nevertheless subject to performance criteria. They are subject to one of the following two criteria being present: positive average net profit of the five years preceding the event, or positive average free cash flow for the five years preceding the event. Mr. Emmanuel BABEAU also benefits from the collective pension plan applicable to employees of Schneider Electric SAS, covering sickness, incapacity, disability and death.
- Mr. Emmanuel BABEAU benefits from an Involuntary Severance Pay scheme (hereinafter "the Compensation"). The Compensation is capped, taking into account the non-compete compensation stipulated below, at twice the mathematical average of the effective annual remuneration for the last three years as authorised by the board of directors (hereinafter "Maximum Amount"), including the payment of indemnities of any kind such as statutory severance indemnity or severance indemnity pursuant to the collective bargaining agreement to which Mr. BABEAU would be entitled by virtue of his employment contract. It is expressly stipulated that such compensation shall be recognized exclusively as Involuntary Severance Pay due to Mr. Emmanuel BABEAU and that in each and every case, such compensation may not exceed the amount defined hereunder of Involuntary Severance Pay.

  Compensation under the Involuntary Severance Pay scheme:

  - shall be provided in the event of the severing of Mr. Emmanuel BABEAU's Employment contract or Management agreement subsequent to;
    - dismissal, non-renewal or resignation as Deputy Chief executive officer in the six months following a material change in Schneider Electric's shareholder structure that could change the membership of the board of directors of Schneider Electric SA;
    - dismissal, non-renewal or resignation as Deputy Chief executive officer in the event of a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in shareholder structure as described above;
    - dismissal, non-renewal or resignation as Deputy Chief executive officer when the average rate of achievement of performance objectives used to calculate the variable bonus in the four full financial years preceding his departure was 66.67 percent.
  - Compensation is subject to and shall depend on the rate of achievement of Group performance objectives used to determine part of the variable portion of Mr. Emmanuel BABEAU's compensation for the three financial years preceding the date of the board Meeting at which the decision is made.

    Hence, if the Group's performance rate is:
    - less than 66.67 percent; no compensation shall be awarded;
    - 66.67 percent; he shall receive 75 percent of the Maximum Amount;
    - at least 100 percent; he shall receive 100 percent of the Maximum Amount;
    - between 66.67 and 100 percent; he shall receive compensation calculated on a straight-line basis at a rate of 75 to 100 percent of the Maximum Amount.

    In the case that the amount granted to Mr. Emmanuel BABEAU in respect of the above-mentioned terms and conditions (the "Amount of Involuntary Severance Pay") and the amount of non-compete compensation provided to Mr. Emmanuel BABEAU should exceed the Maximum Amount, the Amount of Involuntary Severance Pay shall be reduced so as to ensure that the amount of non-compete compensation does not exceed the Maximum Amount. In any event, statutory severance indemnity or severance indemnity pursuant to the collective bargaining agreement to which Mr. BABEAU would be entitled by virtue of his employment contract may not, under any circumstances, be reduced. The same shall apply to Mr. BABEAU's non-compete compensation.
  - Such compensation shall not apply in the event that Mr. Emmanuel BABEAU's departure should arise following serious or gross misconduct or if his termination should be imposed as a result of serious or gross misconduct.

- Mr. Emmanuel BABEAU retains forthwith, subject to performance criteria and only in the event of his Involuntary Departure, the benefit of all his stock options, stock grants or performance shares or any other shares granted to Mr. Emmanuel BABEAU or that will be granted to him. The performance criterion depends on the mathematical average of the rate of achievement of Group performance objectives, used to determine Mr. Emmanuel BABEAU's bonus for the three completed financial years preceding his departure, will be equal to at least 66.67 percent of the target and on the condition that Mr. Emmanuel BABEAU's termination does not occur as a result of serious or gross misconduct.

The status of Mr. Emmanuel BABEAU is subject to approval by the shareholders' meeting convened to approve the financial statements for the year ended December 31, 2013.

Agreement relating to the remuneration for special assignments conducted by the Vice-chairman/Lead-Director and the resources placed at his disposal

Person concerned: Mr. Henri LACHMANN (Vice-chairman/Lead-Director)

The board of directors, in its meetings of April 25, 2013, authorised the remuneration of Mr. Henri LACHMANN with regard to his assignments as Vice-chairman/Lead-Director pursuant to the statutes and internal guidelines of the board of directors, in the amount of 250,000 euros per annum payable on a quarterly basis. It is also agreed that the resources placed at the disposal of Mr. Henri LACHMANN in the framework of his assignments as Vice-chairman/Lead-Director shall include an office, the services of an assistant and the possibility of utilizing the automobiles assigned to Executive Management.

The agreement entered into with Mr. Henri LACHMANN is subject to approval by the shareholders' meeting convened to approve the financial statements for the year ended December 31, 2013.

Amendments to the non-compete agreements entered into for the benefit of Messrs. Jean-Pascal TRICOIRE and Emmanuel BABEAU

Persons concerned: Messrs. Jean-Pascal TRICOIRE (Chairman and Chief executive officer) and Emmanuel BABEAU (Deputy Chief executive officer in charge of finance and legal affairs)

The supervisory board, in its meetings of February 18, 2009 and February 21, 2012, authorised the non-compete agreement in favor of Mr. Jean-Pascal TRICOIRE. The aforementioned non-compete agreement was approved by your shareholders' meetings of April 23, 2009 and May 3, 2012. In addition, Mr. Emmanuel BABEAU is entitled to an agreement of the same nature by virtue of his employment contract with Schneider Electric Industries SAS.

The board of directors, in its meetings of April 25, 2013, June 18/19 2013 and October 24, 2013, authorised, the non-compete agreements of Messrs. Jean-Pascal TRICOIRE and Emmanuel BABEAU in accordance with the following conditions and pursuant to the recommendations of the AFEP/ MEDEF code of June 2013:

- the non-compete agreement that binds the interested party to the company shall not exceed one year and shall be remunerated in an amount not exceeding 60 percent of authorised gross remuneration (the target remuneration as regards Mr. Jean-Pascal TRICOIRE and the remuneration provided to Mr. Emmanuel BABEAU);
- the board of directors shall rule on the application or the non-application of the agreement at the time of departure of the interested person, unless the aforesaid departure results from a voluntary departure (excluding Involuntary Severance) and provided that the interested party:
  - has satisfied the conditions criteria regulating the payment of Involuntary Severance Pay, and
  - is not nor shall not be entitled to accumulate his non-compete compensation with payments from a pension plan.

  In all other cases, the board of directors shall rule, within a period to not exceed eight days from the date of departure of the interested party, on the application or the non-application of the non-compete agreement.

Amendment of the non-compete agreements of Messrs. Jean-Pascal TRICOIRE and Emmanuel BABEAU are subject to approval by the shareholders' meeting convened to approve the financial statements for the year ended December 31, 2013.

Amendment of the top-hat pension plan of Messrs. Jean-Pascal TRICOIRE and Emmanuel BABEAU

Persons concerned: Messrs. Jean-Pascal TRICOIRE (Chairman and Chief executive officer) and Emmanuel BABEAU (Deputy Chief executive officer in charge of finance and legal affairs)

The supervisory board, in its meetings of February 21, 2012 and May 3, 2012, decided that, as described in the second part of our report, Messrs. Jean-Pascal TRICOIRE and Emmanuel BABEAU shall benefit from the top-hat pension plan with defined benefits for the Group's senior executives subject to French social security plans (article 39). The aforementioned benefit was approved by your shareholders' meetings of May 3, 2012 and April 25, 2013.

The supervisory board, in its meetings of April 23, 2009 and December 17, 2009, authorised, as described in the second part of our report, Mr. Emmanuel BABEAU to benefit from the defined top-hat pension plan (article 83) designed for company directors, executive employees and for all company employees.

Your board of directors, in its meetings of April 25, 2013 and June 18/19 2013, confirmed the continuation of the benefit of these rights and authorised the following change pursuant to the recommendations of the AFEP/ MEDEF code of June 2013: The aforementioned change stipulates that, if the interested parties are to be provided compensation under the Involuntary Severance Pay scheme while, at the same time, they have the possibility of receiving pension benefits, for a brief interim period, the right to annuity payments in respect of their top-hat pension plans shall be deferred for a period of two years.

The amendment of the top-hat pension plan is subject to approval by the shareholders' meeting convened to approve the financial statements for the year ended December 31, 2013.

Agreements already approved by the general meeting of shareholders

In accordance with article R. 225-30 of the French commercial code (Code de commerce), we have been advised that the implementation of the following agreements and commitments which were approved by the General Meeting of Shareholders in prior years continued during the year:

Changes to the top-hat pension plan with defined benefits for the Group's French senior executives (authorised by the supervisory board meetings of February 21, 2012 and May 3, 2012 and approved by the Shareholders' meetings of May 3, 2012 and April 25, 2013)

Persons concerned: Mr. Jean-Pascal TRICOIRE (Chairman and Chief executive officer) and Mr. Emmanuel BABEAU (Deputy Chief executive officer in charge of Finance and Legal Affairs)

Your supervisory board, in its meeting of February 21, 2012, authorised the change to the top-hat pension plan with defined benefits for the Group's senior executives subject to French social security plans (article 39), the benefits of the modified plan for members of the board and the signing by your company of an outsourcing agreement for the new plan under the terms of the regulated agreements and obligations. The members of the board of directors (following the change in governance of April 25, 2013) have a direct or indirect interest.

The modification aims to make this plan compliant with the AFEP/MEDEF Business governance code by making provision for linking acquisition of rights to length of service in the company. In order to conform to these recommendations, it has been decided:

- to close the current article 39 plan to all new entrants;
- to implement a new article 39 plan open to members of the executive committee and the board of directors (following the change in governance of April 25, 2013), which provides for the progressive vesting of rights according to seniority in the Group and the executive committee. Full rights are gained after 15 years of service for a new entrant to the plan, except for the Group service condition. Conditional rights under the new plan are deducted from the current article 39 plan maintained for its current beneficiaries.

  This new plan is contingent upon completing a career in the company with the flexibility introduced by social security in 2004. A conditional assurance income is thus maintained in the event of dismissal or redundancy after 55 years of age without restarting work or for 2nd or 3rd category disability as defined by social security without restarting work.

  In other cases, the new plan includes the provisions of the current plan, notably:

  - limiting the top-hat pension to 25 percent of the Reference Salary (60 percent of the difference between the average remuneration for the last 3 years and the total annuities paid from external pension plans), taking into account the pension paid for the article 83 plans implemented by the Group (unchanged from current plan),
  - the right to a widow/widower's pension for the surviving partner,
  - a spouse's pension if a director dies before retirement age is limited to rights acquired at the date of death,
  - pension supplement paid to a director from the retirement date after disability occurring during work activities.
- outsourcing of the new article 39 plan: this outsourcing is mandatory. To this effect, an insurance contract for defined benefit company pensions (article L. 137-11 of the Social security code) was signed on February 23, 2012 by Schneider Electric SA and Schneider Electric Industries SAS with AXA France Vie.

  The nature of the contract's guarantees and the implementation and operation methods were defined in accordance with legislative and regulatory provisions. The contract was agreed with normal insurance contract conditions, under which implementation depends on duration of human life.

  Its purpose is to guarantee the payment of the annuity installments due as payments under the new plan by contracting companies. It may be terminated annually by the parties, subject to giving notice of its decision prior to October 31 for it to take effect on December 31 of the same year.

  The amount of insurance premiums will be based on the results of periodic actuarial valuations on the respective commitments of contracting companies.

  The guarantees granted by the insurer were entered into on normal terms and conditions.

  As an addition to this agreement, your supervisory board, at its meeting of May 3, 2012, authorised the signing of an amendment to this outsourcing contract to set April 30, 2012 as the date of entry into force of the outsourcing contract of the new article 39 plan, which was originally set for July 1, 2012. The purpose of this change was to align the date of entry into force of the outsourcing contract of the new article 39 plan with that of the former article 39 plans.

Pension plan outsourcing contract with defined benefits for the Group's French senior executives – closed article 39 - (authorised by the supervisory board on May 3, 2012 and approved by the shareholders' meeting of April 25, 2013)

Persons concerned: Mr. Henri LACHMANN (Vice-chairman/Lead-Director), Mr. Jean-Pascal TRICOIRE (Chairman and Chief executive officer) and Mr. Emmanuel BABEAU (Deputy Chief executive officer in charge of Finance and Legal Affairs)

Your supervisory board, in its meeting of May 3, 2012, authorised the signature on the same day of an insurance contract for defined benefit company pensions (article L. 137-11 of the Social security code) with AXA France Vie in order to outsource commitments under the closed article 39 plans:

- the 1995 Senior executive plan (46 beneficiaries, including the former chairman of the supervisory board – retired – and the current executive corporate officers).

  The supervisory board, at its meetings held on February 18, April 23 and December 17, 2009, authorised Messrs. Jean-Pascal TRICOIRE and Emmanuel BABEAU to benefit from the top-hat pension plan which ensures that, in the event they are still in office at the date of their retirement, a pension equal to 25 percent of their average salaries over the last three years.
- the former SPEP plan (1 retiree);
- the former CAVICA plan (6 retirees).

The principle of this outsourcing was authorised by the supervisory board of December 15, 2010.

The nature of the contract's guarantees and the implementation and operation methods were defined in accordance with legislative and regulatory provisions. The contract was agreed with normal insurance contract conditions, under which implementation depends on duration of human life.

It aims to guarantee payment of annuity arrears due under the rules of the different plans for contracting companies. It takes effect on April 30, 2012 and can be terminated each year by the parties provided notice is given before October 31 that will take effect on December 31 of the same year.

Premiums paid by contracting companies under contracts concluded with AXA France Vie are assigned to a collective pension fund of the contracting companies to cover all or part of their commitments under these plans.

The insurer is opening in its books an Annuities Guarantee Fund in which the mathematical reserves comprise the income guaranteed under the two contracts. The amount of the premiums for pre-financing of possible liabilities related to past services is determined by considering the periodic actuarial analyses. The financing of benefits for which payment is transferred to the insurer is calculated by the latter, on the basis of the regulatory tables.

Benefit of the top-hat pension plan with defined contributions (article 83) granted to Mr. Emmanuel BABEAU (approved by the shareholders' meeting of April 22, 2010)

Person concerned: Mr. Emmanuel BABEAU (Deputy Chief executive officer in charge of finance and legal affairs)

The supervisory board, at its meetings held on April 23 and December 17, 2009, authorised Mr. Emmanuel BABEAU to benefit from the top-hat pension plan with defined contributions (article 83) as he is entitled under his service contract entered into with Schneider Electric Industries SAS (in addition to the article 39 pension plan with defined benefits presented above). The aforementioned plan ensures that in the event Mr. BABEAU should leave the Group before his retirement, the contributions related to article 83 shall be his. These contributions represent a capital constituting a guaranteed income, capital which increases by twenty-two thousand euros per year.

Signed in Paris-La Défense and in Courbevoie, on March 10, 2014

The statutory auditors

ERNST & YOUNG et autres	**MAZARS**
Yvon Salaün	David Chaudat

Statutory auditors' report on the issuance of shares or securities giving access to capital reserved for members of the company Savings Plan

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code (Code de commerce), we hereby report on the proposal to authorise your board of directors to decide whether to proceed with an issue of ordinary shares or securities giving access to the share capital of the company with cancellation of preferential subscription rights, reserved for members of the company's Company Savings Plan and of the French or foreign companies related to the company in accordance with article L. 225-180 of the French Commercial code, an operation upon which you are called to vote.

The maximum nominal amount of the increase in capital that may result from this issue is 2 percent of the share capital on the date of implementation of this act of delegation, it being specified that this amount shall be deducted from the ceilings referred to in the 10th and 12th resolutions of the shareholders' meeting of April 25, 2013.

This issue is submitted for your approval in accordance with articles L. 225-129-6 of the French Commercial Code (Code de commerce) and L. 3332-18 et seq. of the French Labor code (Code du travail).

Your board of directors proposes that, on the basis of its report, it be authorised, with the right of sub-delegation, for a period of twenty-six months from the date of this shareholders' meeting, to decide on whether to proceed with an issue and proposes to cancel your preferential subscription rights. If applicable, it shall determine the final conditions of this operation. This delegation may only be used from July 1, 2014.

It is the responsibility of the board of directors to prepare a report in accordance with articles R. 225-113 et seq. of the French Commercial code (Code de commerce). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights, and on other information relating to the share issue provided in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (Compagnie Nationale des Commissaires aux Comptes) for this type of engagement. These procedures consisted in verifying the information provided in the board of directors' report relating to this operation and the methods used to determine the issue price of the share or of the equity securities to be issued.

Subject to subsequent examination of the conditions for the issue that would be decided, we have no matters to report as to the methods used to determine the issue price for the shares or the equity securities to be issued provided in the board of directors' report.

As the final conditions for the issue have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of the preferential subscription rights.

In accordance with article R. 225-116 of the French Commercial Code (Code de commerce), we will issue a supplementary report, if necessary, when your board of directors has exercised this authorisation.

Signed in Paris-La Défense and in Courbevoie, on March 10, 2014

The statutory auditors

ERNST & YOUNG et autres	**MAZARS**
Yvon Salaün	David Chaudat

Statutory auditors' report on the issuance of shares or securities giving access to capital reserved for a category of beneficiaries

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with articles L. 228-92 and 225-135 et seq. of the French Commercial Code (Code de commerce), we hereby report on the proposal to issue ordinary shares or securities giving access to the share capital of the company, with cancellation of preferential subscription rights reserved for: (i) employees and corporate officers of the Schneider Electric Group related to the company under the terms of article L.225-180 of the French Commercial code (Code de commerce) and article L. 3344-1 of the Labor code and having their registered office outside France; (ii) and/or UCITS or other collective investment entities, whether or not they are bodies corporate, with employee shareholdings invested in the securities of the company whose unit holders or shareholders are the persons mentioned in point (i) of this paragraph; (iii) and/or any bank, or subsidiary of such an institution, acting at the request of the company for the purposes of establishing a shareholding or savings plan for the benefit of the persons referred to in point (i) of this paragraph, upon which you are called to vote.

The maximum nominal amount of the increase in capital that may result from this issue is 1 percent of the share capital on the date of this shareholders' meeting, it being specified that this amount shall be deducted from the ceiling of 2 percent referred to in the twentieth resolution of this Shareholders' meeting.

Your board of directors proposes that, on the basis of its report, it be authorised, with the right of sub-delegation, for a period of eighteen months from the date of this shareholders' meeting, to decide on whether to proceed with an issue and proposes to cancel your preferential subscription rights. This delegation may only be used from August 1, 2014.

It is the responsibility of the board of directors to prepare a report in accordance with articles R. 225-113 et seq. of the French Commercial Code (Code de commerce). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights, and on other information relating to the share issue provided in the report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (Compagnie Nationale des Commissaires aux Comptes) for this type of engagement. These procedures consisted in verifying the information provided in the board of directors' report relating to this operation and the methods used to determine the issue price of the equity securities to be issued.

Subject to a subsequent examination of the conditions for the issue that would be decided, we have no matters to report as to the methods used to determine the issue price for the equity securities to be issued provided in the board of directors' report.

As the final conditions in which the issue would be performed have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of your preferential subscription rights.

In accordance with article R. 225-116 of the French Commercial Code (Code de commerce), we will issue a supplementary report, if necessary, when your board of directors has exercised this authorisation.

Signed in Paris-La Défense and in Courbevoie, on March 10, 2014

The statutory auditors

ERNST & YOUNG et autres	**MAZARS**
Yvon Salaün	David Chaudat

4. Resolutions

Ordinary meeting

FIRST RESOLUTION
(Approval of the corporate financial statements for the 2013 financial year)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, having heard the board of directors' report on the company financial statements, and the statutory auditors' report, approves the corporate financial statements for the 2013 financial year as presented, as well as the transactions contained in these statements or summarized in the reports showing a loss of EUR132,771,491.80.

SECOND RESOLUTION
(Approval of consolidated financial statements for the 2013 financial year)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, having heard the board of directors' report on the company consolidated statements, and the statutory auditors' report, approves the corporate consolidated statements for the 2013 financial year as presented, as well as the transactions contained in these statements or summarized in the reports.

THIRD RESOLUTION
(Attributing income for the financial year, the levy on issue premiums, and determining the dividend)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, as proposed by the board of directors, resolves:

1°) to charge the loss for the year of EUR132,771,491.80 against the retained earnings of EUR973,551,474.73;

2°) to allocate EUR2,216,403.60 from the retained earnings to the statutory reserves,

and resolve to allocate distributable income, which stood at EUR 838,563,579.33, plus a charge of EUR 244,480,049.59 on issue premiums relating to the contribution of Legrand shares, which total EUR 1,083,043,628.92, among the holders of 579,167,716 shares with dividend rights on January 1, 2013 comprising the capital on January 17, 2014 through the payment of a dividend of EUR 1.87 per share with a par value of EUR 4.

The full dividend hereby declared shall be eligible for the 40% allowance for individuals domiciled in France, as set forth in article 158-3 2 of the French Tax Code.

The Shareholders' Meeting further resolves that the amounts reflecting the unpaid dividend attributable to shares held in treasury by the company on the dividend payment date are to be allocated to retained earnings.

There is no income distributed or paid in connection with this Shareholders' Meeting other than the dividend declared above, whether or not eligible for the 40% allowance set forth in Items 2 or 3 of article 158 of the French Tax Code.

Dividends paid by Schneider Electric SA in respect of the three most recent financial years are as follows:

	2010	2011	2012
Net dividend paid per share restated to reflect division of the par value by 2 (1) (2)	1.60	1.70	1.87

(1) The full dividend is eligible for a 40% deduction for individuals resident for tax purposes in France. The company paid no dividends that were ineligible for the allowance.
(2) The stock split (division of the par value) took effect on September 2, 2011.

FOURTH RESOLUTION
(Approval of the regulated agreements entered into in 2013 - compensation of the Vice-president/Lead-Director, amendments to the article 39 regime and modification of non-compete commitments of senior executive directors - and information on agreements and commitments made in prior years).

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for an ordinary meeting, having heard the board of directors' report and the Special Auditors' report presented pursuant to the provisions of article L. 225-40 of the French Commercial Code on the agreements and obligations specified in articles L. 225-38 and L. 225-42-1 of said Code, approves the agreements presented in these reports, relating to the compensation of the Vice-president for his duties as lead-director as well as to the defined benefits of the top-hat pension scheme for executive corporate officers and their non-compete obligations, and duly notes the information relating to the agreements and commitments made in prior years and approved by the Shareholders' Meeting.

FIFTH RESOLUTION
(Approval of the agreements and regulated obligations relating to the status of Mr Jean-Pascal Tricoire)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, having heard the board of directors' report and the statutory auditors' special report presented pursuant to the provisions of article L. 225-40 of the French Commercial Code on agreements and obligations specified in articles L. 225-38 and L. 225-42-1 of said Code, approves the agreements and obligations presented in these reports relating to the benefit plan for Mr Jean-Pascal Tricoire, as well as the compensation and benefits due in case of the cessation of his duties.

SIXTH RESOLUTION
(Approval of the agreements and regulated obligations relating to the status of Mr Emmanuel Babeau)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, having heard the board of directors' report and the statutory auditors' special report presented pursuant to the provisions of article L. 225-40 of the French Commercial Code on agreements and obligations specified in articles L. 225-38 and L. 225-42-1 of said Code, approves the agreements and obligations presented in these reports relating to the benefit plan for Mr Emmanuel Babeau, as well as the compensation and benefits due in case of the cessation of his duties.

SEVENTH RESOLUTION
(Opinion on elements of the compensation due or awarded in respect of the 2013 financial year to Mr Jean-Pascal Tricoire)

The Shareholders' Meeting, consulted in application of the recommendation of paragraph 24.3 AFEP/MEDEF corporate governance guidelines of June 2013, which constitutes the code of reference in application of Article L.225-37 of the French Commercial Code, acting in accordance with the quorum and majority requirements for ordinary meetings, hereby issues a favorable opinion on the elements of compensation due or awarded in respect of the 2013 financial year to Mr Jean-Pascal Tricoire as presented in the board of directors' report to the General Meeting: "elements of the compensation due or awarded in respect of the 2013 financial year to Mr Jean-Pascal Tricoire, Chief executive officer, subject to the opinion of the Shareholders' Meeting : "Consultation of shareholders on the individual compensation of executive directors.

EIGHTH RESOLUTION
(Opinion on elements of the compensation due or awarded in respect of the 2013 financial year to Mr Emmanuel Babeau)

The Shareholders' Meeting, consulted in application of the recommendation of paragraph 24.3 AFEP/MEDEF corporate governance guidelines of June 2013, which constitutes the code of reference in application of Article L.225-37 of the French Commercial Code, acting in accordance with the quorum and majority requirements for ordinary meetings, hereby issues a favorable opinion on the elements of compensation due or awarded in respect of the 2013 financial year to Mr Emmanuel Babeau as presented in the board of directors' report to the Shareholders' Meeting: "elements of the compensation due or awarded in respect of the 2013 financial year to Mr Emmanuel Babeau, Deputy Chief executive officer, subject to the opinion of the Shareholders' Meeting : "Consultation of shareholders on the individual compensation of executive directors

NINTH RESOLUTION
(Nomination of a director: Ms Linda Knoll)

The Shareholders' Meeting, acting with the quorum and majority requirements for ordinary meetings, Ms Linda KNOLL to replace Mr Serge WEINBERG, who did not want to have his mandate renewed, as a director for a period of four years, expiring at the close of the Shareholders' Meeting in 2018 to review the financial statements for the financial year ending December 31, 2017.

TENTH RESOLUTION
(Renewal of a directorship: Mr Noël Forgeard)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, hereby resolves to re-elect Mr Noël Forgeard for a term of 2 years, expiring at the close of the Shareholders' Meeting to be held in 2016 to review the financial statements for the financial year ending December 31, 2015.

ELEVENTH RESOLUTION
(Renewal of a directorship: Mr Willy Kissling)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, hereby resolves to re-elect Mr Willy Kissling for a term of 2 years, expiring at the close of the General Meeting to be held in 2016 to review the financial statements for the financial year ending December 31, 2015.

TWELTH RESOLUTION (Renewal of a directorship: Ms Cathy Kopp)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, hereby resolves to re-elect Ms Cathy Kopp for a term of 4 years, expiring at the close of the General Meeting to be held in 2018 to review the financial statements for the financial year ending Sunday, December 31, 2017.

THIRTHEENTH RESOLUTION (Renewal of a directorship: Mr Henri Lachmann)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, hereby resolves to re-elect Mr Henri Lachmann for a term of 2 years, expiring at the close of the General Meeting to be held in 2016 to review the financial statements for the financial year ending Thursday, December 31, 2015.

FOURTEENTH RESOLUTION (Renewal of a directorship: Mr Richard Thoman)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, hereby resolves to re-elect Mr Richard Thoman for a term of 2 years, expiring at the close of the General Meeting to be held in 2016 to review the financial statements for the financial year ending Thursday, December 31, 2015.

FIFTEENTH RESOLUTION (Ratification of the co-option of Mr Jeong Kim and appointment as director)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, hereby ratifies the co-option on October 24, 2013, of Mr Jeong Kim and appoints him as Director for a period of one year, expiring at the close of the Annual General Meeting held in 2015 to review the financial statements for the financial year ending December 31, 2014.

SIXTEENTH RESOLUTION (Authority granted to the board of directors to buy back Company shares – maximum purchase price per share EUR80)

The General Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, having heard the board of directors' report, hereby authorizes the board of directors, pursuant to article L. 225-209 of the French Commercial Code and of European Regulation no. 2273/2003, dated December 22, 2003, to acquire the company's shares for the purpose of:

- reducing the share capital within the maximum legal limit;
- meeting obligations relating to option plans or other plans involving awards of shares to employees or officers of the company or an associated company;
- meeting obligations arising under, or in connection with, securities convertible into shares of the company;
- undertaking external growth transactions (up to a limit of 5% of the share capital);
- stimulating the market for the company's shares under and pursuant to a liquidity agreement filed with and recognized by the *Autorité des Marchés Financiers*; or
- implementing and carrying out any market practice that may be recognized by law or the AMF.

The maximum number of shares that may be acquired under and pursuant to this authority shall not exceed 10% of the aggregate number of shares constituting the share capital on the date of this General Meeting (*i.e.*, for indicative purposes, 57,921,194 shares on the basis of the share capital as of January 17, 2014).

The maximum purchase price shall be EUR80 per share. However, if all or some of the shares acquired pursuant to these conditions are intended to grant stock options, pursuant to articles L. 225-177 et seq. of the French Commercial Code, the selling price of the shares in question will be determined in accordance with the legal provisions governing stock options.

As a result of the aforesaid limits, the maximum aggregate amount of share buy-backs shall not exceed EUR4,633,695,520.

The acquisition, retention, sale, or transfer of such shares may be performed on one or more occasions by any means, in the market, on a multilateral trading system (MTF), via a systemic internalizer, or directly between individuals in compliance with applicable law and regulations. Such means and methods shall include acquisition or sale of blocks, use of any and all derivative financial instruments traded on a regulated exchange or directly between individuals (over-the-counter) and the implementation of option strategies (purchase and sale of put and call options and any combination thereof, to the exclusion of sale of put options), in compliance with applicable law and regulations.

Shares acquired may also be canceled, subject to compliance with the provisions of articles L. 225-204 and L. 225-205 of the French Commercial Code and in accordance with the twentieth resolution adopted by the General Meeting of April 25, 2013.

The board of directors may adjust the prices set forth above in the event of the capitalization of reserves or earnings giving rise either to an increase in the par value of the shares, or to the issuance and free awards of shares, in the event of a division of the par value of the shares (stock split) or amalgamation of shares (reverse split), and, more generally, in the event of a transaction involving shareholders' equity, to account for the impact of the consequences of such transactions on the value of the shares, such price then to be adjusted by a multiplier coefficient equal to the relationship between the number of shares constituting the share capital prior to the transaction and such number following such transaction.

Any and all authority is hereby granted to the board of directors with power to grant delegations of authority to implement and carry out this Resolution.

The authorizations and delegations granted to the board of directors pursuant to this resolution will be used by the board of directors in case of adoption of the seventeenth resolution concerning the company's conversion into a European Company.

This authority shall be valid for a maximum of 18 months from the date of this General Meeting.

Extraordinary meeting

SEVENTEENTH RESOLUTION (Approval of the conversion of the corporate form of the company by adoption of the European company "Societas Europaea" form and the draft terms of conversion and recognition of the retention of the unchanged board of directors, auditors and of the authorizations granted to the board of directors by the General Meeting)

The General Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, after hearing:

- the draft terms of conversion for the company into a European Company drafted by the board of directors on February 19, 2014, and filed at the Registry of the Nanterre Commercial Court February 20, 2014 ;
- the board of directors' report justifying and explaining the legal and economic aspects of the company's conversion and indicating the implications of the adoption of the European Company statute for shareholders and for employees;
- the report of Mr Olivier Peronnet, conversion auditor appointed by order of the Presiding Judge of the Nanterre Commercial Court on February 25, 2014 ;

after duly noting that the company meets the conditions required under the provisions of Council Regulation EC no. 2157/2001 of October 8, 2001 regarding the European Company statute, and in particular those specified in articles 2§4 and 37 of said Regulation, as well as in article L. 225-245-1 of the French Commercial Code, relating to the conversion of a public limited-liability company into a European Company;

and after duly noting that:

- the conversion into a European Company requires neither the winding-up of the company nor the creation of a new legal person;
- the duration of the company, its objectives and its registered office are not changed;
- the company's capital remains set at the same sum and at the same number of shares with a par value of EUR4 each; that said shares will remain listed on the NYSE Euronext Paris regulated market;
- the appointments of the directors and statutory and alternate auditors in office at the time of the company's conversion into a European Company will continue until their respective expiry dates;
- all the authorizations and delegations of competence and powers that were and will be granted to the board of directors in its form as a public limited-liability company by all of the company's General Meetings, and in force on the day of the completion of the company's conversion into a European Company, will be, on the date of said completion, automatically transferred to the board of directors under its new form of European Company;
- the duration of the ongoing financial year will not be modified owing to the adoption of the European Company statute and the financial statements for said financial year will be prepared, presented and audited under the conditions set forth in the company's articles of association in its new form as well as the provisions of the French Commercial Code relating to European Companies.

After noting that, pursuant to article 12§2 of the aforesaid Regulation, the European Company may not be registered unless an agreement on arrangements for employee involvement has been concluded as provided for in articles L. 2351-1 and following of the French Labor Code; these negotiations may result in (i) a written agreement determining the arrangements for the involvement of employees in the European Company, or (ii) a decision, taken by the majority set out in article L. 2353-1 and following of the French Labor Code, not to start negotiations or terminate already started negotiations and to apply the regulation on information and consultation in the Member States where the company has employees, or (iii) the application of subsidiary provisions relating to the European Company's committee provided for in articles L. 2353-1 and following of the French Labor Code where, at the end of the negotiation period specified in article L. 2352-9 of said Code, no agreement has been reached.

Resolves, subject to the approval of the Bondholders in respect of the bond issues below: ISIN FR0011072859 USD Variable Rate July 2014, ISIN FR0010526178 5.375% January 2015, ISIN FR0010922542 2.875% July 2016, ISIN FR0011149186 0.849% JPY November 2016, ISIN FR0011158666 0.8463% JPY December 2016, ISIN FR0011075183 3.75% July 2018, ISIN FR0011119460 3.50% January 2019, ISIN FR0010922534 3.625% July 2020, ISIN FR0011561000 2.50% September 2021, BNP variable issued in July 2008,(i) to approve the conversion of the corporate form of the Company into a European Company (Societas Europaea) with a board of directors and approve the draft terms of conversion prepared by the board of directors and duly note that this conversion of the company into a European Company at the Nanterre Trade and Companies Registry which will occur at the end of negotiations relating to the involvement of employees, and (ii) to grant full powers to the board of directors to waive the benefit of all or part of the conditions linked to the approval of the draft terms of conversion by the aforesaid Bondholders and (iii) to grant full powers to the board of directors to take all decisions and fulfill all formalities required for the registration of the company as a European Company.

EIGHTEENTH RESOLUTION (Approval of the corporate name of the company in its new form as a European Company)

The General Meeting, acting in accordance with the quorum and majority requirements of an extraordinary General Meeting, after hearing the board of directors' report, resolves, subject to the passing of the seventeenth and nineteenth resolutions that as as the final completion of the company's conversion into a European Company, the initials "SA" at the end of the company's current corporate name will be replaced by the initials "SE" in accordance with the provisions of article 11 of Council Regulation EC no. 2157/2001 of October 8, 2001, regarding the European Company statute. The company's corporate name will become Schneider Electric SE.

This change will be reflected in the company's articles of association under its new European Company form.

NINETEENTH RESOLUTION (Approval of the company's articles of association in its new European Company form)

As a result of the company's decision to convert into a European Company, the General Meeting, acting in accordance with the quorum and majority requirements for an extraordinary General Meeting, after hearing the board of directors' report, as well as the draft articles of association of Schneider Electric SE, resolves, subject to the adoption of the Seventeenth and Eighteenth resolutions, to amend as follows, the company's articles of association, in order to insert therein the provisions of European and French law applicable to European companies:

in article 1:

(i) the 1st paragraph which states that "The company shall be organized as a public limited-liability company with a board of directors" is replaced by the paragraph below: "the company shall be organized as a European company with a board of directors";

(ii) the 2nd paragraph which states that "Created on December 2 and 4, 1871, it continues to exist among the owners of the shares comprising its share capital, as indicated in article 6 hereafter, after merger with SCHNEIDER SA, a company which itself absorbed its industrial subsidiary created on October 21, 1836, as a limited partnership and transformed into a public limited-liability company on May 31, 1966, and taking over its name" is completed by the following words: "and converted into a European company by decision of the ordinary and extraordinary annual general meeting of May 6, 2014";

(iii) the other provisions of article 1 remain unchanged;

in article 3: the single paragraph which states "the corporate name shall be: Schneider Electric SA" is replaced by: "the corporate name shall be: Schneider Electric SE".

The Shareholders' Meeting approves the company's articles of association in its new European Company form. These articles of association will take effect as of the final completion of the company's conversion into a European company, *i.e.* on the date of its registration at the Nanterre Trade and Companies Registry.

A copy of Schneider Electric SE's articles of association is attached to the minutes of this meeting.

TWENTIETH RESOLUTION (Authorization to the board of directors to undertake capital increases reserved to participants in a Company Investment Plan up to a limit of 2% of the share capital, without the shareholders' pre-emptive subscription rights)

The Shareholders' Meeting, having fulfilled the quorum and majority requirements required for Extraordinary Meetings, having considered the report of the board of directors and the special report of the statutory auditors, pursuant to the provisions of Articles L. 3332-1 and following of the French Labor Code and Articles L. 225-129-2, L.225-129-6, L.225-138-1 AND L.228-92 of the French Commercial Code and in accordance with the provisions of that code:

- delegates to the board of directors the authority, with the power to sub-delegate of authority, for a period of twenty-six months from and after the date of this General Shareholders' Meeting to undertake a capital increase on one or more occasions at its discretion by issuing shares or securities carrying the right to acquire shares of the company, on the terms and conditions set forth in Article L.225-180 of the Code of Commerce and L.3344-1 of the Labor Code, reserved to participants in a Company Investment Plan and French or non-French companies affiliated with the company in a maximum par value, or paid-in capital, amount of 2% of the share capital on the date this authorization is implemented and given effect, provided, however, (i) that such limit shall be charged against the limits set forth in the Tenth and Twelfth Resolutions approved at the General Shareholders' Meeting of April 25, 2013 and (ii) this authorization may be used only from and after July 1, 2014;
- hereby resolve to set a maximum discount to be offered in connection with the company Investment Plan at 20% of an average of the trading price of the company's shares on NYSE Euronext in Paris during the twenty trading sessions preceding the date of the action of the board of directors or of its authorized representative setting the date to begin taking subscriptions. The Shareholders, however, hereby resolve expressly to authorize the board of directors to reduce the above-described discount within applicable legal and regulatory requirements, or not to grant one, to take account of the law and regulations applicable in countries where such offering may be implemented and given effect;
- hereby resolve that the characteristics of the other securities carrying the right to acquire shares of the company shall be decided and determined by the board of directors on the terms and conditions set by applicable law and regulations;
- hereby resolve to waive in favor of the participants in a Company Investment Plan the shareholders' pre-emptive subscription rights to subscribe for and acquire the shares and securities carrying the right to acquire shares to be issued pursuant to this Resolution;
- acknowledges that this authorization entails a waiver by law to pre-emptive subscription rights to shares to which the securities issued on the basis of this resolution may carry the right to acquire;
- decides that this authorization cancels, effective July 1, 2014, the authorization given by the Shareholders' Meeting of April 25, 2013 in its Eighteenth Resolution, for its amounts unused by the board of directors;
- the Shareholders hereby take note that the board of directors has all authority, with the authority to subdelegate of authority, to undertake the transactions set forth in this resolution and to record and complete the capital increases resulting therefrom.

TWENTY FIRST RESOLUTION
(Authorization given to the board of directors to undertake capital increases reserved to a class of beneficiaries: in favor of employees of foreign companies of the Group, either directly, or via entities acting on behalf thereof, or entities acting to offer to employees of foreign companies of the Group benefits comparable to those offered to participants in the company Investment Plan up to a limit of 1% of the share capital, without the shareholders' preferential subscription right)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for extraordinary shareholder meetings, having heard the board of directors' report and the statutory auditors' special report, and in accordance with articles L. 225-129-1, L. 225-138 and L.228-92 and seq. of the French Commercial Code:

- delegates to the board of directors the authority, with the power to grant sub-delegations of authority, necessary to undertake increases in the share capital on one or more occasions, at the times and in the proportions it deems appropriate up to a maximum of 1% of the share capital on the date of this Annual General Meeting, by issuing shares or securities providing access to the capital of the company, having the same rights as previously issued shares, such issue to be reserved to persons meeting the characteristics of the class defined hereinafter, provided, however that (i) the 1% limit set forth above shall be charged against the 2% limit set forth in the Twentieth Resolution of the Shareholders' Meeting of May 6, 2014, but, which on the other hand is separate and apart from the limits set forth in the Tenth and Twelfth Resolutions approved at the same Shareholders' Meeting of April 25, 2013, (ii) this authorization may be used only from and after August 1, 2014;
- hereby resolves to waive the preferential right of shareholders to subscribe for and acquire the shares or other securities providing access to the capital issued pursuant to this Resolution and to reserve the right to subscribe therefor to one and/or another class of beneficiaries with the following characteristics: (i) Employees and officers of companies of the Schneider Electric Group affiliated with the company on the terms and conditions set forth in article L. 225-180 of the French Commercial Code and article L. 3344-1 of the French Labor Code and the registered office of which is located outside France; (ii) and/or OPCVM mutual investment funds or other entities, with or without legal personality, of employee shareholders invested in equity securities of the company the unitholders or shareholders of which consist of persons described in (i) of this paragraph; (iii) and/or any banking institution or affiliate or subsidiary of such institution acting at the company's request for the purposes of implementing and giving effect to a shareholder incentive or investment or savings plan for the benefit of the persons described in (i) of this paragraph, to the extent that subscription of the person authorized in accordance with this Resolution would make it possible for employees of subsidiaries located outside France to benefit from and take advantage of forms of shareholder incentive or investment or savings plans equivalent in terms of economic benefit to those from which the other employees of the Group benefit;
- hereby take note that this authorization shall constitute automatically and by law an express waiver by the shareholders in favor of the holders of securities that might be issued and carrying the right to acquire shares of the company of their pre-emptive right to subscribe for ordinary shares of the company which such securities carry the right to acquire;
- hereby resolves that the amount payable to the company for all shares issued, or liable to be issued, pursuant to this Resolution shall be decided by the board of directors on the basis of the trading price of the company's shares on NYSE Euronext in Paris; the issue conditions shall be determined at the discretion of the board of directors on the basis either (i) of the first or last quoted trading price of the company's shares at the trading session on the date of the decision by the board of directors or the authorized representative thereof setting the issue conditions, or (ii) of an average of the trading prices for the company's shares during the twenty trading sessions preceding the date of the decision by the board of directors or the authorized representative thereof setting the issue conditions under and pursuant to this Resolution or setting the issue price under and pursuant to the Twentieth Resolution approved by the Annual Shareholders' Meeting of May 6, 2014; the board of directors may set the issue conditions by applying a discount of a maximum of 20% of the trading price of the company's shares determined in accordance with either of the two methods set forth in clauses (i) and (ii) of this paragrap:, the percentage of such discount applied to the trading price of the company's shares to be determined by the board of directors taking into consideration, among other things, legal, tax, and regulatory provisions of foreign law applicable, as the case may be, to the persons benefiting from the issue;
- hereby resolves that the board of directors shall have full authority, on the terms and conditions provided by law and within the limits set forth hereinabove, to implement and give effect to this authorization and determine the list of the beneficiaries and recipients within the classes described in this Resolution and the number of shares or equity securities to be offered to each thereof, provided, however, that the board of directors may decide that the capital increase shall be completed for the amounts subscribed, on the condition that a minimum of 75% of the shares or other securities providing access to capital offered have been subscribed, as well as, among other things:
  - determine the characteristics of the securities to be issued, decide on the issue price, dates, time periods, terms and conditions of subscribing therefor, paying the paid-in capital, or nominal amount, thereof, delivery and effectiveness of the shares and equity securities, within the applicable limits of law and regulations,
  - record and determine the capital increase, undertake the issuance of the shares and other securities carrying the right to acquire shares, amend the Articles of Association accordingly,
  - and, as a general matter, enter into any agreement, in particular to ensure the due and punctual completion of the contemplated issuances, take any and all steps and carry out and complete any and all formalities useful in connection with the issue, the listing and financial servicing of the equity securities issued under and pursuant to this authorization, as well as the exercise of the rights attaching thereto, and, more generally, do whatever may be necessary;
- resolves that this delegation shall nullify as of August 1, 2014, the authorization given by the General Meeting of April 25, 2013, in its Nineteenth resolution for its amounts not used by the board of directors.

The authorization granted under and pursuant to this Resolution shall be valid for 18 months from and after this General Meeting.-

Ordinary meeting

TWENTY-SECOND RESOLUTION
(Powers for formalities)

The General Meeting confers full powers upon the bearer of a copy or excerpts of the minutes stating these resolutions to accomplish all legal and administrative formalities.

5. Appendix to the nineteenth resolution : Draft of the articles of association of Schneider Electric SE, European Company

Part I. Nature – objectives – name – duration and registered office of the company

Article 1

The company shall be organized as a European company with a board of directors.

Created on December 2 and 4, 1871, it continues to exist among the owners of the shares comprising its share capital, as indicated in article 6 hereafter, after merger with SCHNEIDER SA, a company which itself absorbed its industrial subsidiary created on October 21, 1836, as a limited partnership and transformed into a public limited-liability company on May 31, 1966, and taking over its name and converted into a European company by decision of the ordinary and extraordinary annual general meeting of May 6, 2014.

It is governed by the applicable laws and regulations and by these bylaws.

Article 2

The company has the following objectives, directly or indirectly, in any form, in France and elsewhere:

(i) the design, development and sale of products, equipment and solutions related to the metering, management and use of energy in all its forms and delivering reliability, efficiency and productivity, in particular through the pursuance, whether by creating, acquiring or otherwise, of all activities related to:

- electrical equipment manufacturing, electrical distribution and secured power supply,
- building control, automation and safety,
- industrial control and automation, including software,
- management of all types of data centers, networks, equipment and other infrastructure;

(ii) the acquisition, purchase, sale and use of any intellectual or industrial property rights relating to these industries;

(iii) involvement in any way in any enterprise, company or consortium, whatever the type, undertaking activities related to the company's business or such as to encourage its industry and commerce, and, more generally, all industrial, commercial and financial, asset and real estate operations related directly or indirectly in any way to the above objective.

The company may perform any operations that fall within the scope of its objectives either alone for its own benefit or on behalf of third parties, either by having an interest in, or by the purchase, subscription, contribution or exchange of company shares, partnership shares and the purchase of any company, irrespective of their type, in pursuance of a similar or related objective, or such as to encourage its expansion or development.

Article 3

The name of the company is: SCHNEIDER ELECTRIC SE.

Article 4

The duration of the company, which was due to expire on January 1, 1887, has been extended by successive decisions taken by General Meetings of the Shareholders on December 8, 1880, December 17, 1887, December 19, 1896, October 29, 1908 and November 20, 1928 until July 1, 2031, unless there is a further extension or early wind-up of the company.

Article 5

The registered office of the company is at 35 Rue Joseph Monier, 92500 RUEIL MALMAISON.

The registered offices may be transferred within the same *département* or to an adjoining *département* by the board of directors, under the condition that the decision to do so is ratified at the next Ordinary General Meeting of the shareholders.

The board of directors may establish and close down offices, branches or other entities wherever it deems fit.

Part II. Registered capital – shares

Article 6

The registered capital of the company is set at 2,316,847,784 euros divided, as of September 2, 2011 into 579,211,946 fully paid up shares with a nominal value of 4 euros.

The registered capital was increased:

- to the sum of FF6,364,233,100 in application of a decision taken by the Extraordinary General Meeting of June 27, 1995 approving the merger of the company with SCHNEIDER SA by taking over SCHNEIDER SA and ordering that the shareholders receive 122,175,958 shares with a nominal value of FF 50 in payment for their contribution;
- to the sum of FF6,890,007,300 in application of a decision taken by the Extraordinary General Meeting of June 10, 1997 approving the merger of the company with MERLIN GERIN and TELEMECANIQUE by taking them over them and ordering that the TELEMECANIQUE shareholders receive 117,840 shares with a nominal value of FF 50 in payment for their contribution.
- to the sum of 1,921,198,912 euros in application of a decision of August 7, 2001 taken by the Chairman of the board of directors, acting within the framework of the decisions of the board of directors of June 7 and June 11, 2001, to increase the capital so as to remunerate the shareholders of the company Legrand who contributed their shares to the public exchange offer initiated by Schneider Electric SA on the capital of the company Legrand. This capital increase corresponds to the issuance of 43,755,369 shares with a nominal value of 8 euros so as to remunerate the shareholders of Legrand who contributed their shares to the principal public offer, to the issuance of 27,389,408 shares with a nominal value of 8 euros so as to remunerate the shareholders of Legrand who contributed their ordinary shares to the subsidiary public offer, to the issuance of 13,096,278 shares with a nominal value of 8 euros so as to remunerate the shareholders of Legrand who contributed their priority dividend shares to the public exchange offer.

Article 7

The shares may be registered shares or bearer shares as the shareholder wishes. The ownership of both types is acquired by the shareholders' names being entered on the register according to the terms and conditions required by the legal and regulatory provisions in force.

When a shareholder, whether a corporate entity or individual, increases its direct or indirect interest, within the meaning of article L. 233-9 of the French Commercial Code to 1% or more of the company's capital or voting rights, or any multiple thereof, the shareholder concerned shall notify the company, within five 5 trading days of the threshold being crossed, by registered letter with return receipt requested, of the total number of shares, share equivalents and voting rights that it controls, either alone (directly or indirectly) or in concert. In addition, as of November 1, 2009, the shareholder shall notify the company, in the disclosure letter, of the number of existing shares it is entitled to acquire by virtue of agreements or financial instruments referred to in point b) of the third paragraph of article L. 233-7 of the French Commercial Code as well as the number of existing shares covered by any agreement or financial instrument referred to in point c) of the third paragraph of this article. This disclosure requirement shall also apply when the percentage of the share capital or voting rights falls below the thresholds stipulated above. In the case of failure to comply with these disclosure rules, at the request of one or several shareholders together representing at least 2.5% of the company's capital, made at a General Shareholders Meeting, the undisclosed shares will be stripped of voting rights, subject to the conditions set down by law.

The company may, subject to the conditions laid down by the legal and regulatory provisions in force, ask that any information relating to its shareholders or those holding shares giving an immediate or future right to vote, their identity and the number of shares they hold be given to any organization or authorized intermediary.

In the case of failure by shareholders or their bank or broker to make the disclosures required in the above paragraph, the undisclosed shares may be stripped of voting and dividend rights, temporarily or permanently, in accordance with the provisions of the law.

Article 8

Shares in the company are freely negotiable and transferable.

Article 9

Each share confers rights to a share in the ownership of the company's assets, to a share in the profits and the liquidation bonus. This share is in proportion to the number of shares in existence, taking into account, where appropriate, of redeemed and unredeemed capital, whether paid up or not, of the nominal value of the shares and rights to shares in different categories.

All the shares which now or in the future make up the registered capital shall always be included for taxation purposes. Consequently all taxes and dues that, for whatever reason, may, by virtue of the reimbursement of the share capital, fall due for some shares only, either during the existence of the company or upon its liquidation, shall be divided up between all the shares making up the capital during such reimbursement or reimbursements, so that all current or future shares confer on their owners, while taking into consideration where appropriate the nominal unredeemed value of the shares and rights to shares in different categories, the same effective advantages by giving them the right to receive the same net sum.

Whenever it is necessary to hold several shares to exercise a right, single shares or groups consisting of a number lower than that required give their owners no rights over the company. In this situation it is up to individual shareholders to organize groupings of the number of shares required.

Article 10

All sums remaining due on shares payable in cash are called up by the board of directors.

The number of shares called up and the date by which payments for such shares must be received are notified to shareholders either by means of an advertisement published at least fifteen clear days in advance in a publication authorized to carry legal notices in the département in which the company has its registered office, or by registered letter sent to each shareholder giving the same period of notice.

Shareholders who fail to make payments for shares they hold by the due date become automatically and without prior notice liable to the company for payment of late penalties calculated on a daily basis as of the due date, at the legal rate of interest, without prejudice to the forced execution measures laid down by law.

Part III. Management of the company

Article 11: Composition of the board of directors

a) The board of directors has at least three and a maximum of eighteen members. In the event of a merger, this number may be increased within the limits and conditions prescribed by law.

Each Director must hold at least two hundred and fifty shares during the period he/she is in office.

b) Directors are appointed for four-year terms (renewable).

However, the first Directors who were members of the company's supervisory board and who will be appointed at the Annual General Shareholders Meeting of April 25, 2013 will remain on the board of directors until the end of their term as members of the company's supervisory board, with the exception of the first Director representing employee shareholders, who will be appointed for a period of four years.

Furthermore, and as an exception to the provision above, the term given to a person aged 70 or more is of two years (renewable). In addition, when an appointment is made of a Director who will reach the age of 70 before the expiry of his/her term, its duration is limited to the period expiring at the close of the Ordinary General Shareholders Meeting called to approve the previous year's financial statements and held in the year during which such Director will reach the age of 70. The Ordinary General Shareholders Meeting may then reappoint such Directors for a two-year (renewable) term.

In the event that all of the members of the board of directors were due for reappointment, the term of half of the elected Directors, rounded down if necessary, expires at the end of two years and the terms of the other members at the end of four years, based on a random draw to be performed at a meeting of the board of directors.

The duties of the Directors cease at the close of the Ordinary General Shareholders Meeting called to approve the previous year's financial statements and held in the year during which their appointments expire.

No more than a third of the Directors may be aged 70 or more. In the event of this limit being exceeded, and in the absence of any voluntary resignation of a Director aged 70 or more, the oldest Directors shall be deemed to have resigned. However, should this limit be exceeded as a result of a decrease in the total number of Directors in office, the above requirement shall be waived in the event that, within three months, the departed members are replaced in such a manner as to enable the number of Directors in office aged 70 or more to be maintained.

c) The board of directors shall include one member representing employee shareholders, who shall be elected by the shareholders in the General Meeting according to a process determined by the board of directors.

If, however, employees of the company and of related companies (within the meaning of article L. 225-180 of the Commercial Code) hold over 3% of the company's capital - as evidenced by the disclosures made in the annual report in application of article L. 225-102 of the Commercial Code - such member shall be elected for a four-year term by the Ordinary General Shareholders Meeting voting on a motion tabled by the shareholders referred to in article L. 225-102 of the Commercial Code on the basis defined in paragraphs (i) to (iii) below.

(i) The member of the board of directors representing employee shareholders shall take up his/her seat on the board of directors on the date of his/her election by the General Meeting. Where applicable, he/she shall replace the incumbent member elected based on the conditions set by the board of directors, whose term shall be considered as having expired. His/her term shall end at the close of the shareholders' Ordinary General Shareholders Meeting called during the final year of the period for which he/she was elected. However, his/her term shall end ipso jure and he/she will be considered as having resigned in the following cases:

- if he/she is no longer i) an employee of the company or a related company within the meaning of article L. 225-180 of the Commercial Code, ii) a shareholder or a holder of units in a mutual fund invested in the company's shares, iii) a member of the supervisory board of the company mutual fund that proposed him or her as a candidate; or
- if employees of the company and of related companies within the meaning of article L. 225-180 of the Commercial Code hold less than 3% of the company's capital as evidenced by the disclosures made in the annual report prepared by the board of directors in accordance with article L. 225-102 of the Commercial Code.

(ii) The General Shareholders Meeting shall vote on the list of candidates presented by employee shareholders, selected as follows:

a) When the voting rights attached to shares held by the employees and former employees referred to in article L. 225-102 of the Commercial Code are exercised by the supervisory boards of mutual funds invested in the company's shares, each of these supervisory boards shall designate a maximum of two candidates, selected at their discretion. The company's Chief executive officer may, however, decide to require two or more supervisory boards to consult together and to jointly designate a maximum of two candidates;

b) When the voting rights attached to shares held directly by employees or indirectly by employees or former employees through mutual funds invested in the company's shares, are exercised directly by such employees or former employees, the candidates shall be designated through a written consultation process initiated by the Chief executive officer. Only candidates endorsed by a group of employee shareholders together representing at least 5% of the shares held by employees who exercise their voting rights directly shall be eligible for election;

c) Candidates for election to become a representative of employee shareholders on the board of directors must be employed under an employment contract that qualifies them to sit for a four-year term and must hold at least 25 Company shares or an equivalent number of units in a mutual fund invested in the company's shares;

d) The conditions and procedures for the designation of candidates not specified by the applicable laws and regulations and these articles of association shall be determined by the Chief executive officer, particularly as regards the timeline for the selection of candidates;

e) The list of duly designated candidates shall be drawn up by the Chief executive officer and appended to the notice of meeting for the General Meeting during which the member of the board of directors representing employee shareholders is to be elected.

(iii) The candidate who receives the greatest number of votes cast by the shareholders present and represented at the General Meeting shall be elected.

If the seat on the board of directors reserved for a representative of employee shareholders becomes vacant, a new representative shall be appointed on the same basis prior to the next General Meeting, or at the next General Meeting if it is held within three months of the seat becoming vacant. The board of directors may meet and validly conduct business pending the appointment or election of a new member representing employee shareholders.

The selection process for the representative of employee shareholders entering his/her first term on the board of directors following a change in the administration and management of the company, as decided by the Extraordinary General Meeting of [April 25], 2013, is effectively carried out by the implementation, prior to the change, of the procedure under article 11c) in the company's Articles of Association, as in force for the members of the supervisory board.

Article 12: Chairman of the board of directors – Office of the board of directors

1. The board of directors shall appoint, among its members, a Chairman, for whom the term of office is determined, within the limits of his/her term as a Director, as well as his/her compensation.

   The Chairman of the board of directors may be re-elected. The age limit of the Chairman of the board of directors is set at [70] years; and the Chairman's functions expire no later than at the end of the first Board meeting after he/she reaches the age of [70] years.

   The Chairman represents the board of directors. He organizes and directs the work of the latter, which he reports to the General Assembly. He ensures the smooth functioning of the bodies of the company, and in particular ensures that the Directors are able to fulfil their missions.

2. In addition, the board of directors shall, at its discretion, appoint among its members a Vice-chairman for whom the term of office is determined, within the limits of his/her term as a board Member.

   As an exception to the foregoing, the appointment of a Vice-chairman is required if the positions of Chairman and Chief executive officer of the board of directors are exercised by the same person. In this case, the Vice-chairman shall also serve as Senior Independent Director. The duties of the Senior Independent Director shall be prescribed by the rules of procedure of the board of directors. If the first board of directors to be held after the Combined General Shareholders Meeting of April 25, 2013 chooses to appoint a Chief executive officer, the first Vice-chairman/Senior Independent Director will be the former Chairman of the supervisory board, for the remaining duration of his/her term.

3. The board of directors shall appoint a Secretary who may be chosen outside of the Directors and shareholders, who, along with the Chairman and Vice-chairman, will form the Secretariat. If in the event the Secretary is absent, the board of directors will design one of its members or a third party to replace him/her.

4. The board of directors is chaired by the Chairman. In the event the Chairman is absent, the board will be chaired by the Vice-chairman, or by default, a Director designed by the board at the beginning of the meeting.

Article 13: Powers and Duties of the board of directors

1. The board of directors shall determine the activities of the company and oversee their implementation. It shall examine any and all matters related to the efficient operation of the business and make decisions about any and all issues concerning the company, within the limits of the corporate purpose and except for those matters which, by law, can only be decided on by the shareholders in the General Shareholders Meetings.

   In dealing with third parties, the company is bound by acts of the board of directors that fall outside of the corporate purpose, unless it proves that the third party knew that the act went beyond this purpose or could not have been unaware thereof given the circumstances, mere publication of the articles not being sufficient to constitute such proof.

2. The board of directors shall perform any controls and verifications that it considers appropriate. The board of directors shall be provided with all necessary information to accomplish its tasks and may receive any documents that it deems necessary.

3. In addition, the board of directors may give special authority to one or several Directors or to any other third party, who may or may not be a shareholder, to fulfill one or several specific purposes, and may or may not authorize such person to delegate all or part of their authority to another person.

4. The board of directors may authorize the Chief executive officer to give conditions, endorsements or warranties on behalf of the company, within a limit determined by the board of directors.

5. In addition to the specialized committee provided for in article L.813-29 of the Commercial Code, the board of directors may appoint among its members one or more specialized committees, of which it determines the

composition and responsibilities, and which function under the supervision of the board of directors. Each committee shall report its missions at the next board meeting.

6. The board of directors shall adopt its own rules of procedure governing its operation.

Article 14: Meetings of the board of directors

1. The board of directors shall meet as often as is required in the interest of the company, and as often at it sees fit at the Registered Office or at any other location indicated in the convening notice.
2. It is convened by the Chairman, or, in the absence of the Chairman by the Vice-chairman by any means, even verbally, or at the request of the Chief executive officer or of at least one third of the Directors if the board of directors has not met for more than two (2) months.
3. Except in the case provided for in article 15 of the Articles of Association, decisions are taken with the quorum and majority prescribed by law. In the event of a tie, the Chairman of the meeting has the deciding vote. An attendance list of the Directors that is signed by those who have attended the meeting will be maintained.

   The decisions of the board of directors may be taken by videoconference or by conference call in accordance with the regulations and the rules of procedure of the board of directors.
4. Minutes are drawn up and copies or extracts of the proceedings are issued and certified in accordance with the law.

Article 15: General Management

1. The general management of the company is undertaken by the Chairman of the board of directors who will then hold the title of Chairman and Chief executive officer, or by another person, whether or not a member of the board of directors, named by the board of directors, and bearing the title of Chief executive officer.

   The choice between these two forms of General Management shall be made by the board of directors, provided that:

   - the agenda of the meeting at which such decision is made is sent to all the Directors at least 15 days in advance of the meeting, provided that, as an exception to the foregoing, the choice between the two forms of General Management may be made by the first board meeting that will be held after the Combined General Shareholders Meeting of April 25, 2013 without conditions as to time limits;
   - at least two-thirds of the Directors are present or represented at the meeting.

     Shareholders and third parties shall be notified of the board's decision in accordance with the applicable regulations.

     If the general management of the company is undertaken by the Chairman, all of the provisions of these bylaws concerning the Chief executive officer shall apply to the Chairman. In this case, the appointment of a Vice-chairman of the board of directors is mandatory, in accordance with the provisions of article 12.2 of the Articles of Association.
2. The Chief executive officer shall have the widest powers to act in all circumstances in the name and on behalf of the company, within the limits of its corporate purpose and except for those matters which, by law, can only be decided on by the shareholders in General Shareholders Meetings or by the board of directors.

   The Chief executive officer shall represent the company in its dealings with third parties. In dealing with third parties, the company is bound by acts of the Chief executive officer that fall outside of its corporate purpose, unless it proves that the third party knew that the act went beyond this purpose or could not have been unaware thereof given the circumstances, mere publication of the articles not being sufficient to constitute such proof.

   The board of directors shall determine the compensation of the Chief executive officer and his/her term of office, which may not exceed either the period for which the decision has been made to separate the functions of Chairman and Chief executive officer or his/her term as Director, where applicable.

   The age limit of the Chief executive officer is [65] years old. His/her functions will expire at the latest at the end of the board meeting during the year in which he/she reaches the age of [65].
3. At the Chief executive officer's proposal, the board of directors can engage one or several people to assist under the title of Deputy Managing Director. In agreement with the Chief executive officer, the board of directors shall determine the extent and duration of the powers delegated to any Deputy Managing Directors. Deputy Managing Directors have the same powers as the Chief executive ooficer, with regard to third parties. The board of directors shall determine the compensation of the Deputy Managing Directors.

   If the Chief executive officer ceases or is unable to perform his duties, the Deputy Managing Directors will retain their functions and powers until the nomination of the new Chief executive officer, unless the board of directors decides otherwise.

Article 16: Compensation Payable to Directors

1. The General Assembly may grant Directors, as remuneration for their work, a fixed annual sum, as attendance fees, the amount of which is charged to the company's general expenses.
2. The board of directors allocates these attendance fees among the Directors as it deems fit.
3. The board of directors may allocate exceptional remuneration for missions or mandates given to Directors. Should this be the case, the payments are charged to operating expenses and subject to the approval of the Ordinary General Assembly, following the procedure prescribed by law.

The above provisions are not applicable to agreements relating to current operations entered into under normal conditions.

Article 17: Censors

The board of directors may appoint a maximum of three Censors. Censors are invited to board meetings in which they participate in a consultative capacity. They may take part in Committees created by the board of directors, except for the Audit committee. They may be selected from among the shareholders or non-shareholders and will receive an annual remuneration to be set by the board of directors.

Censors are appointed for a maximum of four years. However, there shall not be more than two Censors appointed for four years. Censors appointed for more than one year may have their appointments renewed. Their terms may be terminated at any moment.

Part IV. Auditors

Article 18

The General Shareholders Meeting appoints incumbent and deputy auditors in conformity with the conditions prescribed by law.

Part V. General shareholders Meetings

Article 19

General shareholders Meetings are called and run in conformity with the conditions prescribed by law.

Meetings are held at the company's registered office or at any other place specified in the notice of meeting. The board may decide, when each meeting is called, to organize the public retransmission of all or part of the meeting by videoconference and/or using teletransmission techniques.

All shareholders may attend a General Shareholders Meeting, in person or by proxy, after providing proof of identity and share ownership in accordance with applicable laws and regulations.

When the decision is made to call a General Meeting, the board of directors may also decide to allow shareholders to participate or vote at General Meetings using videoconferencing facilities and/or any other telecommunication medium allowed under applicable legislation.

Remote voting procedures are governed by applicable laws and regulations. In particular, shareholders may send proxy and mail ballot forms before General Shareholders Meetings either in paper form or, if approved by the board of directors and stated in the Meeting Announcement and/or Notice, electronically.

When the decision is made to call a General Shareholders Meeting, the board of directors may authorize shareholders to fill out and sign these forms electronically through a secure site set up by the General Meeting organizer using a process that complies with applicable laws and regulations and consisting of a username and password.

Proxies or votes submitted electronically before the General Meeting, as well as the related acknowledgements of receipt, will be considered irrevocable and binding documents. However, in the event that shares are sold before the applicable record date (*i.e.*, at midnight CET three days before the Meeting date), the company will cancel or amend, as appropriate, any related proxies or votes submitted electronically before the General Shareholders Meeting.

Meetings shall be chaired by the Chairman of the board of directors or in his absence by the Vice-chairman, or in his absence by a member of the board of directors specially appointed for that purpose by the board of directors. If no such member is appointed by the board of directors, the Meeting shall elect its own Chairman.

The two shareholders present who hold the largest number of votes and who accept shall act as scrutineers.

The board appoints a secretary to the Meeting, who is not required to be a shareholder.

As required by law, a register of attendance is kept.

Copies or extracts of the minutes of the Meeting may validly be signed by the Chairman of the board of directors, the Vice-chairman of the board of directors, or by the Secretary to the Meeting.

Article 20

The Ordinary and Extraordinary General Meetings of shareholders, subject to the conditions of quorum and majority laid down by the provisions that respectively govern them, exercise the powers conferred on them by law.

The voting rights conferred by the shares are in proportion to the capital they represent at equal nominal value. Each capital share or dividend share confers the right to one vote except where compulsory legal provisions limit the number of votes a shareholder may have.

The provisions of the previous paragraph are subject to the following exceptions:

1/ fully paid-up shares entitle their owners to double votes. Shareholders claiming this right must, at the end of the calendar year before the date of the Meeting in question, have been registered for at least two years under the conditions prescribed by law. Furthermore, in the event of an increase in capital by capitalization of reserves, profits or share premiums, the right to a double vote is conferred, as soon as they are issued, on registered shares allocated free by virtue of existing shares held to which this right is attached;

2/ at shareholders meetings, no shareholder may exercise, either in person or through a proxy, by virtue of single voting rights conferred by the shares he/she holds directly and indirectly and by virtue of the proxy votes entrusted to him/her, more than 10% of the total number of the voting rights conferred by shares in the company. However, if a shareholder also holds double voting rights directly or indirectly and/or as proxy, the limit set may be exceeded taking into consideration only the resulting additional voting rights, without the total voting rights thereby held exceeding 15% of the total number of the voting rights conferred by the shares in the company.

In order to apply the above provisions:

- the total number of voting rights allowed are calculated as of the date of the General Shareholders Meeting and announced to the shareholders at the beginning of such General Shareholders Meeting;
- the number of voting rights held directly and indirectly are understood to include those conferred by shares held personally by a shareholder, those conferred by shares held by a legal entity controlled by a shareholder as defined by article L. 233-3 of the Commercial Code, and those shares that are assimilated to the shares owned, as defined by the provisions of articles L. 2337 et seq. of the Code;
- all shareholder's proxy forms returned to the company without any indication of the person appointed as proxy will be subject to the above limitations. These limitations shall not, however, apply to the chairperson of the Meeting using votes by virtue of such proxies.

The limitations set out above become null and void, without the need for an Extraordinary General Meeting of shareholders to vote a new decision, once an individual or legal entity, either alone or together with one or more individuals or legal entities, holds at least two-thirds of the total number of shares in the company following a public procedure to exchange or acquire all of the shares in the company. The board of directors takes note of this nullity and undertakes the formalities necessary to change the Memorandum and Articles of Association of the company.

The limitations set out in the above paragraphs have no effect when calculating the total number of voting rights, including double voting rights conferred by shares in the company that must be taken into consideration when applying legal, regulatory or statutory provisions creating special obligations with reference to the number of voting rights existing in the company or the number of shares conferring a right to vote.

Part VI. Company accounts and allocation of profits

Article 21

The company's accounting period lasts one year starting on 1 January and ending on 31 December.

Article 22

The net income for each financial year, after deduction of operating expenses and the company's other charges, including all amortizations and provisions, constitutes the net profits or losses for the financial year.

The nets profits for each financial year, minus any losses from previous years, are first subject to a 5% deduction to constitute the legal reserve. This deduction ceases to be compulsory when such reserve reaches a sum equal to one tenth of the registered capital. It comes back into force when, for whatever reason, the legal reserve drops below this figure.

The distributable income composed of the profits for the financial year, less losses from previous years and the above deduction, plus profits carried over, is available to General Shareholders Meetings of the shareholders. The board of directors may carry forward all or part of this sum, allocate it to general or special reserve funds or distribute it to the shareholders as a dividend.

In addition, the General Meeting of shareholders may decide to distribute sums taken from the optional reserves, either to provide or top up a dividend, or as a one-off distribution. In this event, the decision must expressly state from which reserves the sums are be taken.

The General Meeting of shareholders has the power to award each shareholder the choice of opting for payment of dividends in shares or cash subject to the terms and conditions laid down by law.

The reserve, contingency and sinking funds, together with share and contribution premiums, may, irrespective of the purpose for which they were originally allocated, be allocated for any purpose and be used in particular to fund the legal reserve, to amortize and buy back shares or be distributed among the shareholders, as decided by the Ordinary General Shareholders Meeting.

Part VII. Winding-up – liquidation

Article 23

Upon the expiry of the company or in the event of an early winding-up, a General Shareholders Meeting will decide what type of liquidation is appropriate and appoint one or more liquidators whose powers it will determine and who will operate as prescribed by law.

Part VIII. Disputes

Article 24

Any disputes arising during the duration of the company or its liquidation, whether between the shareholders, between the company and the shareholders themselves, regarding the interpretation or performance of the present Memorandum and Articles of Association, or more generally regarding the company's business, shall be subject to judgment by the Courts having jurisdiction in the place where the company has its registered office.

To this end, in the event of a dispute, any shareholder may choose his/her address for service within the judicial district of the Court having jurisdiction in the place where the company has its registered office, and any summonses and services shall be considered duly served at this address.

Where no address for service is given, summonses and services shall be considered valid if served at the Prosecutor's Office at the *Tribunal de Grande Instance* (High Court) in the place where the company has its registered office.

Persons responsible for the Registration Document

Persons responsible for the Registration Document

Attestation

I declare that, having taken all reasonable care to ensure that such is the case, the information contained in the registration document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and that they present fairly the assets, financial position and results of the company and the consolidated Group. To the best of my knowledge, the business review accurately presents the changes in business, results and financial position of the company and the consolidated Group, as well as a description of their principal risks and contingencies.

I obtained a statement from the statutory auditors at the end of their engagement affirming that they had reviewed the entire registration document and examined the information about the financial position and the historical accounts contained therein.

The report on the consolidated financial statements for the period ended 31 December 2013 contains an observation resulting from the application from January 1st, 2013 of IAS 19 revised “Employee Benefits”.

Executed on 20 March 2014

The Chairman and CEO

of Schneider Electric SA

Jean-Pascal Tricoire

Pursuant to Article 28 of Commission regulation 809/2004/EC, the following information is incorporated by reference in the present registration document:

- the consolidated financial statements and corresponding Auditors’ Reports provided in Chapter 5 of the registration document for the ended December 31, 2011, registered with Autorité des Marchés Financiers (AMF) under number D12-0198 on March 22, 2012,
- the consolidated financial statements and corresponding Auditors’ Reports provided in Chapter 5 of the registration document for the ended December 31, 2012, registered with Autorité des Marchés Financiers (AMF) under number D13-0196 on March 21, 2013,
- the annual company financial statements and corresponding Auditors’ Reports provided in Chapter 6 of the registration document for the ended December 31, 2011, registered with Autorité des Marchés Financiers (AMF) under number D12-0198 on March 22, 2012,
- the annual company financial statements and corresponding Auditors’ Reports provided in Chapter 6 of the registration document for the ended December 31, 2012, registered with Autorité des Marchés Financiers (AMF) under number D13-0196 on March 21, 2013,
- the business review provided in Chapter 4 of the registration document for the ended December 31, 2011, registered with Autorité des Marchés Financiers (AMF) under number D12-0198 on March 22, 2012,
- the business review provided in Chapter 4 of the registration document for the ended Thursday, December 31, 2012, registered with Autorité des Marchés Financiers (AMF) under number D13-0196 on March 21, 2013.

Passages not incorporated in this document are either irrelevant for the investor or covered in another section of the registration document.

Persons responsible for the audit of the financial statements

	Date appointed	Appointment expires
Statutory auditors		
Ernst & Young et Autres Tour First-1, place des Saisons - 92037 Paris-la-Défense-Cedex Represented by Yvon Salaün	1992	2016
Mazars Tour Exaltis - 61, rue Henri-Regnault - 92400 Courbevoie Represented by David Chaudat	2004	2016
Alternate Auditors		
Auditex	2010	2016
Thierry Blanchetier	2010	2016

Ernst & Young et Autres and Mazars are members of the Auditor's Regional Company of Versailles.

Financial Calendar

Investor relations

May 6, 2014	Shareholders' Annual Meeting (Paris)
May 19, 2014	Dividend payment

Financial releases

February 20, 2014	2013 Annual Results
April 24, 2014	Q1 2014 Sales
July 30, 2014	Half Year Results
October 29, 2014	Q3 2014 Sales

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