

# Financial and Sustainable Development Annual Report

Registration  
Document  
2014



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# Registration Document 2014

## Financial and Sustainable Development Annual Report

All of Schneider Electric's regulated information is available on the corporate website at [www.schneider-electric.com](http://www.schneider-electric.com), Finance section.

The Business and Sustainable Development Report is available at [www.schneider-electric.com](http://www.schneider-electric.com), Sustainable Development and Foundation section.



This Registration Document was filed with the *Autorité des Marchés Financiers* (AMF) on March 19, 2015, 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

## Successes amid a challenging year

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In 2014, Schneider Electric's focus on the execution of its strategy and the integration of Invensys drove revenues up 6.6%, despite a difficult environment marked by a slowdown in new economies and a continued weakness in Western Europe.

On an organic basis, our revenues grew 1.4%. Growth was more robust at 3.2% in three of our four businesses, excluding the Infrastructure business which remained impacted by the weak utility market in Europe. Adjusted EBITA was €3.5bn and net income reached a record high €1.9bn. The proposed dividend is €1.92 per share, up 3%.

Our global footprint and balanced presence continued to be a strong assets for reliance, as pick-up in U.S. growth compensated for the slowdown in China. In the U.S. we consolidated our market leading position in core Building & Partner business and benefitted from a strong construction market. We came back to growth in IT, and developed vigorously Industry and Infrastructure sales.

The Invensys acquisition proceeded swiftly, with integration targets all exceeded in the first year. We already generated significant costs savings of €75m at the end of 2014. We are now building a solid pipeline of commercial synergies in all our key geographies and have confirmed complementarities and synergies with our Industry and Infrastructure businesses. This acquisition has reinforced our industrial automation capabilities, our software portfolio and boosted our position in key electro-intensive segments. We have strengthened our leadership position in operation management software and we now combine a new wealth of possibilities in process and manufacturing automation with franchises like Wonderware, Advantis, SimSci, Citec and Struxureware.

## Closing Connect, company program.....

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In 2014 we closed Connect that laid solid foundations for future growth and brought some remarkable achievements: it accelerated our tailored supply chain; it enabled great progress in services; and it initiated our digitization journey. The Tailored Supply Chain initiative improved our performance on delivery and led to significant improvements in customer satisfaction. We identified points of progress and launched initiatives to offer new values to our customers. Our work on this front was recognized by independent organizations, such as Gartner, who ranked Schneider Electric No. 22 on its list of European companies that achieved supply chain excellence and by the SCM world profession award. This has positively impacted our profitability and cash thanks to industrial productivity and inventory optimization. Services remain a growth engine for the Group and outgrew the rest of the Group by 7 point on average per annum.

## ....Introducing Schneider is On—customers at the center

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The world of energy is transforming. 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. The energy world is becoming more connected, more distributed, more electric and more efficient.



This change is happening fast; agility and speed are key. The new company program Schneider is On focuses on 5 main areas: more value-creation for our customers with increasingly targeted services and enlarged business proposition; enhanced digitization of systems and products; higher innovation through more efficient R&D; continued focus on sustainability & energy access for all; and emphasis on talents and competencies.

Schneider is On runs to 2020 and puts customers at the heart of all of Schneider Electric's concerns. We believe in people and partnerships and trust that through speed, innovation and creativity we will continue to best serve the world of energy and automation in a sustainable way. Helping customers and partners do more with less, towards more growth and simplification; making their life and ecosystems safe, reliable, efficient and sustainable. We are uniquely positioned to serve the fast growing needs of this new energy world.

### Sustainability & Innovation

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In sustainable development, 2014 has been a year of innovation and recognition. Since 2009, through our access to energy program, we have equipped close to 2.4 million households with energy solutions, while training 70,000 people from underprivileged origins in energy trades. We also trained over 500,000 people through Energy University and Solar Decathlon in energy management subjects. At the end of Connect, the Planet & Society barometer exceeds its 3-year target and shows improved results in its three dimensions: Planet, Profit, and People. Our sustainability approach has been recognized externally by relevant ratings along the year: we are sector leader in the Dow Jones Sustainability Index for the 2nd year; we have been selected in the two indices of

CDP; and we rank 9th in the "Global 100" index in January 2015, in the top 10 for the 2nd year. In our new Planet & Society barometer, we have decided to raise the bar. It will address our five sustainability megatrends: Climate, Circular Economy, Poverty, Ethics and Health.

### 2015 and beyond

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The 2015 macro environment is uncertain. We see continued growth in the U.S., stabilization in Europe and a mixed picture in new economies.

In this context, we see opportunities for growth, as we focus on providing more to our customers, bringing them the most value from our collective strength. More competencies, better intimacy, more tailored solutions and deliveries, more digitization, more innovation, and more simplicity. We also work actively on a better return on the capital we employ, as we focus on our collective efficiency and integrate further the capabilities we have assembled.

We will take advantage of historically low financing conditions to lengthen our debt maturity and proceed to some share buyback. Our high level of cash generation enables us to consider bolt-on acquisitions in our core and most profitable businesses. In parallel, we will continue to review our portfolio and contemplate the disposal of non-core businesses. To illustrate our confidence in the Group's future growth prospects, we have introduced a progressive dividend policy with no year-on-year decline of dividend.

We look forward to continuing this journey with you towards a strong 2015.



## > Interview with Emmanuel Babeau

DEPUTY CEO, IN CHARGE OF FINANCE AND LEGAL AFFAIRS

### **Schneider Electric has delivered on its 2014 targets, what are the performance highlights?**

We achieved +6.6% growth and +1.4% organic growth in 2014 thanks to the solid performance of Buildings & Partner and Industry through the year and the good H2 of our IT Business. Mature countries accelerated in H2, taking the relay of new economies, which grew faster in H1. Services continued to perform strongly, as we continued to invest. We also improved our Adjusted EBITA margin by 40bps at constant FX and current scope, and Adjusted EBITA reached €3.5 billion. Net profit was up 3%, c. 11% at constant FX at €1.9 billion. Invensys also contributed strongly to the Group performance. This solid performance enabled us to propose a €1.92 dividend per share, up 3% compared to last year.

### **Invensys joined the Group in 2014, how was the performance in the first year?**

Invensys performed strongly in its first year within the Group with revenues up 2% organically and adjusted EBITA margin up 5.5 points to 14.8%, driven by gross margin improvement and cost synergies. This strong performance generated a double-digit accretion to group EPS in 2014, highlighting how focused M&A can deliver value to our shareholders. Integration is progressing well and we are on track to deliver all synergies highlighted at the time of the acquisition.

### **Schneider Electric launched its new company program, what are the ambitions of the program?**

Schneider is On is building on the achievements of Connect and aims to deliver more value to our customers and shareholders through five focused initiatives on growth, innovation, digitization, simplification and employees development. We have also expressed our ambition to drive further improvement of our financial results. We target a 3% to 6% average organic growth for our revenues across the economic cycle. This growth should allow us to generate an adjusted EBITA margin between 13% and 17%, depending on the global economic conditions. On top of this financial performance, the quality of our cash generation and our discipline in terms of industrial and financial investments should allow us to improve our Return on Capital Employed (ROCE) in the next 2/3 years and generate a ROCE between 11% and 15% across the cycle.

### **Could you highlight the key initiatives to deliver attractive shareholder returns over the coming years?**

We are focused on continuing to generate attractive returns to our shareholders. Over the coming years, we expect to grow our adjusted EBITA through top-line growth and efficiency improvements. We target €1.4 to 1.5 billion efficiency savings as highlighted in the new company program. This combined with a €1.0 to 1.5 billion share buyback and possible value creating bolt-on M&A will support our objective to grow EPS strongly in the next years. We will continue to keep a very strong balance sheet while having some flexibility to take advantage of the current low financing conditions and we will review our portfolio for potential disposals for non-core businesses. Last, as a reflection of our confidence in our future growth, we have put in place a progressive dividend policy with no year on year decline.

# > Leadership team

Executive committee (as of February 19, 2015)



## Global functions

- 1 Jean-Pascal Tricoire**  
Chairman & Chief Executive Officer
- 2 Emmanuel Babeau**  
Deputy Chief Executive Officer in charge of Finance and Legal Affairs
- 3 Olivier Blum**  
Executive Vice-President, Global Human Resources
- 4 Annette Clayton**  
Executive Vice-President, Global Supply Chain
- 5 Hervé Coureil**  
Executive Vice-President, Information Systems
- 6 Michel Crochon**  
Executive Vice-President, Strategy & Technology
- 7 Daniel Doimo**  
Executive Vice-President, *Global Solutions*
- 8 Chris Hummel**  
Executive Vice-President, Global Marketing

## Operations

- 9 Julio Rodriguez**  
Executive Vice-President, Global Operations
- 10 Laurent Vernerey**  
Executive Vice-President, North America Operations
- 11 ZHU Hai**  
Executive Vice-President, China Operations

## Businesses

- 12 Frédéric Abbal**  
Executive Vice-President, *Infrastructure*
- 13 Clemens Blum**  
Executive Vice-President, *Industry*
- 14 Philippe Delorme**  
Executive Vice-President, *Buildings & Partner*
- 15 Hal Grant**  
Executive Vice-President, *IT*

## LEADERSHIP TEAM

### Board of Directors (as of February 18, 2015)

#### Jean-Pascal Tricoire

Chairman & Chief Executive Officer

#### Léo Apotheker\*

Vice-Chairman independent lead 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 Directors

#### Linda Knoll\*

Human Resources Director and member of the executive committee of CNH INDUSTRIAL N.V.

#### Cathy Kopp\*

Corporate Director

#### Henri Lachmann

Corporate Director

#### Gérard de La Martinière

Corporate Director

#### Lone Fønss Schrøder\*

Corporate Director

#### G. Richard Thoman\*

Managing Partner of Corporate Perspectives and University Professor

#### Non-voting Directors

#### Claude Bébéar

Corporate Director

#### Gregory Spierkel

Corporate Director

#### Secretary of the Board

#### Philippe Bougon

#### Governance and compensation Committee

#### Léo Apotheker\*

Chairman

#### Willy Kissling

#### G. Richard Thoman\*

#### Claude Bébéar

#### Secretary

#### Philippe Bougon

#### Audit and risk committee

#### Gérard de La Martinière

Chairman

#### Lone Fønss Schrøder\*

#### Noël Forgeard\*

#### Antoine Gosset-Grainville\*

#### Secretary

#### Pierre Lévêque

Internal Audit Director

#### Human resources and social responsibility committee

#### Henri Lachmann

Chairman

#### Magali Herbaut

#### Linda Knoll\*

#### Cathy Kopp\*

#### Willy Kissling

#### Secretary

#### Olivier Blum

Executive Vice-President, Global Human Resources

#### Strategy committee

#### Xavier Fontanet\*

Chairman

#### Léo Apotheker\*

#### Betsy Atkins\*

#### Noël Forgeard\*

#### Jeong Kim\*

#### Gregory Spierkel

#### 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 directors according to the definition defined by AFEP-MEDEF corporate governance guidelines.

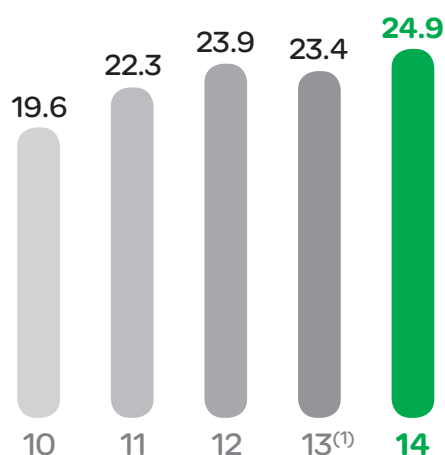


# > Key Figures 2014

## SCHNEIDER ELECTRIC

- Full year revenues up +6.6%, +1.4% organically
- Net income up +3%, c. +11% at constant FX
- Proposed dividend of €1.92, up +3%
- Solid cash conversion at 96%

### Consolidated revenues (in billions of euros)

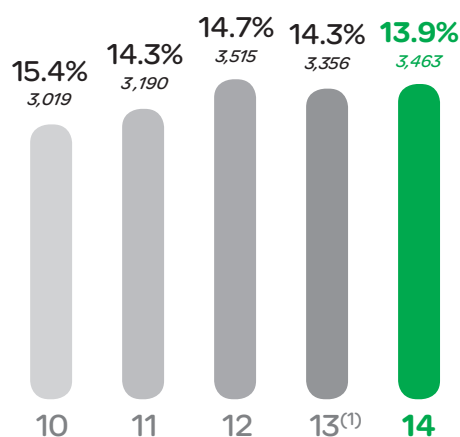


(1) 2013 figures restated due to the full consolidation of Delixi (previously consolidated proportionally at 50%), CST reclassification in discontinued operations and other minor changes.

Revenue was up 1.4% on a constant structure and exchange rate basis. 2014 organic growth remained contrasted by region and by business. Early cycle businesses (Buildings & Partner and Industry) drove revenues up, IT business returned to growth and Infrastructure declined, but showed signs of improvement at the end of the year. From a geographic standpoint, both mature countries and new economies contributed to growth. North America benefited from favorable construction and data center markets, Western Europe remained impacted by utilities but saw improvements in the second half and Asia-Pacific grew at a slower pace due to the slowdown in China.

New economies accounted for 44% of 2014 revenue.

### Adjusted EBITA<sup>(2)</sup> (in millions of euros and as a % of revenue)

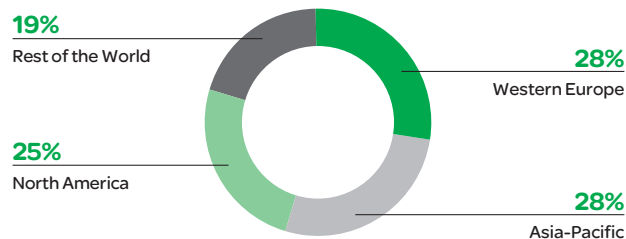


(1) 2013 figures restated due to the full consolidation of Delixi (previously consolidated proportionally at 50%), CST reclassification in discontinued operations and other minor changes.

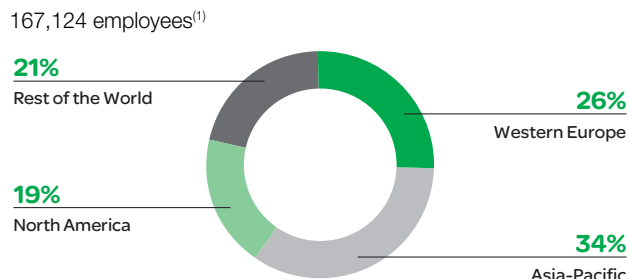
Full year 2014 adjusted EBITA was EUR3,463 million, representing 13.9% of revenue. Industrial productivity was the key organic driver along with positive volume impact, while mix was unfavorable. The consolidation of Invensys contributed to positive scope, but currency impact weighed down on performance, leading to a 0.4 point decline in adjusted EBITA margin versus 2013 restated margin. At constant FX, adjusted EBITA margin was stable.

(2) Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses, which includes acquisition, integration and separation costs.

### Revenue by geography

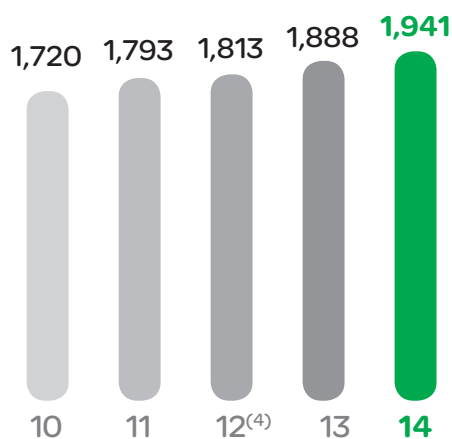


### 2014 headcount



(1) Spot headcount, including employees under fixed-term and open-ended contracts, on December 31 2014

### Net income (in millions of euros)



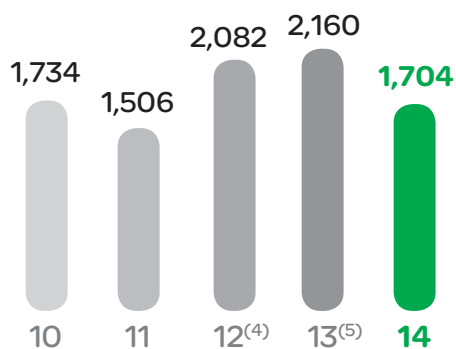
(4) 2012 figures restated for the application of IAS 19 Revised (pension accounting).

The Group share in net income reached EUR1,941 million, up 3% year-on-year and 11% at constant FX. Net income before Invensys acquisition and integration costs (post-tax) was up approximately 6%.

Invensys had a positive contribution in the decrease of the effective tax rate from 25.5% in 2013 to 22.7% in 2014.

Cost of debt decreased despite an increase in gross debt. Net financial expenses were down 3.5% year-on-year.

### Free cash flow<sup>(2)</sup> (in millions of euros)



(4) 2012 figures restated for the application of IAS 19 Revised (pension accounting).

(5) 2013 figures restated due to the full consolidation of Delixi (previously consolidated proportionally at 50%), CST reclassification in discontinued operations and other minor changes.

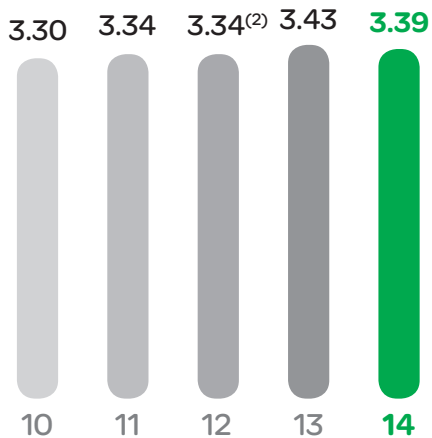
Free cash flow was EUR1,704 million. Capital expenditure to revenues ratio was stable at 3.3%. Working capital increased as the good inventory performance was offset by the decrease of account payables.

Cash conversion remained high at 96% <sup>(3)</sup>.

(2) Cash provided by operating activities less change in working capital less net capital expenditure.

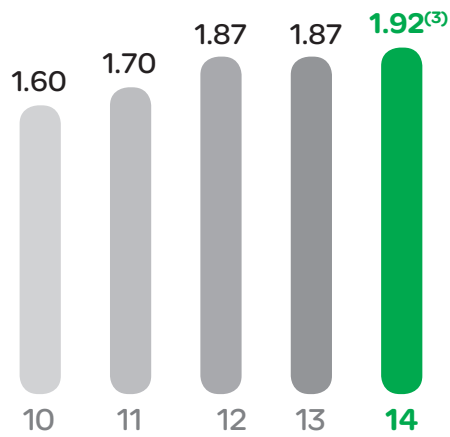
(3) based on net income excluding discontinued activities.

### Earning per share<sup>(1)</sup> (in euros)



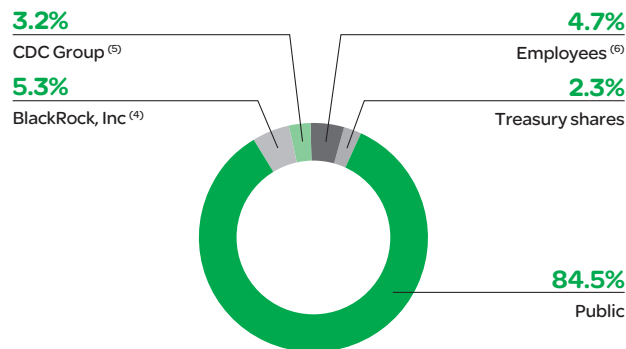
(2) 2012 figures restated for the application of IAS 19 Revised (pension accounting).

### Dividend per share<sup>(1)</sup> (in euros)



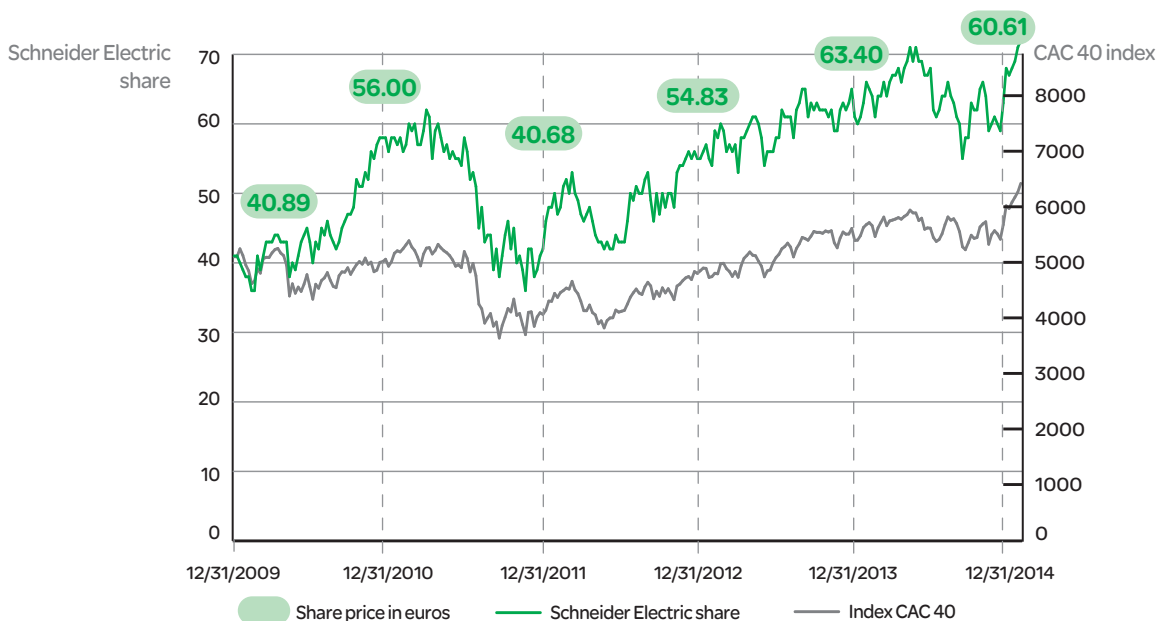
(3) Subject to shareholders' approval at the Annual Meeting of April 21, 2015, for payment on May 5, 2015.

### Ownership structure on December 31, 2014



(4) To the best knowledge of the company.  
 (5) Caisse des Dépôts et Consignations (CDC) holds 6% of voting rights.  
 (6) Of which 4.0% held through the WESOP (World Employee Share Ownership Plan).

### Share price against CAC 40 index over five years



(1) Historic figures adjusted for the two-for-one share split (September 2, 2011).

## 2014 in brief

### Governance

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On February 24, 2014, Schneider Electric announced that the board of directors of Schneider Electric SA, which met on February 19, 2014, decided to propose the appointment of Ms. Linda KNOLL as Director of the board at the following Annual Shareholder's Meeting on May 6, 2014, replacing Mr. Serge WEINBERG, whose term of appointment expired and who did not wish to renew it. On March 31, 2014, the board of directors of Schneider Electric SA decided to complete the agenda of the following Annual Shareholder's Meeting on May 6, 2014 with the proposal to appoint Ms. Lone FØNSS SCHRØDER as Director of the board. Meeting on May 6, 2014, and after having decided to maintain the unification of the roles of Chairman and CEO for Mr. Jean-Pascal TRICOIRE, the board of directors of Schneider Electric SA appointed Mr. Léo APOTHEKER as Vice-Chairman and independent Lead Director. He took over from Mr. Henri LACHMANN who had only accepted this function for a duration of one year.

On June 19, 2014, Schneider Electric SA announced it was to become Schneider Electric SE following its registration as a European Company with the French Trade & Companies Register. This action was taken in accordance with resolutions adopted by the Annual General Shareholder's Meeting, which took place on May 6, 2014, regarding the change of company status, and following negotiations with employee representatives from 25 countries within the European Economic Area. On June 10, after an almost unanimous vote (representing 97% of the Group's European employees), the employee representatives approved and signed an agreement that will strengthen European social dialog within Schneider Electric.

### Strategy, technologies and businesses

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On January 23, 2014, Schneider Electric announced it had been appointed leader of the UPS (Uninterruptible Power Supply) category in the pilot phase of the drafting process of a Product Environmental Footprint methodology led by the European Commission. The decision on the choice of pilot projects was made based on criteria such as the capacity of the proponents to involve a representative percentage of the market, the diversity of the sectors covered and the availability of already existing Product Category Rules (PCR) and good quality life cycle data.

On February 6, 2014, Schneider Electric and AREVA announced the signature of a strategic partnership agreement to develop energy management and storage solutions based on hydrogen fuel cell technology. Under the terms of this agreement, both groups will combine their expertise in order to design and propose energy storage solutions that guarantee the reliability of electrical grids for isolated sites and areas where access to power is limited.

On March 12, 2014, Schneider Electric announced it had been selected by AREVA as its preferred supplier of power equipment for its offshore wind projects. This includes in particular the wind farm of 100 5MW turbines in the bay of Saint Briec off the coast of Brittany and the current tenders for the offshore wind farms at Le Tréport off the coast of Haute-Normandie and the islands of Yeu and Noirmoutier in Pays de la Loire (France). Under the terms of the agreement signed by the two groups, Schneider Electric will supply transformers and circuit breakers for AREVA's wind farms.

On April 29, 2014, Schneider Electric announced the winners of the Global System Integrator Excellence Awards for Industry. This annual award recognizes 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. The winners were selected by a jury made up of Schneider Electric VIP among more than 700 Industry System Integrator Alliance Partner Program members coming from more than 30 countries over the globe.

On July 24, 2014, Schneider Electric announced the creation in Barcelona of its first Center of Excellence focused on smart solutions for cities. The mission of Schneider Electric's Center of Excellence will be to gather the knowledge of the company on solutions for smart cities, thanks to the experience, the results and the successful Smart City solutions established worldwide. The center will offer solutions to the cities which will have economic and social impact, bringing concrete benefits for citizens.

On September 3, 2014, Schneider Electric announced that 10 suppliers received awards that recognize top performance and excellence at the company's fourth annual Global Supplier Day conference that was held in Shanghai, China. The award-winning suppliers differentiated themselves from a field of 235 of the company's preferred production and non-production suppliers from roughly 30 countries who were in attendance.

On September 11, 2014, Schneider Electric announced that Energy University, its free online educational program designed to enhance knowledge about sustainability and energy efficiency, achieved first place in the Learning Category for the 2014 Sustainable Energy Europe (SEE) Award. This award, for which 342 projects were submitted in 2014, is presented annually by the European Commission during the Sustainable Energy Week.

On October 2, 2014, AREVA and Schneider Electric signed an R&D agreement to develop a new energy storage solution, called the flow battery, in order to produce and store electricity by combining hydrobromic acid and hydrogen. AREVA will lead the project, manufacturing, integrating and installing the storage solution while Schneider Electric will design, manufacture and install the complementary power conversion system.

On November 5, 2014, ERDF and Schneider Electric joined forces, as part of a partnership launched over a year ago, to develop and test innovative software and solutions for medium and low voltage grid management, for the design and monitoring of substations of the future and to facilitate the increase in renewable energy

generation. The solutions developed under this partnership will enable ERDF and Schneider Electric to consolidate the leading position they hold in their respective areas of activity and their commitment to developing smart grids both in France and abroad.

On November 6, 2014, Schneider Electric signed a contract to supply SEV, the main energy supplier in the Faroe Islands, a new integrated solution for the complete management of the island's electrical network for generation, transmission and distribution operations. Starting in November 2014, Schneider Electric will deploy its complete suite of advanced software applications for microgrids.

On November 6, 2014, Schneider Electric, Eiffage and Krinner announced that they won a contract for the design, construction, operation and maintenance of Europe's largest photovoltaic power project, worth €285 million. The farm will be connected directly to the very-high voltage power grid and is to be powered in October 2015. It will generate more than 350 gigawatt-hours a year, enough to cater for the daytime power consumption of the entire population of Bordeaux.

## Finance

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On February 5, 2014, Schneider Electric announced the signature of an agreement for the sale of the Invensys Appliance division, which was renamed Robertshaw Controls Company, to an affiliate of Sun European Partners, LLP. The disposal followed a strategic review of the Appliance division that concluded the unit is not a core business to Schneider Electric. This disposal enables Schneider Electric to focus on the divisions of Industrial Automation, Software and Energy Controls of Invensys. On June 18, 2014, Schneider Electric announced it obtained all required regulatory approvals and subsequently finalized the sale of the Invensys Appliance division. The consideration for the transaction was £150 million.

On April 3, 2014, Schneider Electric announced it had entered into exclusive negotiations with private equity groups The Carlyle group and PAI Partners for the sale of the entire shareholding in Custom Sensors & Technologies (« CST »), based on an enterprise value of \$900m (approximately €650m). On May 15, 2014, Schneider Electric announced it had accepted the binding offer from The Carlyle group and PAI Partners. On October 1, 2014, Schneider Electric announced it had obtained all required regulatory

approvals and subsequently finalized the sale of CST. Schneider Electric reinvested approximately \$100m alongside Carlyle, PAI and CST management to own a shareholding of circa. 30% of CST. The disposal is consistent with the Group's practice to regularly review its strategic portfolio and focus on energy management and efficiency technologies, integrating complementary power and automation offerings. CST had limited synergies with other businesses of Schneider Electric.

On August 12, 2014, Schneider Electric announced the signature of an agreement to acquire Günsan Elektrik, the second largest player in wiring device accessories serving residential and commercial buildings markets in Turkey. Based in Istanbul and employing over 300 employees, Günsan Elektrik specializes in wiring device accessories. It has a wide offering including switches & sockets, miniature circuit breakers and fuse boxes. Günsan Elektrik will bring to Schneider Electric a well recognized brand, a diffuse local distributor network and a competitive manufacturing base in Turkey. It will complement Schneider Electric's premium offerings with a strong mid-market product range.

## Employees

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On January 27, 2014, Schneider Electric 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, was proposed to Group employees in 38 countries, including France. This plan covers around 90% of the employees of the Group.

From June 17 to 20, 2014, Schneider Electric welcomed the 50 student finalists to its innovative Go Green in the City competition in Paris for the fourth year running. The Go Green in the City 2014

prize was awarded at the final, which was held at the Group's headquarters, to Jin Deng Keith Chan and Man Ki Lee from The Hong Kong University of Science and Technology.

On November 15, 2014, Schneider Electric launched the fifth edition of Go Green in the City, a global business case challenge focusing on innovative energy solutions for cities. In the first four editions, Schneider Electric found tremendous success and strong interest from students and universities, confirming Schneider Electric's growing international appeal.



## Corporate Social Responsibility

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On January 22, 2014, Schneider Electric announced it has been awarded, for the third consecutive year, by the Corporate Knights world ranking as one of the 100 most advanced company in the field of sustainable development. Schneider Electric ranked 10th in the list and is positioned at the head of companies in the industry and capital goods sector.

On February 4, 2014, Schneider Electric inaugurated the Isaac Boro Energy Training College to promote access to energy in Nigeria. The Isaac Boro Energy Training College is a joint initiative between the Nigerian government and Schneider Electric Nigeria, drawing on the expertise of both Schneider Electric France and the French Education Ministry.

On March 26, 2014, Schneider Electric was nominated for the fourth year in a row in the Top 100 of the World's Most Ethical Companies ranking. This designation awarded by the Ethisphere Institute recognizes the Group's efforts to promote the highest standard of ethical behavior in business.

On *June* 4, 2014, Schneider Electric announced that it is a « Diamond » partner for the 2014 edition of Solar Decathlon Europe, which took place from June 28 to July 14 on the grounds of the Palace of Versailles, France. The Solar Decathlon is an international competition that aims to challenge students from universities across the globe as part of a 2-year project to design, build, and operate energy efficient solar-powered houses. For this edition, Schneider Electric supported 13 of the 20 competing projects. « Rhone for DenCity » and « Phileas » projects, sponsored by Schneider Electric, won the 1st and 2nd prize of the Solar Decathlon Europe 2014.

On July 8, 2014, Schneider Electric, the Schneider Electric Foundation and La Varappe group unveiled a sustainable and innovative social housing concept « Habitat pour tous face à l'urgence » (Emergency housing for all), at the Solar Decathlon Europe 2014. The aim of the « Emergency housing for all » project is to show that it is possible to offer comfortable, modular, transportable, inexpensive and energy efficient housing whilst also contributing to the development of the circular economy.

On July 23, 2014, Schneider Electric announced that it has trained more than 50,000 people from new economies in energy management as part of BipBop, its energy access program for communities at the base of the pyramid. Schneider Electric has far exceeded its initial objective to train 40,000 people by the end of 2014, set as part of the Planet & Society Barometer, the company's dashboard to monitor its sustainable development performance.

On September 4 and 6, 2014, Schneider Electric announced the opening of the Refuge du Goûter, the highest mountain refuge in France. This HQE certified building, located at an altitude of over 3,800 meters, is a demonstration of Schneider Electric's commitment to the design and implementation of unique energy management solutions.



# 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 and automation with operations in over 100 countries, leverages its portfolio to help customers make their ecosystem safe, reliable, efficient, and sustainable.

Urbanization, industrialization and digitization continue to shape our lives as new economies are built and established economies are rebuilt and transformed. At the same time, the quest for economic growth and development is straining our planet's resources. As a leader in energy management and automation, the vision of Schneider Electric is to help its customers achieve more with less resources in a more connected, distributed and smart world and where the need for energy will continue to increase. Schneider Electric strives to help its customers achieve the most efficient and sustainable use of their resources, assets, processes and infrastructures with innovative technologies, solutions and services.

## 1.1 Our mission

The vision of Schneider Electric is to help its customers achieve more with less resources made possible by technology in a world that will become more connected, more distributed, smart and where the need for energy will continue to increase.

As the global technology specialist in energy management and automation, Schneider Electric's mission is to:

- develop best-in-class technology and solutions for its customers to make their ecosystem:
  - **safe:** protect people and assets,

- **reliable:** guarantee ultra-secure, ultra-pure and uninterrupted power especially for critical applications,
- **efficient:** deliver solutions adapted to the specific needs of each market that simplify customers' life and improve their efficiency and productivity, and
- **sustainable:** help customers build a sustainable future by using less of their resources and minimizing the impact on the environment;
- support the **digital transformation** of its customers.

## 1.2 Megatrends in our environment are creating opportunities

Urbanization, industrialization and digitization continue to shape our lives as new economies are built and established economies are rebuilt and transformed. These three megatrends will create many new opportunities for Schneider Electric.

### 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 world's population. 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; and security concerns.

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 from electricity grid, to water distribution system, to public transportation systems, services... and exchange of data and information across departments;
- becoming a better place to live, work and play;
- reducing its environmental impact – lower carbon footprint, reduce energy consumption and urban regeneration

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

Schneider Electric **delivers urban efficiency** as a trusted partner to drive collaboration and buy-in of all stakeholders - local and regional governments, private companies, utilities, real estate developers, and investors. We provide comprehensive solutions by bringing in proven technology, integrating operating and information systems, and enabling connected, unified approach to decision-making. Schneider Electric already works with more than 250 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.

## Industrialization

Industrialization is driven by increase of factories in New Economies, on higher demand for goods, and efficiency improvement as well as retrofit in Mature Countries.

Manufacturing activities rise as New Economies develop. In 2014, new economies represented 38% of world GDP – and this should reach close to 54% by 2030. Significant step-up in industrialization will follow. Population growth in New Economies will also drive increased needs for manufactured goods with 1.8 billion people entering the global consuming class by 2025.

At the same time energy needs will increase accordingly. The share of global energy demand of non-OECD will continue to rise – from 60% in 2014 to close to 66% by 2030 – because of demographics, industrialization, urbanization, and growing affluence. Capex in new economies will also increase accordingly, from 52% of world Capex in 2014 to close to 61% by 2030.

In addition to the growing industrialization of emerging market, there is a movement of industrialization development in some mature economies such as the United States. In particular, the shale gas development leads to strong investments in the chemical and petrochemical industries. At the same time the drop in energy price and the decrease in labor prices have resulted in re-location of some manufacturing plants. In many Mature Countries, as most companies are looking for efficiency and facility upgrades, services and other attributes in manufacturing (e.g. innovation, time to market, IoT) are also becoming more important and driving additional growth potential.

The growing trend of industrialization promises business growth and expansion opportunities for Schneider Electric. For long term sustainable development in New Economies, Schneider Electric will continue to focus on combining its global value chain with local partnerships to contribute toward the economic development through job creation and poverty reduction, in addition to investments in production capacity and physical & technological

infrastructure to meet the growing demands for standardized and cost efficient offerings. In Mature Countries, Schneider Electric will continue its focus on solution and identify opportunities for further services development, to contribute toward the reindustrialization/efficiency improvements in these markets.

## Digitization

In the past 20 years, Internet has connected 2.5 billion people together. In the coming eight years, this number will double. Concurrently the Internet will connect 40 billion machines to those 5 billion connected people. The increase in connectivity and access of real-time information is changing our personal and professional life: companies are digitizing their operations, often times through SaaS providers; customers are expecting to have everything online, from e-training to e-ordering and digital care centers; and employees are increasingly using online platforms and tools to collaborate more efficiently across countries and time zones. Digitization is changing the way we work and creating opportunities for new services.

In energy management, operational technology (OT), the world of physical equipment control, is converging with information technology (IT), the world of information processing. Products are now connected and can be remotely controlled and optimized. This results in the feasibility to implement active energy efficiency, which creates new business models and new opportunities in smart products, systems and services – such as smart grid and smart factories.

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.

In smart factories, all manufacturing units including assembly lines and robotics are connected and automated with minimum human inputs. Through real-time data collection and analysis, production process can be automatically diagnosed, configured and optimized. Consequently product defects, production downtime and waste can be reduced, resulting in higher manufacturing efficiency. Together with OT sensors and control devices, industrial software is the core of smart factories. With the acquisition of Invensys, Schneider Electric has significantly strengthened its industrial software offering, especially in operations management, for process management as well as industrial automation applications.



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## OVERVIEW OF THE GROUP'S STRATEGY, MARKETS AND BUSINESSES

### SCHNEIDER ELECTRIC STRATEGY AND MARKET OPPORTUNITIES

Besides continuously innovating and digitizing our offerings, Schneider Electric targets to provide the best-in-class digital experience to our customers and partners, such as a 24x7 dynamic sales & marketing channel and a tailored customer care center experience. Digitization is at the core of the Group's strategy and Schneider Electric is committed to support the digital transformation of its customers and its partners.

Urbanization, industrialization and digitization create many new opportunities for Schneider Electric, from the growing needs of automation and connectivity to the massive entitlement of energy efficiency that demands an optimized use of resources. Schneider Electric will continue to play a leading role in the movement toward a more efficient, sustainable, and connected world.

## 1.3 Our strategy

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As a leader in energy management and automation, Schneider Electric is at the forefront to capture these megatrends with an extensive energy management and automation offer that it delivers globally through complementary business models and access channels.

### Leverage the world's new energy challenges

The quest for economic growth and development is straining our planet's resources and the world is facing many energy challenges: scarcity of natural resources, CO<sub>2</sub> emissions reduction requirements, integration of unpredictable and intermittent renewable sources of energy, increases in peaks of consumption and others. 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<sub>2</sub> emissions. This compares with a **46% increase** in global energy demand by 2035 if nothing changes.

Boosting Energy Efficiency on the three 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. Schneider Electric has developed a wide range of products and solutions that will provide homeowners and managers of industrial plants, data centers, infrastructure and buildings with significant levels of energy efficiency and savings.

Our building automation solutions 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.

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.

### Serve the increasing need for automation of our customers in key market segments

The rapid industrialization taking place in new economies and the need to modernize existing industrial facilities in mature economies create significant opportunities for growth. Coupled with this, large corporations are looking to improve operational efficiency across the whole enterprise, while at the same time improving security and safety for operators and the environment.

With the recent acquisition of Invensys, Schneider Electric enjoys a strong position both in discrete and process automation and is well-placed to address these challenges. We leverage extensive software capabilities to help customers in key industries such as mining, oil & gas, food-processing or cement plants improve their productivity and operational efficiency, reduce their energy consumption and optimize their use of resources.

Schneider Electric also helps machine manufacturers in markets such as material handling or packaging develop reliable, fast, precise and efficient machines. Our application design engineers optimise the machine's performance and reduce the length of the design cycle shortening the machine builder's time-to-market.

### Support the digital transformation of customers and partners

The convergence of operational technology (OT) and information technology (IT) creates many new opportunities for customers. It makes their life easier, increases productivity, creates new business models that provides new value propositions for their own customers. Digitization is at the heart of their future growth. Through continuous innovation, Schneider Electric engineers products and solutions that help them unlock this potential.



Schneider Electric builds native connectivity in its product offerings, delivers a range of digital services to help customers' extract value from their data and provides the best customer experience to our customers and partners.

### 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, 2014, we had over 93,395 employees in new economies and, during 2014, our new economies-based purchasing and manufacturing costs accounted for approximately 53% of our industrial costs.

Schneider Electric currently holds significant presence in new economies in Asia, Africa, Middle East, Latin America, Eastern Europe and Russia (now the 4<sup>th</sup> market in Schneider Electric). The decision to split our Executive Committee into three management hubs, a pioneer management decision, allows us to be close to its customers in all markets – remaining local while being global. Our long-term commitment helps us build an intimate knowledge of these markets and we believe that 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.

### 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.

Products allow us to continue to achieve scale and pricing power. In order to reinforce our leadership position and continue to grow, we leverage technology to offer connected, market leading products and to create new opportunities for distributors and direct partners in a win-win relationship.

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

### 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 our commitment to organic growth, we have invested in, companies, joint ventures, strategic alliances and mergers that reinforced our global leadership, provided skills geared towards energy management and automation, 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 Invensys in 2014, Telvent in 2011 or 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

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

### **Technological leadership in energy management and automation**

We are developing best-in-class technology in energy management and automation to meet growing customer needs and challenges. We estimate that nearly 80% 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.

### **Global reach with a unique local presence**

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 44% of our revenues in new economies in 2014, the Group believes it is 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

Schneider Electric operations are 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 ») electrical distribution products and solutions address the needs of all end markets from residential to commercial buildings, spanning across industries, infrastructures and data centers. The offer portfolio is extensive and includes: protection functions (such as circuit breakers), power monitoring and control, power meters, electrical enclosures, busways, cable management systems, power factor correction, products for living spaces (such as wiring devices, network connectivity, home automation and building controls), as well as renewable energy conversion and connection equipments and electrical vehicle charging infrastructures.

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 controllers, variables speed drives, motor starters and contactors, human-machine interface (« HMI ») operator panels, programmable

logic controllers (« PLC »), push buttons and signaling devices and discrete sensors, as well as software for operations management and supervisory control systems. With the acquisition of Invensys in 2014, the Industry business has expanded in the Process Automation space, gaining a strong installed base of Distributed Control Systems & instrumentation, notably under the Foxboro brand and Safety Systems (under the Triconex brand) as well as a strong industrial software offer for manufacturing operations management (Wonderware), modeling/simulation (SimSci) and asset management (Avantis).

#### **The IT Business: Number 1 Worldwide in Critical Power and Cooling**

The IT Business specializes in critical power products and solutions for data centers and other applications where power continuity and quality is essential. The portfolio includes single-phase and three-phase Uninterruptable Power Supplies (« UPS »), plug-in surge protection, IT enclosures, power distribution units, security, cooling systems, services and software management.

#### **The Infrastructure business: Number 1 Worldwide in Medium Voltage & Grid Automation**

Infrastructure specializes in medium voltage (MV) and grid automation products and solutions. That includes primary and secondary medium voltage switchgear, transformers, electrical network protection and automation, remote control, and MV/LV complete substations. It also includes software for the integrated management of mission-critical infrastructure, such as Distribution Management Software (DMS), Operation Management Software (OMS), Supervisory Control And Data Acquisition (SCADA), pipeline management, and traffic management. This offer can be delivered both through direct and indirect channels leading to various delivery models ranging from transactional sale to complete project delivery.



## 2.2 Serving four attractive end markets

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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 is energy intensive, energy efficiency is key and is subject to new and demanding regulations. Specific requirements have to be met in terms of occupant 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. Schneider Electric's 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, Schneider Electric's market is driven both by renovation and refurbishment needs, particularly in mature economies, as well as by construction, particularly in new economies. Whether for renovation or construction, the underlying challenge is to reconcile technical constraints, local standards and regulations with consumer preferences. They not only desire comfort and aesthetics, but increasingly 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

Current global challenges in the utilities and infrastructure market include increasing energy demand, the need for increased energy efficiency to reduce environmental impact, and the expansion of renewable energy. This market also faces the evolution of

regulations, particularly those regarding demand response, and the growing need for security, reliability, and real-time control. We believe these challenges provide long-term growth prospects. Our main customers in this market include energy operators, water utilities, the owners and operators of transportation and oil & gas 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. With Invensys, we reinforce our presence in the Refining, Petrochemical and Oil & Gas Industries. 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 secure, precision-cooled sites containing Information Technology (IT) equipment that processes and stores very large quantities of digital data. These sites constitute the central nervous systems of businesses and the public sector. The expansion of data centers requires a significant increase in electricity to accommodate the IT equipment's operation and cooling, as the energy needed to cool these rooms has become comparable to the energy needed to operate the equipment itself.

Schneider Electric believes that data centers and networks are a high-potential market thanks to the growing digitalization of professional and personal activities. With the development of web giants and cloud computing, the 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 42% 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, electrical wholesalers and generalist 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 specialized distribution channels for highly technical products such as automation solutions and industrial software, as well as for 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.

### 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 price/performance and time-to-market in

segments ranging from packaging to textiles, conveyors, materials handling, hoisting and HVAC. Schneider Electric is the market leader in those segments. Schneider Electric works closely with almost 5,000 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;
- a continuous R&D effort to develop innovative, performant and cost-effective offers and solutions. In 2014, no fewer than 15 brand new ranges were launched;
- 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:

- Cloud & Finance, in which the Group provides comprehensive solutions for customers within Internet Giants, Telecom, Co-location, and Finance sub-segments;
- in Healthcare, the Group serves hospitals, clinics, labs, and life sciences manufacturing;
- Food & Beverage, in which the Group serves customers in various types of food processing industries;
- Mining, Minerals & Metals which includes customers in Mining, Cement, Metals, and other bulk materials;
- Oil & Gas, in which the Group provides integrated solutions and best in class systems, software and services to Oil Companies and EPCs, from Production to Processing and Supply Chain;
- in Utilities, the Group serves companies producing, delivering, and/or selling electricity to customers;
- Water & Waste Water includes customers across the entire water cycle, from water resources to water distribution, sewerage and treatment.

Schneider Electric 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.

Schneider Electric serves 113 global customers including Apple, BHP Billiton, EDF, ExxonMobil, Nestlé and Veolia Environnement.



## 2.5 Competitive landscape

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

- **low-voltage and building automation:** ABB, Siemens, Eaton, Legrand;
  - **medium voltage distribution & grid automation:** ABB, Siemens;
  - **discrete and process automation:** Siemens, Rockwell Automation; ABB; Emerson;
  - **critical power & cooling for IT and non-IT applications:** Emerson, Eaton.
- 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 economic cycle<sup>(1)</sup> performance targets:

- **Average organic revenue growth:** 3 to 6% across the cycle;
- **Adjusted EBITA:** margin between 13% and 17% of revenues;
- **Cash conversion:** c.100% of net profit converted into free cash flow.

### Across the business cycle capital efficiency targets:

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

At its Investor Day in February 2015, the company also highlighted its growth initiatives and near term business focus. The focus will be on organic growth, improving the returns on the recent investments and optimizing the portfolio and capital structure.

Hence the following objectives were defined:

- **Margin improvement targeted:** The Group confirms its 13-17% long-term adjusted EBITA margin range and targets a margin improvement over the next 3 years driven by operating leverage and EUR1.4-EUR1.5 billion efficiency initiatives<sup>(3)</sup> highlighted in the new company program.

(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.

(3) Includes Industrial productivity and gross SFC savings.



- **Profitable growth and capital efficiency will drive strong EPS growth:**

Strong EPS growth is targeted during the next company program coming from the organic growth objective and efficiency initiatives described in the program, a share buyback<sup>(4)</sup> of EUR1.0 to 1.5 billion in the next 2 years and bolt-on M&A in our core and most profitable businesses with strong EPS accretion and return on investment.

- **Progressive dividend policy:**

In line with the objective of strong EPS growth, a progressive dividend policy is set with no year-on-year decline of dividend, showing the Group's confidence on its future growth prospects. The dividend payout ratio will remain c.50% of Net income. The base of calculation will exclude one offs such as capital gains or losses and, or assets impairments.

- **Objective to significantly improve ROCE in the next 2-3 years:**

The Group has set as an objective the ROCE improvement. Compared to the 2013 proforma ROCE including Invensys of 10.9%, Schneider Electric targets to:

- return to the pre-Invensys ROCE of c. 12.0% in 1 to 2 years;
- improve the ROCE in 2 to 3 years by 1.5 point to 2 points from 2013 proforma level.

*(4) Share buyback of EUR1.5 to EUR2 billion including share buyback for neutralization of employees share plans.*

## 4. Company history and development



### 4.1 History

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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 Lexcel, 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

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#### Reinforcing leadership in Low Voltage Distribution

- We were a long time leader through our Merlin Gerin and Square D brands.
- 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).

#### 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 world 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.

### **Developing a global leader in Industrial Automation and Control**

- We were a long time leader in discrete automation through our Telemecanique brand.
- 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 allows us to enter the process automation world and reinforces our global position in integrated industrial automation and electro-intensive segments.

### **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 world 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.

### **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.

## **4.3 Recent external growth**

In 2014, Schneider Electric optimized its offer portfolio through one acquisition and two disposals.

- In June 2014, Schneider Electric announced the sale of the Invensys Appliance division, which is renamed Robertshaw Controls Company, to an affiliate of Sun European Partners, LLP. The disposal follows a strategic review of the Appliance division that concluded the unit is not a core business to Schneider Electric.
- In October 2014, Schneider Electric announced the sale of the entire shareholding in Custom Sensors & Technologies (« CST ») to private equity groups The Carlyle group and PAI Partners. Schneider Electric has reinvested approximately \$100m alongside Carlyle, PAI and CST management to own a

shareholding of circa. 30% of CST. The disposal is consistent with the Group's practice to regularly review its strategic portfolio and focus on energy management and efficiency technologies, integrating complementary power and automation offerings. CST had limited synergies with other businesses of Schneider Electric.

- In August 2014, Schneider Electric announced it has signed an agreement to acquire Günsan Elektrik, the second largest player in wiring device accessories serving residential and commercial buildings markets in Turkey. Günsan Elektrik will bring to Schneider Electric a well recognized brand, a diffused local distributor network and a competitive manufacturing base in Turkey. It will complement Schneider Electric's premium offerings with a strong mid-market product range.



## 4.4 Change management through company programs



# Schneider is on, Schneider Electric's company program (2015-2020)

**Schneider is on, Schneider Electric's company program for the 2015-2020 period, is another major step in the consistent deployment of the Group's strategy.**

The new company program is structured around five initiatives to deliver more value to customers and shareholders:

- 1. Do more for the customers to create more opportunities for them, and for Schneider Electric**  
The Group aims in this initiative to bring more value to customers and more business to partners, a better intimacy and an access to specialists, a consistent project execution and a unique and flexible delivery experience.
- 2. Simplify the operations for increased efficiency**  
Simplifying work and operations makes the difference to the customers. The Group targets to simplify its management set-up to make the company leaner, further increase supply-chain productivity, optimize R&D efficiency and solution execution and increase sales force efficiency. Overall the Group targets to generate by the end of 2017 c. EUR1 billion of industrial productivity and c. EURO.4-0.5 billion gross<sup>(1)</sup> SFC savings by 2017.
- 3. Digitize for customers, for efficiency and simplicity**  
The Group's offers will be more connected, enabling new services and improving its customers' life. The digital customer experience will be improved to deliver an end-to-end simple and intuitive partner and customer experience
- 4. Innovate to support growth**  
The innovation will focus on delivering the right products and solutions for customers in a focused and short timeframe. In addition, Schneider Electric will continue to be a partner of choice in sustainability in its innovations and its operations and will be measuring its progress through the Planet & Society Barometer 2015-2017.
- 5. « Step Up » people**  
This initiative is focusing on increasing the competency of Schneider Electric employees through stronger collaboration, enhanced training and a culture of high performance while continuing to have a strong engagement for diversity and workspace satisfaction.

(1) Before inflation and reinvestment.



## > 5. Research & Development

As a technology company, Schneider Electric is constantly seeking to leverage technology advances to deliver truly innovative solutions that improve the daily life of people and the efficiency of companies, while constantly improving the efficiency of its R&D.

### 5.1 Leverage technology advances

Emerging trends that appeared in the last five years, like Internet of things (« IoT »), digitization and IT/OT convergence, are now shaping Schneider Electric's R&D strategy and investments. They are impacting the way products and systems are architected, developed, delivered and serviced, with significant value for our customers.

#### Digitization and IoT

Beyond personal devices, IoT is a huge opportunity in industrial systems. It enables significant increase in the number of measure and control points and, as a consequence, further optimization of these systems. Since 2000, Schneider Electric has invested in research programs to develop low power « pervasive sensing » devices which are now reaching industrialization phase, just in time to contribute to such solutions.

Sensors that can work 10 years off a button size battery while transmitting data over wireless « mesh » networks are reaching industrialization. Their lifetime cost is up to 10 times lower than classical wired sensors and will revolutionize the way buildings and factories are monitored and controlled.

R&D efforts now focus on the ease of deploying and running large networks of such sensors and the scalability and security of the infrastructure needed to harness the data coming from these networks. The cloud based Digital Services Platform was developed by Schneider Electric over the last three years to address these two challenges. Dozens of pilots are underway with business units and external partners, leveraging a library of analytics modules developed in the context of the Operational Intelligence program.

Using mobile technology, the insights delivered by these analytics are packaged into simple, yet powerful, « context aware » applications. Thanks to geo-localization, the information can literally find its way to the person needing it most, depending on where he/she is. Once advised, another set of mobile based applications, including augmented reality, further guide the user to transform these insights into action.

#### IT/OT convergence

StruxureWare, Schneider Electric's flagship R&D program was already about bridging the gap between automation systems (OT) and enterprise level applications like ERP (IT) to allow further optimization of operations. With the acquisitions of such companies as 7T in Water, Solve IT in mining and lately InStep in Utilities, Schneider Electric has built a strong portfolio of solutions that bridge this gap and deliver strong operational improvements.

In addition to delivering solid results, IT/OT convergence opens up the possibility for simpler, more scalable and flexible industrial architectures, leveraging the best of IT technologies, like cloud computing and virtualization, and the OT advances driven by IoT. In partnership with major IT players, like CISCO and Microsoft, as well as thought leading customers, Schneider Electric is designing the future converged industrial architectures that have the potential of dividing by two the lifetime cost of ownership of industrial control systems.

#### Modeling and simulation

Regarding lifetime cost, the design phase of industrial projects plays a critical role in reducing both time and cost of system deployment.

Invensys, acquired by Schneider Electric in January 2014, is a leader in the simulation of complex continuous processes, such as refineries or chemical plants. During the design phase, the plant can be simulated to optimize its design, validate its performance and start operator training before it is even built. The IT division had developed a similar set of tools for data centers, including 3D thermal simulations to validate the design of the cooling system.

R&D teams are working to generalize this offering to any kind of industrial system, including large and complex buildings like hospitals, in partnership with the leading CAD/CAE suppliers in these domains. Filling the gap between design and operational systems will not only decrease design-and-build costs but also those linked to maintaining and evolving systems over the 30+ life expectancy that is common in some industries.

Within five years, one can expect that industrial systems will be developed like modern software, starting from a model of the process, followed by a simulation based on this model, developed and tested « against » the model and finally deployed on totally standardized hardware.



## 5.2 Deliver truly innovative solutions

The advances mentioned above generate innovation across market segments, all the way from homes to smart cities, as illustrated in these few examples.

### Homes

The Wiser home control solution includes a battery powered wireless thermostat that can be easily installed to optimize the comfort and energy consumption of each room. The new version of this thermostat, leveraging the IoT platform developed in the last three years has a five times longer battery life (up to 10 years), costs 50% less and is three times thinner than a traditional wired thermostat.

### Buildings

Making buildings more efficient often requires significant upgrades of their control systems, which often leads to unjustifiable payback for mid-size buildings. Thanks to a cloud based platform and the growing acceptance of wireless communication, the SmartStruxure Light solution decreases by 50% the cost of retro-fitting a mid-size building.

Additionally, this solution is connected « out of the box » with a set of cloud based algorithms that automatically discovers the thermal characteristics of the building, learns the habits of its tenants and automatically optimizes its consumption.

### Energy

Low voltage electrical distribution panels, beyond ensuring the safety of the assets they power, collect a large number of data which could be used to optimize the performance of these assets. Analyzing the frequency of the electrical feedback of a motor can, for instance, allow to detect the wear and potential failure of their bearings or of the equipment they power.

Thanks again to the low cost of the IoT platform, every distribution panel shipped by Schneider Electric or its partners is now connected to the cloud. Data experts and process experts collaborate to analyze the patterns in the data coming from the panels to come up with novel ways of optimizing their performance. Once developed in the cloud, the corresponding algorithms will be optimized and implemented in the intelligent meters and breakers built into the panel, thus making it smarter and smarter.

The connection of distribution panels to the remote platform enables services such as demand response, allowing the aggregation of multiple buildings and/or factories into significant capacity that utilities can call upon at peak times.

### Industry

As End Users and OEMs re-examine their automation and operation management strategies to take advantage of the IoT, enable operational excellence and improve overall business performance, PlantStruxure and MachineStruxure architectures play a key role in managing convergence between informational technology and operational technology.

Our Best-In-Class Smart Connected Products such as the Altivar Process variable speed drive leverage IoT technologies to deliver real customer value. With its smart diagnostics based on dynamic QR codes, and its embedded optimization algorithms such as pump curves, the Altivar Process drive reduces downtime by up to 20%. Furthermore, its built-in energy management services and seamless integration with business management systems provide real operational insights contributing to operational efficiency improvements of up to +25%.

Continuing to lead the world of Automation, the Modicon M580 is the world's 1<sup>st</sup> ePAC - with Ethernet built right into its core, bridging the gap between the OT and IT worlds. Thanks to Modicon M580 you can monitor and diagnose your installation in real-time from any location using your standard tablet and smart phone, greatly improving the efficiency of your maintenance teams

In automation projects enhanced with Foxboro Control Systems and Triconex Safety Instrumented Systems, Schneider Electric is leading the way with Virtualized Engineering, also called Engineering in the Cloud, throughout the entire project. From the design phase to verification and testing, our customers can utilize engineering resources and subject matter experts anywhere in the world increasing collaboration and reducing time to first production.

### Data Centers

IoT type solutions combine large networks of smart on-site devices and powerful cloud based analytics. For multiple reasons, including security and reliability, most of these solutions will still require on-site computing, but with the kind of flexibility of a « private cloud ».

Schneider Electric is working with major IT players to develop packaged « micro data centers » that can be installed in just a few hours on a site, will « discover » their environment and self-configure, pulling functionality from Schneider Electric's cloud platform. Such micro data centers will be a key component of the converged IT/OT industrial architectures mentioned earlier.

The first version of this micro data center, developed with CISCO for traditional business applications is already commercially available.



### 5.3 Improve the efficiency of R&D

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With digitization, even simple products are now part of a system comprised of its connection to the cloud, the analytics running in this cloud and the mobile applications delivering the derived insights to users.

While the deployment of technology platforms has allowed to reduce both the cost and lead time of bringing new products to market, this new complexity requires an upgrade of development methods and tools. To address this challenge, a very ambitious program has been launched to deploy Model Based Systems Engineering (MBSE) throughout Schneider Electric's R&D. This method was pioneered by Aerospace and Automotive and, thanks to its packaging in modern toolset, now becomes applicable to less complex systems.

From the customer requirements expressed by Marketing, a model of the product and/or system is developed using a specific

language. This model can be used to generate mockups that can be validated and can evolve with customers before any R&D is committed.

The validated model then becomes the reference from which the mechanical, electronics and software design team can work in parallel. From the model, engineers can query libraries of reusable components, developed on the technology platforms now common to all businesses, thus accelerating projects while reducing risks. Successive versions are tested against the model, and again with customers, ensuring that final integration and testing will go smoothly.

First pilots have confirmed the potential of MBSE and full deployment has started mid-2014, with the expectation that every program will apply this method by 2016.

### 5.4 Financing innovative startups

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In 2000, Schneider Electric created an investment structure called Schneider Electric Ventures to invest in high-tech start-ups 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 start-ups operating within the areas of energy, new materials and the environment. This second 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 start-ups 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 more than 1,500 small and mid-sized businesses around the world each year. In 2014, three new investments were realized, joining the first ten companies already in the portfolio, including EcoFactor, Lucibel and Iceotope.

Aster's first fund currently still holds 10 equity interests in Solaire Direct, Jet Metal Technologies, Tronics, Casanova, Tiempo, Ordinal Software, Teem Photonics, HBA, Fluidicon and Agilence.

#### ***The CoSMo Company – EUR1.5 million investment in January 2014***

The business of The CoSMo Company is based on the use of their internally developed computer modeling and simulation platform. This platform is used to resolve concrete problems and to support projects under development by taking a complex system approach. Complex systems are projects with a large number of interacting entities, such as cities, infrastructure networks or even biological tissues, the understanding of which requires modeling.

#### ***Easybike group – EUR3 million investment in September 2014***

The French leader in electric bikes, Easybike manufactures, develops and distributes a complete line of electric bikes, including the Solex and Mobiky brands, which are exported to about twenty countries.

#### ***Digital Lumens – USD3 million investment in October 2014***

Digital Lumens is a Boston-based company that has developed the first intelligent LED lighting system for industrial facilities, warehouses, factories, etc. This system is based on a global approach that combines LEDs, wireless control architecture, monitoring sensors and centralized management software.

### Identifying emerging trends and technologies and delivering relevant inputs

Aster Capital is in touch with start-ups on a daily basis. This gives Aster Capital a unique perspective on emerging technologies, customer needs and new market segments. The work is shared at three levels:

- by identifying emerging trends and weak signals which may have an impact on markets, customers and/or future Schneider Electric business, and sharing them on a regular basis with the leaders within Schneider Electric;
- by introducing about 300 start-ups each year to Schneider Electric teams within relevant countries, businesses and corporate departments; and
- by publishing market analyses that are presented to Schneider Electric teams. Again this year, ten topics related to the energy and environment sectors have been covered and shared within Schneider Electric.

An innovative element introduced this year is that the Aster Capital teams have made a dedicated web platform available to all Schneider Electric employees, which gives them even easier access to all of these resources, information and databases.



### Developing business opportunities in data centers

Schneider Electric decided to invest EUR50 million in the TMT (Technology, Media and Telecommunications) sector in China, with a particular interest in the development of data centers. In late October 2014, Aster Capital created an investment fund that guarantees the good governance of this project in coordination with local Schneider teams.

## > 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 continued with the Connect company program (2012- 2014) to organize our diverse businesses for more cohesiveness to address in a differentiated manner the specific needs of our customers. Now with the current company program, Schneider is On (2015-2020), we will leverage these organizational simplifications and further empower our team members towards growth.

### 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 and addresses targeted 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. 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 as well as non-IT applications.



## OVERVIEW OF THE GROUP'S STRATEGY, MARKETS AND BUSINESSES

### ORGANIZATIONAL SIMPLICITY AND EFFICIENCY

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

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

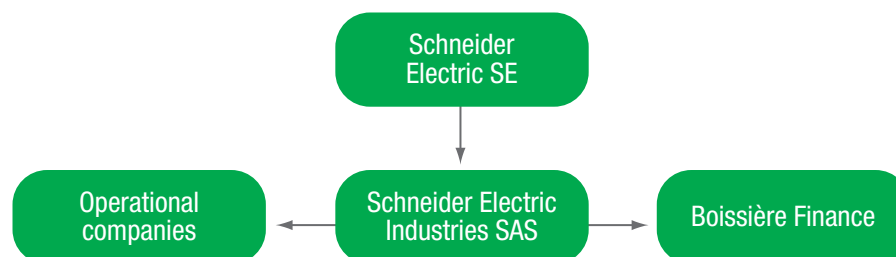
a single point of contact for customers, each business segment is responsible for solutions in certain defined end-markets. Business efforts have focused on implementing and strengthening existing teams dedicated to meeting the specific needs of these strategic customer segments with a strong focus on the collaboration between the business lines, in order to ensure these customer's needs are met as fully as possible.

- **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 be the custodians of four Business in their countries: Industry, Infrastructure, Partner & Buildings and IT, including Field Services. In addition, they are responsible to 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 pool the 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, Group Strategy and global 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 239). 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 completing a 3-year IT strategic cycle (2012-2014) in line with the Connect company strategy. This IT strategic cycle was 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:** one ERP federation with coordinated data in order to minimize the number of ERP migrations by replacing only when necessary;

- **working smarter:** leverage a global IT platform for our employees in order 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.

The IT strategy of Schneider Electric is being refreshed in order to align with the New Company Program Schneider is On, and an updated IT Strategic Cycle will be introduced in 2015.

## 6.3 Worldwide redeployment of production and supply chain resources

Schneider Electric has more than 240 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 as 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. Since 2014, this process has been extended to single-source suppliers in order to reduce the risk level in five areas (financial, geopolitical, industrial, quality and dependence on Schneider Electric activity).



### 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;
- **optimization of the industrial operation:** manage the operation of critical components to improve lead-time to customers (suppliers, factories, logistics);
- **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 focusing 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, structured around eight regions (Europe, CIS, China, India, Pacific, Asia, North America, South America) which groups all of Schneider Electric industrial activities together in these regions. 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 reducing 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.

### A key competitive advantage for our customers

All of these efforts to improve the supply chain have been recognized well outside the company. In September 2014 Gartner, a leading IT research and advisory firm, ranked Schneider Electric's supply chain 22nd in Europe and 67th worldwide, an improvement of 34 places in two years.

The Group's aim for the next few years is to turn this into a competitive advantage through customer recognition that we offer the best logistics solutions. The new 2015-2020 company program aims to drastically improve the capacity and response speed of the supply chain while strengthening economic and ecological efficiency in order to even better serve our customers by providing them with a customized logistics response that meets their expectations while ensuring sustainability.

## 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 intermediate sized 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 44% 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 section 3.9 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 its 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, such as IoT and Big Data. Customers expect smarter and smarter products with open interfaces enabling them to be tightly integrated into more and more complex software based solutions. The resulting digitization of products, including native Web connectivity opens numerous new opportunities, but will also accelerate the convergence of IT and OT technologies, thus making it possible for new players to enter 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 smart and open products that are « natively » secure. More and more, the development of products goes hand in hand with the development of life-cycle services leveraging 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 the Group's solutions has resulted in 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 complement products and solutions with state of the art mobile applications.

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## OVERVIEW OF THE GROUP'S STRATEGY, MARKETS AND BUSINESSES

### RISK FACTORS

Regarding cyber-security, a specific investment program has been launched to develop specific capabilities. Specialists have been embedded in the main development teams/centers are involved 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 faster cycles than some of Schneider Electric's hardware markets. As a provider of critical infrastructure management solutions, the Group nevertheless does not compromise its standards of outstanding reliability and security. 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 techniques such 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 in the competencies of its 11000 R&D engineers, both to reinforce its traditional domains of expertise and develop new ones. Worldwide competency networks, which extend into universities, research centers and partners remain the backbone of Schneider Electric's R&D organization. Each network constantly monitors emerging technologies and competitive trends in its domain, decides the launch of research efforts to position the Group ahead of those trends and ensures 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 2014 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 7.6% at December 31, 2014, slightly decreasing compared to the 2013 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 (CGU), *i.e.* in 2014 the Buildings & Partner, Infrastructure, Industry and IT 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 engaging its workforce to support our Growth ambition for the future**

Competition for highly qualified management and technical personnel is intense in the Group's industry, and becomes a bigger challenge as the Group continues on its trajectory of growth in mature economies as well as in new economies. Future continued 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 and its 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 of an employee's life cycle within the company remain attractive in order to recognize, reward and retain employees. The Human Resources Function is valued as a backbone of support for the business, bringing efficiency and quality to the employee experience. Our entire HR Strategy is being developed to support our 2020 vision on leadership and culture at Schneider Electric. It defines the values and transformation we want to accomplish, one of them being to increase our diversity.

We believe it is key if we want to keep on meeting expectations of our customers through ongoing innovation. Our multi-polar organization with senior leaders in every continent has been created to facilitate the growth of talents in every part of the world.

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 are actively driven by Human Resources; internal processes and programs are geared towards creating learning opportunities for employees; managers are encouraged to guide and coach employees in their individual development journeys. At the end, we want our employees to feel accountable of their development and success at Schneider Electric.

During 2014 further steps were taken to reinforce the active management of talent at all levels and in all parts of the company. A state-of-the-art talent management system was introduced to support employees in planning their career development, while giving managers and HR specialists enhanced visibility to plan for longer-term career development and succession to critical roles in the organization. Our culture of systematically reviewing talent at

every level of the organization gives fair opportunity to everyone to progress.

The Group's acquisitions and growth ambitions have increased its global presence and internationalized the profile of its workforce. This and company reorganization highlighted the importance and necessity of working well together. Employee engagement efforts are therefore key to creating a common Schneider Electric identity while promoting diversity and inclusion. The Group introduced a global Diversity & Inclusion policy in 2014, and has for the past few years regularly sought both blue and white-collar feedback through bi-annual company-wide employee engagement surveys. Listening to our employees and acting upon their feedback is a key pillar of our HR Strategy and actions.

These employee engagement efforts support employer branding initiatives; the Group has actively reached out to prospective employees through social media platforms and events for targeted groups, and has continued to gain accolades as an « Employer of Choice ».

Work continues to be done in these and other areas so that HR is equipped to effectively deliver its employer value proposition and further support the Group in its future endeavours.



## Industrial and environmental risks

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### **Defective products or design flaws may cause bodily harm or property damage 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. Another broad recall campaign 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 was concluded in 2014.

As in 2013, no broad product recall was begun in 2014.

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 EUR446 million as of December 31, 2014 (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 EUR308 million as of December 31, 2014. 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.

There can be no guarantee that Schneider Electric will not 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 the Group is not responsible for the breaches, 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.

Finally, the Group may be exposed to new risks related to recent acquisitions. In application of IFRS rules, these risks are assessed in the framework of the allocation of the purchase price, as specified in note 2 to the consolidated financial statements.

### 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, 2014, 79% 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 EUR10 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, 2014.

### 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, Chinese Yuan, Singapore Dollar, Australian Dollar, British Pound, the 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, 2014 (Chapter 5).

In 2014, revenue in foreign currencies amounted to EUR19.7 billion, including around EUR7 billion in US dollar and 3.4 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 EUR44 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, 2014.

In 2014, purchases of raw materials totaled around EUR2 billion, including around EUR900 million 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, 2014, the Group had hedged positions with a nominal value of EUR271 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, 2014, the Group had access to cash and cash equivalents totaling EUR2.4 billion. As of December 31, 2014, the Group had EUR 2.4 billion in undrawn confirmed lines of credit, of which EUR2.4 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, 2014, Schneider Electric SE 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, 2014, EUR4.8 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 as well as with the applicable rules in the European Union, and in particular the REACH and RoHs rules. 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.

In addition, in the majority of the markets on which its products are sold, Schneider Electric is subject to national and supranational regulations governing competition. If the Group is implicated in these areas, this could have a significant impact on the Group's businesses, results and financial position. However, to mitigate these risks, the Group completed its « Principles of Responsibility » by implementing a GLOBAL COMPETITION LAW POLICY that has been widely rolled out within the Group, together with a training program set up by the Legal Affairs Department.

### **Risks related to products sold**

In addition, in case of malfunction or failure of one of its products, systems or solutions, Schneider Electric could incur liability arising from any resulting tangible or intangible damages, or personal injury. Similarly, the Group could incur liability based on errors in the design of a product, system or solution or because of a malfunction related to the interface with other products or systems. The failure of a product, system or solution may involve costs related to the product recall, result in new expenditures for

development, and launch technical and economic resources. Such costs could have a significant impact on the profitability and cash and cash equivalents of the Group. The business reputation of Schneider Electric could also be negatively impacted.

To prevent these risks, Schneider Electric has implemented quality procedures at the level of design, development and production of its products, systems and solutions. In case of product returns, the type and source of the failures are analyzed and corrective actions are implemented. The Group has also put in place insurance coverage to cover its civil liability and the risk of product recalls (see section 1.7 Risk factors on Insurance policy).

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

The future success of Schneider Electric depends to a significant extent on the development and protection of patents, knowledge and trademarks (« 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. In addition, the unauthorized use of intellectual property rights remains difficult to control, particularly in foreign countries whose laws do not always effectively ensure the protection of these rights. They could be counterfeited or used without the consent of Schneider Electric, which could have a material adverse effect on our reputation and operating profit.

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 that 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 then 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 the insurance of the former executives involved. After a settlement agreement was signed with a group of plaintiffs, the case now remains pending before the Brussels Appeals Court, due to (i) appeals against parts of the March 2006 ruling and (ii) 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 potential financial impact. One of the main issues concerns pending litigation in France with SNCF before the administrative court.

New files implicating the Group for Spie Batignolles' past activities could still arise and result in costs associated with defending the Group's interests.

Schneider Electric and other companies in the high voltage sector have been involved in legal proceedings with regard to an alleged agreement initiated by the European Commission concerning gas insulated switchgears (GIS). These procedures involve two former Group subsidiaries operating in the high voltage segment that were sold in 2001 and that are now part of the Siemens group. 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. The Group recovered two-thirds reimbursement of the amount of this fine from its two former subsidiaries 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. In addition, a final decision on

the entire GIS issue was made on April 10, 2014, by the Court of Justice of the European Union (CJEU), which specifies how the fine paid by Schneider Electric could be divided between Schneider Electric and its two former subsidiaries. In this context, a settlement could be reached between Schneider Electric and its two former subsidiaries in 2015.

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 2014.

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. 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, which should render its decision in 2015.

The discussions entered into with ERDF in 2013 regarding a potential defect designated « soft button » (non-reset) affecting connection breakers (DB90) produced between 1990 and 2010 led to a transaction that was signed in July 2014. This transaction provides for the delivery to ERDF in 2017 of certain products, whose cost has been provisioned.

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.

Finally, note that in the context of recent acquisitions, of the companies such as Electroschild and Invensys, Schneider Electric could be exposed to new risks and have inherited litigation that may have a significant financial impact in the coming years, but for which, however, numerical estimates cannot be made at this point.

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 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 loss prevention company, roll-out of a self-assessment questionnaire for the other Group sites;
- drawing up of business continuity plans, in particular for the Group main sites and critical suppliers;
- 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;
- 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

The insurance program established on January 1, 2012, for a period of three years was pursued in 2014. This program deployed on more than 70 countries provides coverage and limits in line with the current size of the Group and its evolving risks and commitments.

Certain specific risks, such as aeronautic, nuclear 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, 2014 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 global limit of indemnity 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

The insurance program that covers all risks of loss or damage to goods while in transit, including intragroup shipments was renewed with the same insurer on January 1, 2014.

### Erection all risk insurance

An erection all risk insurance program set up in 2011 to provide cover for damages to work and equipment for projects taking place at our clients' premises, was renewed in April 2013 for two years.

### 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:

- a captive company based in Luxembourg provides property damage reinsurance worldwide capped at EUR 5 million per year and liability reinsurance outside USA and Canada capped at EUR17 million per year;
- for the entities located in USA and Canada, an insurance captive company based in Vermont (USA) is used to standardize deductibles for civil liability, workers compensation and automobile liability. 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 EUR25 million in 2014.



# Sustainable development

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## > 1. Sustainable development at the heart of our strategy

Social and environmental commitments, governance, reducing CO<sub>2</sub> 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 acting civically and responsibly at all its locations, with measured progress plans, based on international standards for corporate social responsibility, whose results are audited and shared openly internally and externally.

Since the Sustainable Development Department was founded more than 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, teamed with initiatives for the professional integration of French youth; now it also includes solutions that help meet today's main energy challenges (energy efficiency and access to energy) as well as global social 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;
- provide energy to the 1.3 billion<sup>(1)</sup> people who have no access to electricity and provide sustainable economic development.

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

- principles governing ethics and responsibility;
- sites and products that respect the environment;
- employee development;
- policies that support and develop the communities in which Schneider Electric operates.

Schneider Electric uses its global Human Resources policies (see pages 76-90), external commitments (see page 53), ethical code of conduct and the associated professional alert program (see pages 62-65) to strive for the respect of **Human Rights** in every aspect: non-discrimination, abolition of forced labor, prohibition of child labor, freedom of association and the right to collective bargaining, health and safety, training, remuneration, social coverage, etc.

Schneider Electric extends this commitment to civil society through its community support and development program (see pages 91-100): the right to decent living standards (access to energy program and Foundation emergency relief programs), the right to education and training (training program for underprivileged people and integration program in France), local economic development (social investment funds and entrepreneurship support).

Schneider Electric works to share this vision with its partners (see pages 61-62), starting with its suppliers by encouraging as many of them as possible to sign the United Nations Global Compact and adopt the guidelines of ISO 26000.

(1) Source: International Energy Agency – World Energy Outlook 2013.



## 1.1 Prioritizing actions with a materiality matrix

### Materiality Analysis

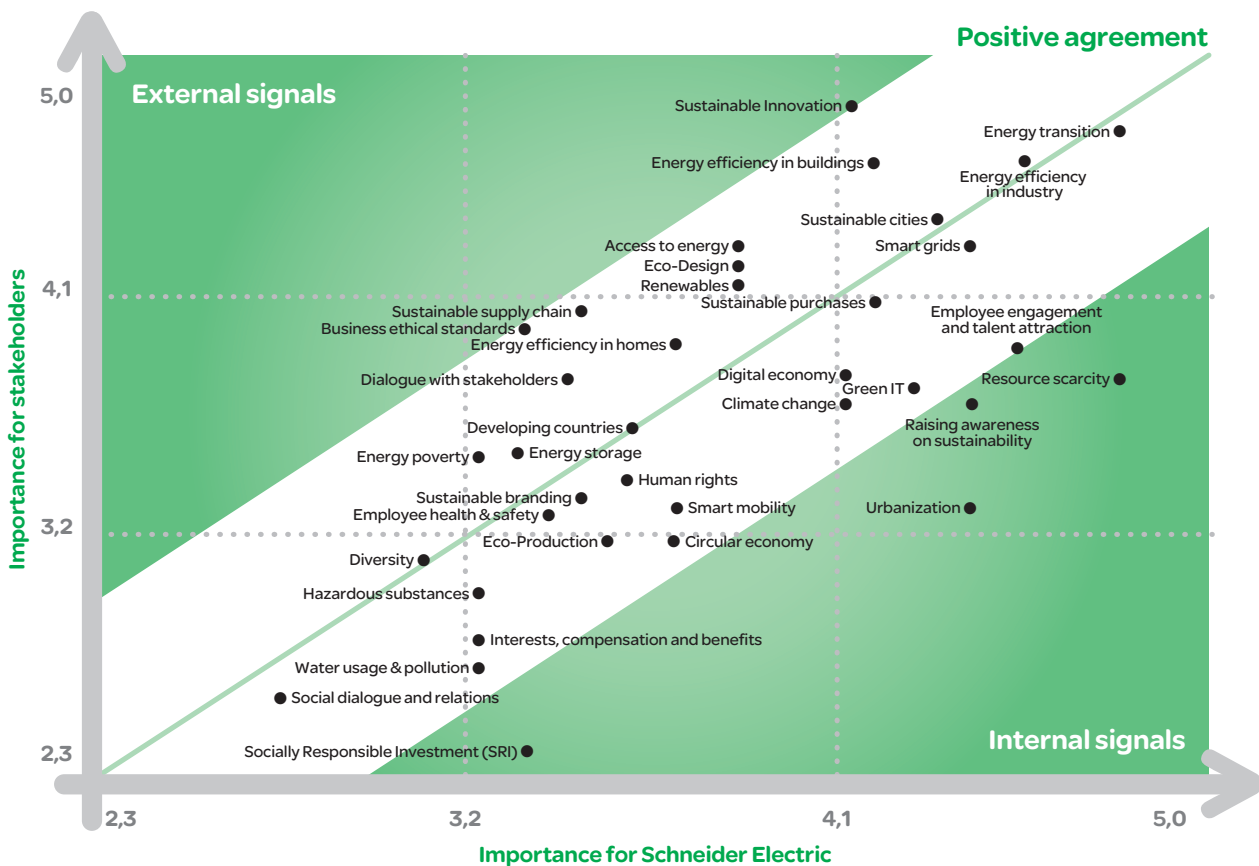
In 2013, Schneider Electric conducted a materiality<sup>(1)</sup> analysis by questioning relevant external stakeholders (e.g. clients, media, distributors, international organizations, experts, etc.), and top and senior managers within the Group (Environment, Global Supply Chain, Finance, Human Resources, Business, etc.). The participants represented six different nationalities and 37% of the respondents were women, 63% were men. 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. With the help of consulting firm Utopies, the aim is to ensure that Schneider Electric reports against the most important economic, social and environmental issues; identifies current and future opportunities and risks for the business; and updates its sustainability agenda with the key stakeholders' expectations. In particular, the materiality matrix was one of the sources used to design the 2015-2017 Planet & Society Barometer and confirm the topics to be addressed in the 2014 registration document.

### Key Learnings

The materiality matrix below displays the results of the analysis. The most material challenges include energy transition, energy efficiency in industry and buildings, sustainable cities, smart grids, sustainable innovation, access to energy, eco-design, sustainable purchases, employee engagement and attraction, resource scarcity, and the digital economy.

The Planet & Society Barometer, over the period 2012-2014, using quantitative indicators and three-year objectives, partly covers the issues identified as significant by this analysis: energy efficiency, access to energy, developing countries, eco-design, sustainable purchases, employee engagement and attraction, raising awareness of sustainable development, resource scarcity and climate change. It does not directly address the following subjects: sustainable innovation, renewable energy, green IT, eco-efficient manufacturing, the circular economy, human rights, and certain matters related to the business of Schneider Electric (energy transition, energy efficiency in industry, in buildings and in the residential market, sustainable cities, smart mobility, smart grids, urbanization, the digital economy, energy storage). document de référence These subjects are, however, addressed in communications through other channels (the registration document, for example).

For further details, please visit the Schneider Electric website.



(1) Definition is based on AA 1000 Assurance Standard's materiality principle as well as the G4 Sustainability Reporting Guidelines.

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

Stakes	Progress plans and targets at year-end 2014	2014	2013	2012	2011
Overall performance of the Barometer (score out of 10)		<b>9.52</b>	<b>7.51</b>	<b>6.42</b>	<b>3.00</b>
<b>Planet</b>					
<b>Carbon</b>	1. <b>10%</b> CO <sub>2</sub> savings on transportation	16% ▲	16.7%	14.8%	-
<b>Products &amp; Solutions</b>	2. <b>75%</b> of our product revenue achieved with Green Premium	79% ▲	68.7%	65.5%	63%
<b>Energy</b>	3. <b>10%</b> energy consumption savings	13% ▲	8%	6.1%	-
<b>Profit</b>					
<b>Green Growth</b>	4. <b>7 points</b> growth revenue with « EcoXperts » partners above Group growth revenue	10.48 pts	1.28 pt	7.6 pts	-
<b>Access to Energy</b>	5. <b>1 million</b> households at the Base of the Pyramid have access to energy	1,095,806 ▲	695,685	344,441	-
<b>Suppliers</b>	6. <b>90%</b> of our recommended suppliers embrace ISO 26000 guidelines	63% ▲	18.8%	7.8%	-
<b>Rating</b>	7. <b>3</b> major ethical stock market indices choose Schneider Electric	3 ▲	3	3	3
<b>Workplace</b>	8. <b>300</b> sites recognized as « Cool sites »	355 ▲	224	-	-
<b>People</b>					
<b>Safety</b>	9. <b>30%</b> reduction in the « Medical Incident Rate » (MIR)	- 61% ▲	- 47%	- 23%	-
<b>Engagement</b>	10. <b>63%</b> result in our « Employee Engagement Index »	61% ▲	60%	55%	-
<b>Diversity</b>	11. <b>30%</b> women in our talent pool (~ 2,500 people)	28% ▲	28%	27%	23%
<b>Training</b>	12. <b>1 day</b> of training for each employee every year	79% ▲	67%	-	-
<b>Access to Energy</b>	13. <b>30,000</b> people at the BoP trained in energy management	60,232 ▲	32,602	10,517	-
<b>Communities</b>	14. <b>300</b> missions with the « Schneider Electric Teachers » NGO	460 ▲	228	66	-

The 2011 performance serves as a starting value for the Planet & Society barometer of the Connect company program between 2012 and 2014.  
▲ 2014 audited indicators.

### Process to select and prioritize commitments

Schneider Electric has used the Planet & Society Barometer as its sustainable development dashboard since 2005. To have a significant impact and initiate lasting change, a performance measure is required. That is why Schneider Electric defines specific objectives and measures its results each quarter. The action plans of the barometer are carried out at the Group level.

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 the Group to meet its sustainability challenges and advance 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 progress plans with stakeholders.

On a daily basis, the Group seeks to prove that economic, environmental and social interests are convergent.

For each company program, the Group defines a new Planet & Society Barometer. The progress plans are elaborated following an internal exercise to identify sustainability issues based on external inputs, primarily the assessments and ratings received along with the materiality matrix, and a consultation with the departments directly concerned by the progress plans. In 2014, this also included a company-internal consultation with the sustainability fellows » (see page 49) and the « sustainability leaders » appointed by each member of the Executive Committee.

The Sustainable Development Department presents the draft version of the Planet & Society Barometer to the Sustainability Executive Committee for approval before the launch of the Company program. This Committee includes three members of the Executive Committee: Strategy, Human Resources and Global Supply Chain.

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

- the progress plans are maintained in the barometer and their targets are renewed or increased;
- the progress plans change, new and more innovative or better adapted indicators that cover the same subject are implemented; the old indicators continue to be monitored internally if necessary;
- the progress plans are removed from the barometer; this is also the case with indicators that have reached a threshold; they continue to be monitored internally if necessary;
- progress plans that respond to new issues are implemented.

### 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. The average of the scores, with each indicator weighted equally, provides the overall performance of the barometer. Departments directly affected by the progress 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 quarterly results of the barometer are supervised by the Sustainability Executive Committee, which makes decisions on any corrective actions that may be necessary to achieve the objectives. This Committee meets two to three times a year.

See also the **Planet & Society Barometer criteria in variable compensation page 88**.

The table above shows Schneider Electric's sustainable development performance in 2014. When the barometer was launched on January 1, 2012 the overall score was 3.00/10. At the end of 2014, the Company exceeded its target of 8/10 and attained 9.52/10.

### **Communicating the results of the Planet & Society Barometer**

The Planet & Society Barometer is published through the following channels:

- the quarterly non-financial press releases and the quarterly financial and non-financial Group results;
- Schneider Electric website and intranet;

- the « Webradios », which informs the sustainability fellows (see page 49) on sustainability performance and achievements for the quarter and an update on key sustainability topics.

The non-financial annual results are presented together with the Group's financial results by Jean-Pascal Tricoire, in order to demonstrate the Group's commitment to making sustainable development part of the Company's long-term strategy. In addition, from 2014, the quarterly barometer results are presented together with the quarterly financial information by Emmanuel Babeau to institutional investors.

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 challenges through the choice of indicators, and to share progress made or difficulties encountered in a transparent manner.

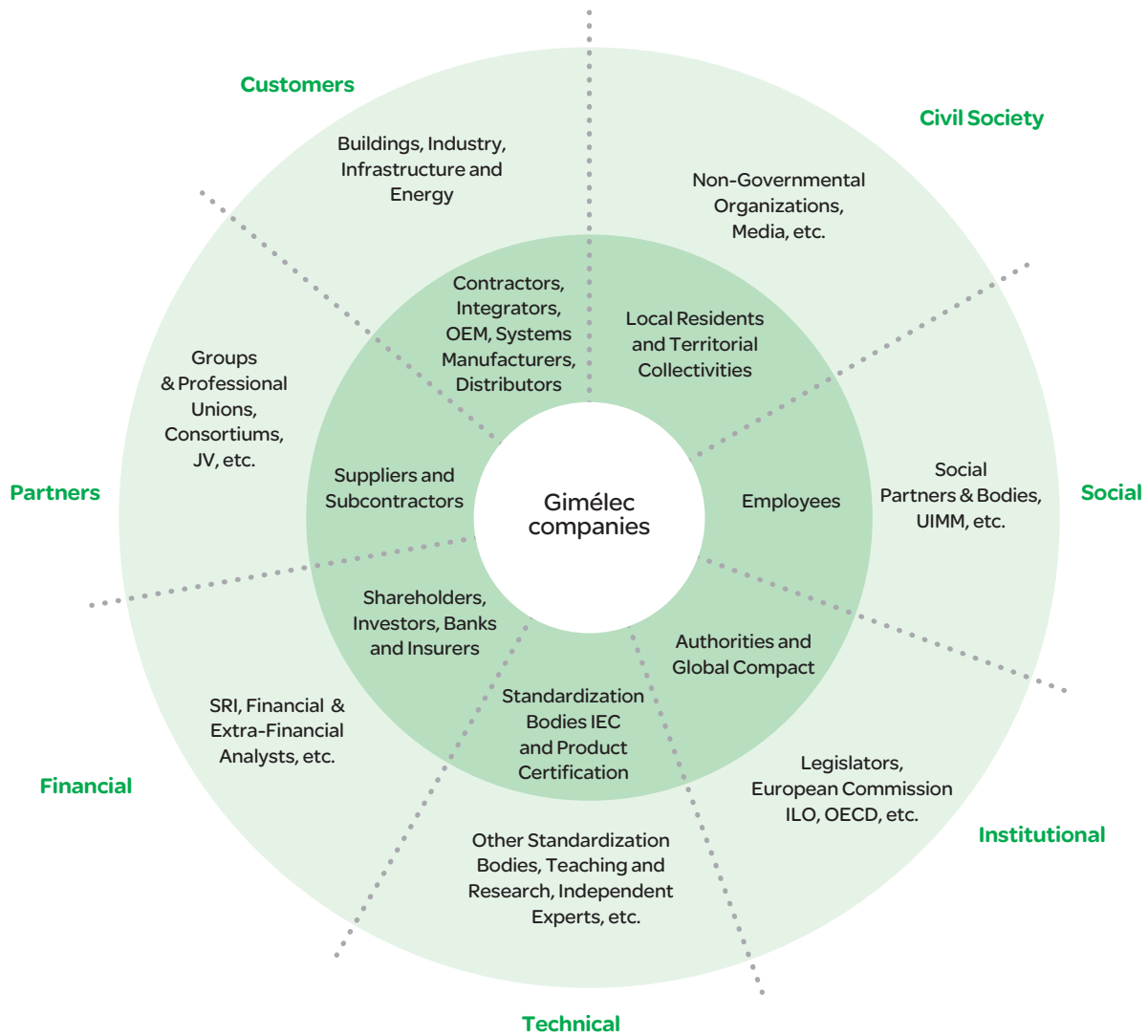
The Planet & Society Barometer is a tool that enables the Group to anticipate and effectively manage its sustainability risks by mobilizing key stakeholders around specific, measured objectives and reliable results. The barometer's indicators are audited annually by an external auditor (limited assurance).



### 1.3 Open dialogue with stakeholders

#### Focused dialogue with clearly identified stakeholders

The diagram below is an overview of sector stakeholders proposed in France by Gimélec<sup>(1)</sup>, the French trade association for electrical equipment, automation 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 the drawing up of the registration document and the Group corporate brochure (strategy and sustainable development report), new progress plans throughout the Company program as well as during the design of the Planet & Society Barometer every three years.

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

The table below presents the major dialogue channels with stakeholders. It is not exhaustive.

Stakeholder	Dialogue	Department
<b>Customers</b>	<ul style="list-style-type: none"> <li>● Quarterly customer satisfaction surveys</li> <li>● Co-innovation programs</li> <li>● Online publication of environmental information on products</li> </ul>	Quality, Customer Satisfaction, R&D, Sales, Eco-design
<b>Financial</b>	<ul style="list-style-type: none"> <li>● Quarterly conference calls to present financial and non-financial information, meetings and plenary meetings</li> <li>● Regular meetings with individual shareholders</li> <li>● Quarterly newsletters to shareholders</li> <li>● Response to non-financial rating questionnaires</li> <li>● Individual meetings with SRI analysts</li> <li>● Response to SRI analysts' questions</li> </ul>	Finance, Board's Secretary, Sustainable Development
<b>Partners</b>	<ul style="list-style-type: none"> <li>● Purchaser/supplier meetings</li> <li>● Supplier's day</li> <li>● Supplier qualification process</li> <li>● Awareness raising about the Global Compact and ISO 26000</li> <li>● Participation in the commissions and working groups on sustainable development of professional groups</li> </ul>	Purchasing, Environment, R&D, Activities, Sustainable Development
<b>Social</b>	<ul style="list-style-type: none"> <li>● Half-yearly employee satisfaction surveys</li> <li>● Social dialogue with employee representation bodies</li> <li>● Sustainability Webradios</li> </ul>	Human Resources, Sustainable Development
<b>Technical</b>	<ul style="list-style-type: none"> <li>● Collaborative approach, creation and participation in competitiveness cluster initiatives, R&amp;D programs, university chairs and professional associations</li> <li>● Active participation in international standardization bodies</li> <li>● PEP Ecopassport Program</li> </ul>	R&D, Activities, Environment
<b>Institutional</b>	<ul style="list-style-type: none"> <li>● Adhesion to and promotion of the Global Compact</li> <li>● Relationships with public authorities, legislators and the European Commission, especially in the field of energy efficiency</li> </ul>	Sustainable Development, Purchasing, Influence
<b>Civil society</b>	<ul style="list-style-type: none"> <li>● Participation in working groups and local and international organizations on challenges within our industry</li> <li>● Community programs</li> <li>● Partnerships with local NGOs</li> </ul>	According to subject and audience, Foundation and Access to Energy program



### Engaging employees in sustainable development: the Sustainability Fellows community

Schneider Electric reckons that all of its employees should be aware of the major sustainability issues and be ambassadors of its sustainability commitment. To achieve this goal, a new initiative was launched in January 2013: The Sustainability Fellows. Relying on the recently created internal social network « Spice », the community's objective is to make all employees aware of what sustainable development is, what the main challenges linked with this topic are, inside and outside the Company, and what Schneider Electric's 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 the company's policies

and actions, and also be aware of the different ways through which they can get involved in sustainable development. 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 for their input on company's policies or achievements, to quarterly Wabradio broadcasts focusing on sustainable development performance and related topics, the Sustainability Fellows grew from a few hundred people in early 2013 to 6,500 at the end of 2014.

The implementation of this community demonstrated that employees are willing to attend events or give some of their time. The first measurement also showed that the Employee Engagement Index is 5 points higher for Sustainability Fellows than the Company average, and their recommendation score is 10 points higher (2013 data).

## Global and local external commitments to move forward collectively

Schneider Electric works with different local and international organizations and associations on economic, social and

environmental issues to foster sustainable development in cooperation with various players from society. Schneider Electric confirms its commitment and participation in discussions on challenges related to climate change.

Theme	Commitment
<b>Sustainable governance</b>	<p><b>International:</b> World Business Council for Sustainable Development (WBCSD), United Nations Global Compact, International Chamber of Commerce (Environmental Commission).</p> <p><b>France:</b> member of the board of directors of ORSE (French study center for corporate social responsibility) and of the Global Compact France Forum. Since 2013, Jean-Pascal Tricoire has been Chairman of the Global Compact France.</p>
<b>Energy/Energy efficiency</b>	<p><b>International:</b> 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), Caring for climate (Global Compact).</p> <p><b>France:</b> EpE (<i>Entreprises pour l'environnement</i>), National Council of the energy transition, signatory of the Green Building Plan Charter, Shift project, Promodule, Financing company for the energy transition, member of the board of directors of Avere (Electric Vehicle Association), IFPEB (<i>Institut français pour la performance énergétique du bâtiment</i>), <i>Pacte écologique de Nicolas Hulot, Grenelle de l'Environnement</i>.</p>
<b>Smart grids</b>	<p>Research Triangle Cleantech Cluster (Raleigh, North Carolina), Grid Edge Executive Council (Greentech Media), Fort Collins (Colorado) Cleantech Cluster, Tenerrdis Energy Cluster (France), 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&amp;D and Power and Electronics Society), Association of Energy Service Professionals (AESP), Association for an Energy Efficient Economy (AEEE), Pacific Northwest Demand Response Program, Smart grid project group of Capiel (European Coordinating Committee of Manufacturers of Electrical Switchgear and Controlgear), Infrastructure task force of Orgalime, Electric Drive Transportation Association (EDTA), Bay Area Climate Collaborative (SF Bay), NEMA Distribution Automation Section 8DA, Smart grid task force of T&amp;D Europe (European Association of the Electricity Transmission and Distribution Equipment and Services Industry), European Smart grid task force led by the European Commission.</p>
<b>Smart cities</b>	<p><b>International:</b> European Innovation Partnership for Smart Cities and Communities, Urban Infrastructure Initiative led by the WBCSD.</p> <p><b>France:</b> Smart cities task force of AFEP (French Association of Private Sector Companies).</p>
<b>Access to energy</b>	<p><b>International:</b> 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, Co-pilot of the « Low carbon electrification in remote areas » group, Sustainable Energy for all (Nations unies), Club ER, Alliance for rural electrification.</p> <p><b>France:</b> supporting partner of the Social Business/Enterprise and Poverty Chair at HEC.</p>
<b>Diversity</b>	<p><b>International:</b> signatory of the Women's Empowerment Principles (WEP) of the United Nations.</p> <p><b>France:</b> Diversity Charter, Agreement for professional gender equality, Professional gender equality Label, Parenthood Charter, Disability Agreement, Agreement on inter-generational mechanism, Apprenticeship Agreement, Framework Convention on Jobs for the Future (<i>Emplois d'Avenir</i>), Businesses and Neighborhoods (<i>Entreprises et Quartiers</i>) Convention.</p>
<b>Social policy</b>	<i>Observatoire Social International.</i>
<b>Education</b>	<p><b>International:</b> training program in energy management for disadvantaged people, in partnership with local vocational training centres and/or national or international NGOs.</p> <p><b>France:</b> School Paul-Louis Merlin, framework agreements with the Ministry of National Education, Higher Education and Research, partnerships with the continuing education network of UIMM, <i>Ingénieurs Pour l'École</i> network (IPE), selected by the Ministry of Education for the Digital School project.</p>
<b>Ethics</b>	<b>International:</b> Transparency International, <i>Cercle éthique des affaires</i> (Business ethics club).
<b>Biodiversity</b>	Livelihoods: Carbon offset fund for biodiversity and rural communities.
<b>Philanthropy</b>	For many years, Schneider Electric has actively supported ADMICAL ( <i>Association pour le développement du mécénat industriel et commercial</i> ), member of the European network CERES) and <i>IMS-Entreprendre pour la Cité</i> .



Theme	Commitment
<b>Standardization</b>	<p>With more than 100 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 of electric installations and equipment and transparency of the work on environmental issues. In particular, it ensures the presidencies of the French Electrotechnical Committee; it is member of CEI (International Electrotechnical Commission), participates actively including in the roadmap for smart grids standards, and contributes to CEI standardization for smart grids, especially in the domain of Power Utility Automation; it is member of Cenelec (European Committee for Electrotechnical Standardization) where it has the convener's role for standardizing the interface between smart buildings and the smart grids; it leads a group in charge of defining the set of standards and the standardization roadmap, under the umbrella of CEN-CENELEC-ETSI Smart Energy Grid Co-ordination Group and under the mandate of the European Commission; it is also member of de French Committee for environmental standardization. It is member of the Council Board, the Conformity Assessment Board and the IECEE system of CEI. It chairs several Technical Committees in ISO (International Standardization Organization). Schneider Electric chairs many French standardization committees hosted by AFNOR (French Standards Organization). It is particularly strongly involved in the working group on sustainable development and in the work on the rational use of energy.</p> <p>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. The Group also participates in the Advisory Committee for Energy Efficiency (ACEE) created in 2013.</p>

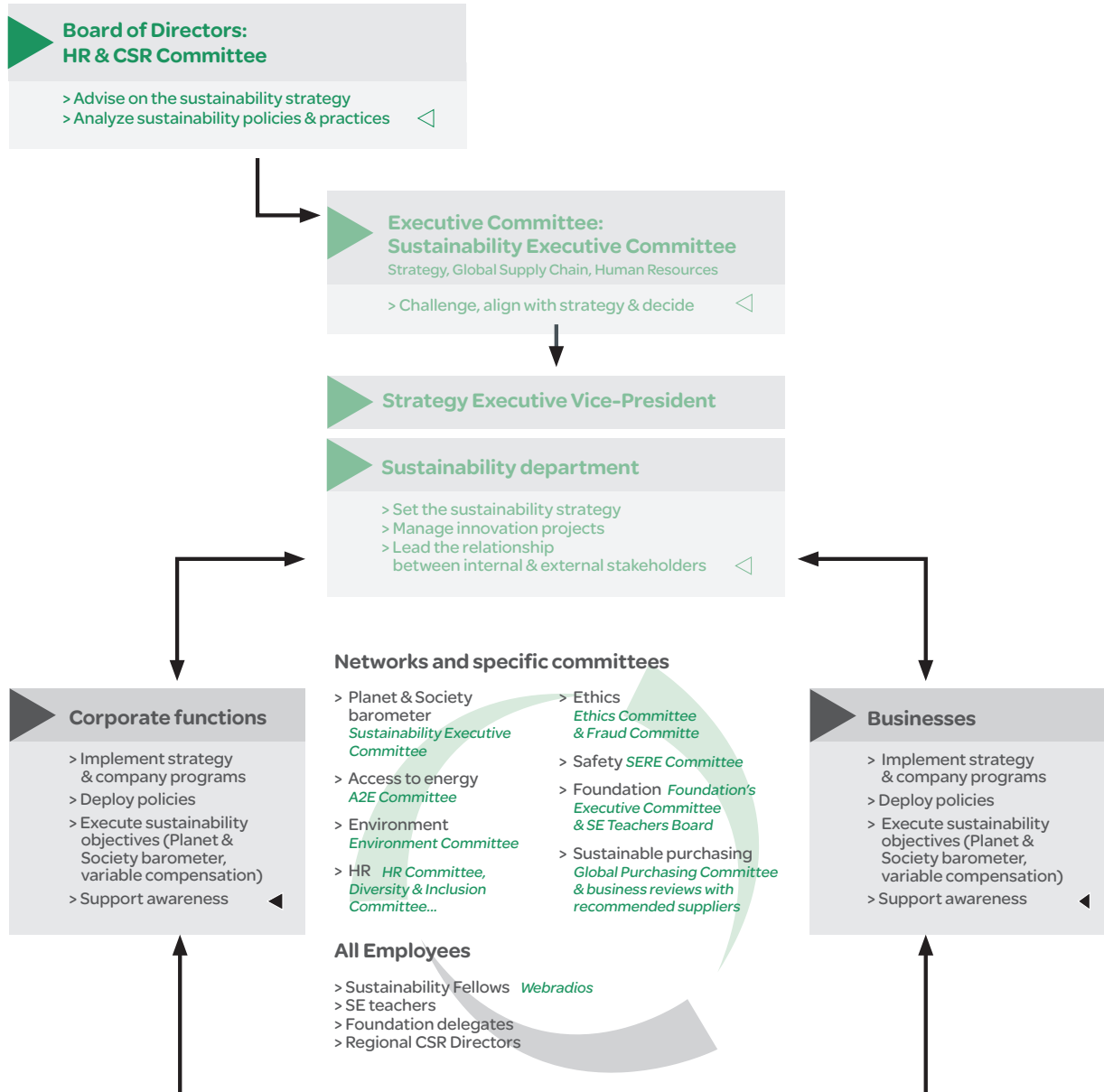


## 1.4 Integrated and transverse governance of sustainable development

### Overall operation

The following diagram illustrates the relationships between the different levels of decision-making on the subjects of sustainable development within Schneider Electric, and how sustainability is integrated in the processes and bodies that design and execute the Group strategy.

See also the Planet & Society Barometer criteria in variable compensation page 88.



## 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 its stakeholders. It is organized around four areas:

- ethics, steering the Responsibility & Ethics Dynamics program (see pages 62-65);
- social responsibility, specifically with the Schneider Electric Foundation as well as local economic and social development programs (see pages 95-100);
- access to energy, with responsibility for the Access to Energy program (see pages 91-95);
- supporting and developing the Group's performance, in particular by steering the Planet & Society Barometer and the strategy and sustainability report (see pages 46-47).

## Global Supply Chain organization, with responsibilities including Safety and the Environment

(see page 67).

## Human Resources organization

(see page 77).

## The board of directors

In 2013, the board of directors decided to extend the powers of the remuneration committee to issues of corporate social responsibility. Since 2014 there has been a specific committee for CSR: the human resources and CSR committee (see p. 141)

## The Sustainable Development Executive Committee

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

## The Ethics Committees

(see page 64).



## 1.5 External and internal referentials for a solid framework

### External referentials

#### 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 61 « Relations with sub-contractors and suppliers »).

In line with the requirements of the Global Compact, Schneider Electric publishes an annual Communication on Progress (COP). This publication reports on the Group's different 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 suppliers since 2012 (see page 61 « 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 performances; 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 non-financial reporting with the GRI and, until 2013, scored a B+ with respect to GRI 3.1. In 2014, the Group began to align itself with GRI 4. A reference table with these indicators and the indicators proposed by the GRI is available on Schneider Electric website.

### Internal referentials

The Group has written referentials 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***

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.

*Our Principles of Responsibility*, published for the first time in 2002 and updated in 2009 and again in 2013, is a summary document inspired by the 10 principles of the Global Compact, the Universal Declaration of Human Rights and standards issued by the International Labour Organisation and the Organization for Economic Cooperation and Development. The document is available in 30 languages and is distributed to all employees.

By adopting *Our Principles of Responsibility* in 2002, the Group has an individual and collective 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 civil society and the planet.

In 2009 and in 2013, the Group updated *Our Principles of Responsibility* to set out its 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 to current laws and regulations.

See pages 62-65 for more details on Ethics & Responsibility.

### **Global policies**

In order to implement these principles, Schneider Electric has published 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, modified 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 by providing them with 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.

## **1.6 Ratings and awards**

The evaluations by the leading sustainability 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.

In the Ipreo report SRI Leaders Index Fall 2014, Schneider Electric was listed as joint third for the global company with the most SRI funds in its capital (148 funds).

### **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 GDP (CPLI index and/or CDLI) to replace the ASPI, which is no longer published.

At the end of 2014, Schneider Electric is included in the three ethical stock market indices covered by the barometer, its rating in the CDP index is improving, and it has the highest rating in its sector on the DJSI indices for the second year in a row.

### **Dow Jones Sustainability (DJSI) World and Europe indices: Industry Leader**

Schneider Electric is part of the 2014-2015 edition of DJSI World and DJSI Europe. Evaluation for this family of indices is provided by RobecoSAM, an independent asset manager headquartered in Switzerland.

For the second year in a row, Schneider Electric ranks first of its sector.

### **Climate Performance Leadership Index (CPLI): member of « The A list »**

Schneider Electric remains in the CPLI for the fourth consecutive year as one of 187 companies chosen for their commitment and action plans to fight climate change. It is one of ten French companies to be included.

### **Climate Disclosure Leadership Index (CDLI): 99/100**

With a rating of 99/100, Schneider Electric was one of the companies of the CDLI this year; these companies were chosen for their understanding of climate change challenges, and include 24 French companies.

### **Euronext Vigeo Indices**

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

### **Other indices**

In 2014, Schneider Electric was part of the following indices in particular:

- MSCI Global Sustainability, MSCI Global SRI, MSCI Global Environment and 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 by Sustainabilitytics;

- STOXX Europe Sustainability, STOXX Europe Sustainability 40, EURO STOXX Sustainability and EURO STOXX Sustainability 40 by Bank Sarasin;
- 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 2014**

Among the recognitions for sustainable development received in 2014, the Group highlights the following:

- **Global 100 most sustainable corporations:** Schneider Electric reached 9<sup>th</sup> place in January 2015 in the ranking by Corporate Knights Inc., versus 10<sup>th</sup> in January 2014 and 13<sup>th</sup> in January 2013.
- **Ethisphere:** Schneider Electric was one of the 100 most ethical companies following ranking by Ethisphere in March 2014, for the fourth consecutive year (and in March 2015 for the fifth year).
- **Universum rankings – Global top 50 World's Most Attractive Employers:** in 2014, Schneider Electric was one of 50 global companies rated most attractive to engineering students.
- **World's Most Admired Companies:** Schneider Electric ranked 7<sup>th</sup> place in its sector (Electronics) in the list published by *Fortune* magazine.
- **Newsweek Green Ranking 2014:** Schneider Electric was the 10<sup>th</sup> greenest company in the world, as ranked by Newsweek.
- **Responsible supplier relations label:** on May 6, 2014, Schneider Electric France obtained this label for a period of three years (subject to satisfying the annual monitoring assessments).
- **National awards:** In Mexico, CSR 2014 Prize from the Mexican Center for Philanthropy (CEMEFI), inclusive company prize from the Ministry of Labor for two plants, recognized by Forbes Mexico among the 36 most environmentally friendly companies; In Brazil Top 3 in its sector in the Exame magazine Sustainable Development Guide, the most widely read Brazilian business magazine, among 200 companies in the competition, and the most responsible supplier award from CEMIG, the second largest power company in Brazil, among 80 finalists, thanks to the company's project that helps SMEs identify emission reductions in their facilities; Top Employer 2014 and 2015 in France; in China, China's most respected enterprises 2013-2014 award (from Economic Observer Chinese newspaper) in recognition of its CSR, its promotion of China's green economy, and its business development with energy efficiency and innovative technology, Best environmental technology award for the eighth « Global Responsibility - China Action » (by China Business News).



## > 2. Green and responsible growth driving economic performance

This chapter covers two subjects:

- **products and solutions for fighting climate change:** energy efficiency, smart grid, sustainable cities, retrofit offers for end-of-life products, etc.;

- **business ethics:** Group's *Principles of Responsibility*, anti-corruption, relations with suppliers and subcontractors.

### 2.1 Overview

#### Context and aims

Climate change is one of the main challenges of the 21<sup>st</sup> 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<sub>2</sub> emissions.

As a global specialist in energy management, Schneider Electric's products and solutions help reduce energy consumption and CO<sub>2</sub> 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 partner networks, 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<sub>6</sub>, 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 sharing 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	2014	2013	2012	2011
1. <b>+7 points</b> of growth revenue with <b>EcoXperts</b> above Group growth revenue	10.48 pts	1.28 pt	7.6 pts	-
2. <b>90%</b> of our <b>recommended suppliers</b> embrace ISO 26000 guidelines	63% ▲	18,8%	7.8%	-
3. <b>Three</b> major ethical stock market <b>indices</b> choose Schneider Electric	3 ▲	3	3	3

The 2011 performance serves as a starting value for the Planet & Society Barometer of the Connect program between 2012 and 2014.

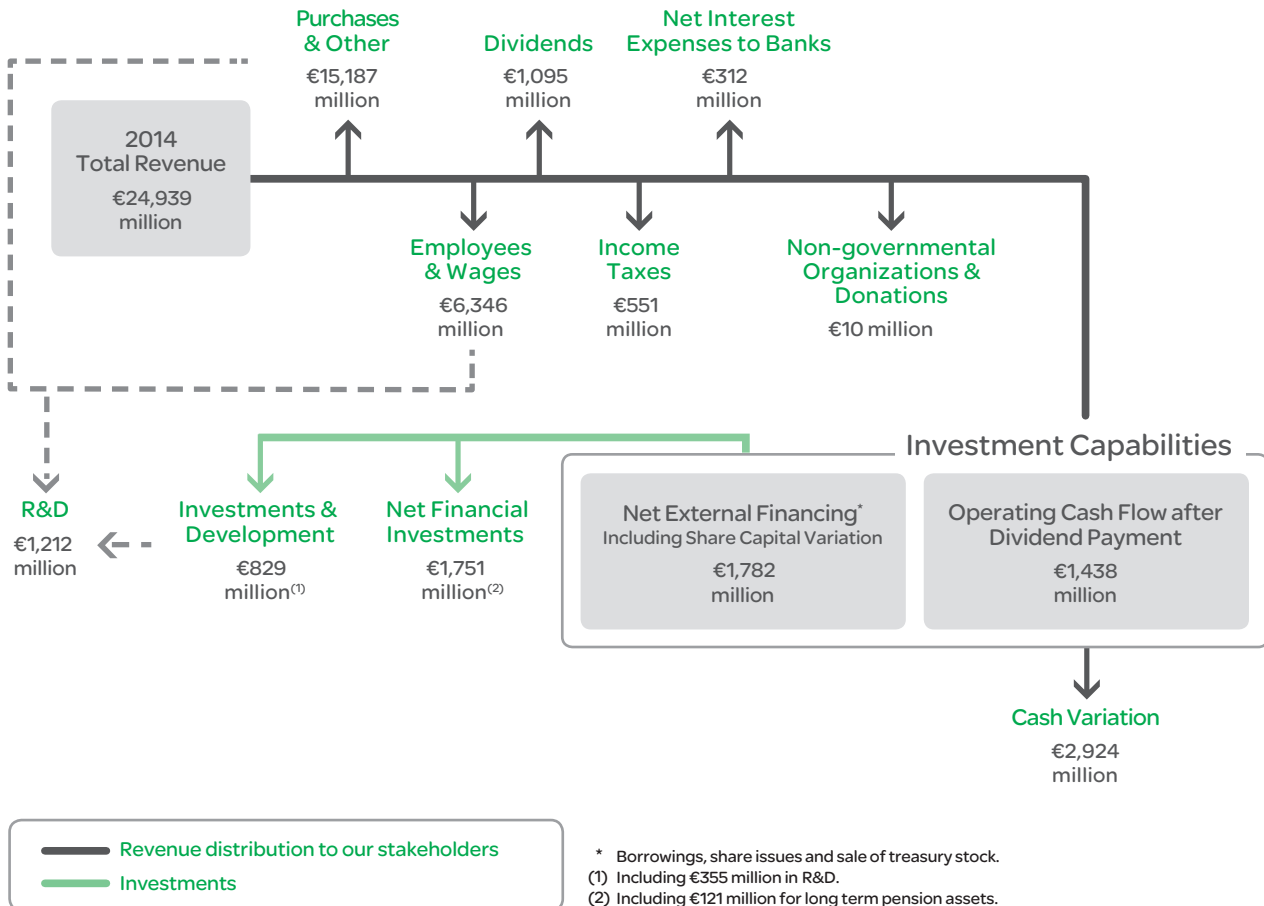
▲ 2014 audited indicators.

Please refer to pages 101 to 104 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 58 for indicator 1, 61-62 for indicator 2 and 54-55 for indicator 3).



## Revenue breakdown

Every year for the last nine 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.





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

Our planet is facing an unprecedented energy challenge.

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

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.

In order to insure that energy efficiency targets are achieved, and the energy mix moves to more renewables, Schneider Electric provides an innovative and competitive portfolio of products, systems, services and software to help its customers.

### 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 global projections (World Energy Outlook 2012), recently introduced energy efficiency-related policies could account for close to 70% of the reduction in energy consumption 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 utilities and 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, renewable generation, microgrids;
- services: energy audits, power system studies, optimization of energy purchases, participation in demand reduction programs, etc. up to and including outsourced operation of electrical systems;
- software: data analysis, remote monitoring, integrated management of energy flows over several sites, and the operational software and communications needed for utilities and large users to operate electrical grids, 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, implementing energy performance contracts, and by obtaining certifications (e.g., the 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 utility grids and 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 architecture 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 and concern over climate change have 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. Microgrids, electric vehicles and energy storage continue their rollout on end user grids.

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 and distributed generation, operation of the distribution grid, and renewable energy integration; on the demand side, efficient homes and efficient enterprise, which covers residences, 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: ADMS (Advanced Distribution Management System) ranked #1 in the industry by independent analysts, 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 management devices.

- smart generation: installation and equipping of solar power, wind or hydroelectric plants, automation and control systems, SCADA, engineering and maintenance, and process control.

According to the International Energy Agency's World Energy Outlook 2013, renewable energies could grow from 13% of total energy production in 2011 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<sub>2</sub> 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 and hardware 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, with all of these systems highly integrated to share important data and add value in total:

- 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<sub>6</sub>

Since 2009, Schneider Electric has been looking to create SF<sub>6</sub> gas recovery processes for end-of-life products in the world. SF<sub>6</sub> is a gas used as an insulator and/or breaker in medium voltage devices. SF<sub>6</sub> is an extremely powerful greenhouse gas and therefore requires special treatment to prevent atmospheric emissions. Schneider Electric has significantly reduced its SF<sub>6</sub> emissions during the manufacturing of new products over the last years.

However, since the beginning of the 2000s, the first devices containing SF<sub>6</sub> gas sold by Schneider Electric are starting to reach their end-of-life. The objective is to develop commercial offers that allow customers to dispose of their end-of-life, SF<sub>6</sub> containing devices, in order to completely extract the gas and recycle it.

Schneider Electric has structured and reinforced its commercial offers around the « EoL » program through partnerships with hazardous waste licensed carriers and recycling companies.

At the end of 2014, 15 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), Ireland, the Netherlands and Mexico (2013), Singapore and Costa Rica (2014). The 2014 objective was achieved; in 2015, an objective of two additional countries has been set. In addition, in the Planet & Society Barometer, the objective of recovering 120,000 tons of CO<sub>2</sub> for 2015-2017 has been set.

Norway implemented a public recovery process in 2001. SF<sub>6</sub> 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 of the number of countries.

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 ECOFITM-type installations (replacing old appliances with new, higher performance appliances).

The SF<sub>6</sub> 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 close to EUR12 billion.

Schneider Electric has published a charter for its suppliers, called the Supplier Guide Book, which includes a large section on expectations with regards 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 wanted to place itself in a continuous improvement process as well as follow-up with its suppliers by encouraging them to make progress according to the ISO 26000 guidelines.

This approach is strengthened by the General Purchasing Terms and Conditions to which all suppliers must conform: each supplier undertakes to adhere to and to apply the principles and guidelines of the ISO 26000 international standard, the rules defined in the ISO 14001 standard, and is informed that energy performance of its 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. Lastly, suppliers 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 the « Conflict Minerals » law. In this context, Schneider Electric has a « conflict-free » objective.

### Action plans

#### Integration of the sustainable purchases approach in 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.

It 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 349 audits of this type in 2014. This year, the supplier qualification process has been revised to strengthen the environmental criteria involving REACH and RoHS regulations and directives. The Group has also designed and made available an e-learning module to the entities. This module addresses expectations in these areas and discusses the documents and evidence to be obtained from audited suppliers.

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. These 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 the ISO 26000 standard

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

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 « recommended », or for the best suppliers, « preferred » by the Group. The performance resulting from the third party evaluation is one of the key points of the sustainable development pillar. In 2012-2014, the Group aimed to engage 90% of its recommended suppliers in a process of continuous improvement on this pillar. Recommended suppliers represent 48% of Schneider Electric's purchases volume. At the end of 2014, 63% of the recommended suppliers had passed the third-party evaluation process. This indicator of the Planet & Society Barometer is integrated into the performance incentive of the Purchasing employees receiving a bonus. For the period 2015-2017, the target has been extended to 100%.

This assessment process requires that the suppliers put in place a corrective action plan. The elements of the assessment are now an integral part of the business reviews scheduled between buyers and suppliers, on a quarterly to yearly basis, depending on the suppliers. This monitoring supposes an improvement from the supplier.

In 2014, the assessment process detected 32 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 the year end, five suppliers were demoted and all others are closely monitored. Note that three suppliers who had poor performance mid-year quickly established corrective action for the critical issues identified by the assessment and were then asked to be reassessed. This reassessment confirmed that the improvements had been implemented. This work with the suppliers has been accompanied by increased awareness among buyers.





In addition to the external assessments, we have defined « off-limit » situations which are:

- environmental pollution;
- employee safety risks;
- child labor.

These situations have been identified as material issues in our supply chain and unacceptable for a Schneider Electric supplier. Each buyer is expected to be alert to detect any problem areas related to sustainable development themes when visiting a supplier's site. Off-limit cases must be addressed immediately or escalated using the specific defined process.

To support this approach, training was made available to purchasing teams: basic training on the ISO 26000 standard for all purchasers 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 a third party or not).

For off-limit situations, Schneider Electric favored a practical training approach, based on case studies, to ensure that purchasers have a clear understanding of situations that are unacceptable per the Group's standards. This also includes how to react if 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 its suppliers. This has allowed it to significantly reduce its response time to collect such information and therefore be quicker to respond to its customers' inquiries.

## 2.4 Ethics and Responsibility

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As a global company, Schneider Electric believes that its responsibility goes beyond compliance with local and international regulations and is committed to conducting its business ethically, sustainably and responsibly.

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.

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

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

Furthermore, Schneider Electric launched an update in 2013 to the carbon impact analysis of company purchases (as part of the Group's 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 recently ranked 2nd for best supplier-customer relationship in France. Among the selection criteria used were the respect of contractual clauses and payment terms and the overall quality of the dialogue between parties.

On May 6, 2014, Schneider Electric France obtained the « Responsible Supplier Relations » label for a period of three years (subject to satisfying the annual monitoring assessments).

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 2014

A global Supplier Day was organized in Shanghai in September 2014 for « preferred » Group suppliers. This Day emphasized the importance that Schneider Electric places on aspects linked to sustainable development. During this event, Schneider Electric once again rewarded the highest-performing suppliers, particularly in the environmental and social responsibility category, for which a trophy was awarded. This year, a workshop was specifically dedicated to environmental aspects. During this workshop, Schneider Electric shared its vision and expectations on environmental issues. This event was a source of rich exchanges and demonstrated the importance that our suppliers attach to sustainable development.

importance of placing responsibility at the heart of its corporate governance.

The Group currently has around 170,000 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 and processes. 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 from the perspective of sustainable and responsible development.



## A common frame of reference: Our Principles of Responsibility

*Our Principles of Responsibility* is a 15-page document, published for the first time in 2002 and updated in 2009 and again in 2013, synthesizing the Group's common commitments to its 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 to be adopted. They are complemented by global and local policies to provide a precise response to the legal specific and local practices, as well as sector policies (purchasing, quality, environment, etc.).

*Our Principles of Responsibility* were prepared in compliance with the 10 principles of the Global Compact of the United Nations, the Universal Declaration of Human Rights and standards issued by the International Labor Organization and the Organization for Economic Cooperation and Development. As a result, they address the issues related to respect for human rights, working conditions, protection of the environment and the anti-corruption principles.

Today, *Our Principles of Responsibility* have been translated into 30 languages and sent to all Group employees. They are also accessible on the Group's official website and intranet. In addition, a clause was added to employment contracts of new employees to ensure that they are aware of this document from the time they join Schneider Electric. In addition, from 2015, all managers must sign a formal commitment to respect and promote *Our Principles of Responsibility*. Finally, this deployment is completed by a mandatory online training module and education and awareness days are organized regularly. A policy on the role of agents and intermediaries is scheduled to be implemented from early 2015.

## 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 where necessary. This may be broken down into three stages:
  1. consulting the program's intranet site,
  2. contacting a 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 towards the right bodies:
  1. contacting a manager, or
  2. using existing in-house outlets (legal, financial, HR, environment, etc.), or
  3. contacting the Group Fraud Committee via the professional alert system (accessible via Internet or multilingual telephone line).

## Four tools accessible to 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 (process, teams, key contacts) and *Our Principles of Responsibility* document accompanied by the comprehensive policies that are related to it, as well as news on the program.
- Frequently Asked Questions – FAQs. This tool 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 training module. The aim is that, at the end of the session, the employee will be familiar with *Our Principles of Responsibility* and capable of using them in his or her job. At the end of 2014, more than 65,000 employees participated in the module. Once again, this training is ranked number one for online training.
- Educational kits for managers. This new tool, developed in 2014, presents ethical dilemmas collected from employees whose professional experiences have added depth and realism to the scenarios. Managers are encouraged to use these case studies to facilitate discussions about ethics with their teams at least once per quarter; the goal is to create a space for open and free discussions to address complex issues and to ensure that no employee has to face issues of this type on his/her own.

These kits address two themes in particular:

- the infringement of Human Rights, particularly child labor, hygiene and safety conditions and discrimination issues,
- anti-corruption and financial fraud, especially conflicts of interest, the role of intermediaries, and accounting manipulation.

These kits are now being rolled out, particularly in the functions that are most exposed to these ethical issues. At the end of 2014, 24 kits were available to managers, in particular for departments with the greatest exposure to ethical risks.

## A professional alert system: the R&ED Line

When an employee is a victim or witness of an event that touches on ethical issues, a professional alert system has been available since 2012 to report information on such events. This system ensures the confidentiality of the exchanges and protects the anonymity of the whistleblower (unless there is legislation to the contrary).

In compliance with local legislation, this system 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. Each alert is reviewed by the Group's Fraud Committee, which appoints a two-person team to take charge of the investigation, consisting of a Compliance Officer and an investigator from the Schneider Electric Bureau of Investigation (see « Dedicated teams and organization »). Based on the findings of the investigation, management take appropriate measures to punish or exonerate the party or parties involved. Each year a detailed report with statistics (number and type of alerts by region) is presented to the Audit committee and the Group Executive Committee, which reviews and approves the preventive and corrective actions to be taken.



Unless there are legal provisions to the contrary, the system can be used to send alerts in the following areas in every country in which the Group operates: discrimination, harassment, safety, environmental harm, unfair competition, corruption, conflicts of interest, accounting manipulation, document forgery, insider trading, theft, fraud and embezzlement.

113 ethical alerts have been escalated in the R&ED line system in 2014: 3/4 of them were related to potential financial frauds/conflict of interest; the remaining 1/4 were related to allegations of discrimination/harassment/unfair treatment of employees.

**Dedicated teams and organization**

The program requires implementation of an organization including the following:

- an annual Ethics & Responsibility Committee responsible for setting program priorities and the Company’s ethical vision;

- a network of *Principles of Responsibility* Advisors that brings together about thirty employees worldwide whose mission is to advise employees facing ethical dilemmas. More generally, they are in charge of the deployment of the program’s prevention efforts;
- a Fraud Committee, whose mission is to collect and investigate alerts received via the R&ED Line;
- a network of Compliance Officers attached to the Group’s Legal Department whose mission is to detect and manage cases of non-compliance with the defined processes, in accordance 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 Ethics & Responsibility Committee must ensure coherence with the Group’s strategic goals. It provides Executive Committee members with information on trends that, for example, integrate the Company strategic program.



**Measuring rollout and effectiveness**

The Responsibility & Ethics Dynamics program is 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. The results of this assessment are then analyzed by the program support teams to assist entities in need of guidance and to gather best practices from those with the highest scores. This assessment was recently updated and will be applied starting from the 2015 campaign. It will now serve as an Ethics indicator in the Planet & Society Barometer 2015-2017: « All our entities pass our internal Ethics & Responsibility assessment ».

The 2014 results show that 80% of the entities have reached a level of deployment from satisfactory to very good. This score is up from the 2013 results (73%).

**Personal data protection**

Schneider Electric has chosen to implement a code of conduct for the protection of personal data (Binding Corporate Rules), a legal framework proposed to international companies by the personal data protection authorities in the European Union.

To facilitate their application and be effective, these rules must be visible and understandable by all entities. As a result, a data protection policy, training sessions, an e-learning module and fact sheets are available on a dedicated collaborative space.

In addition, for the third year, Schneider Electric’s headquarters at Rueil Malmaison celebrated Personal Data Protection Day on January 28, 2014 by organizing activities to increase employee awareness of this issue.

Schneider Electric believes that the global implementation of a digital strategy must reconcile economic objectives and respect for fundamental human rights, including the right to protection of personal data and privacy. A Data Privacy & Digital Committee, composed of Department Directors (Purchasing, IT, Security, Human Resources, Marketing, Legal, Audit, etc.) and Business Directors, was established to provide global governance of personal data and to ensure that this fundamental right is respected in all digital projects.

### Policies in areas of high political risk

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 the 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 2014

The Group is proud to have been included in The Ethisphere Institute's World's Most Ethical Companies 2014 index for the fourth year in a row (and in 2015 for the fifth year).

Schneider Electric is among 144 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.

## 2.5 Anti-corruption

### Approach and action plans

The Responsibility & Ethics Committee, chaired by the Chief Financial Officer & Deputy Chief Executive Officer, reiterated the Group's strong, unambiguous commitment to anti-corruption measures of all forms as part of its business activities, including a series of actions to:

1. identify high level employees to monitor the rollout of the Responsibility & Ethics Dynamics program in all the functions and regions of the Group;
2. define best practices to prevent illegal actions, strengthen management's major role and promote use of the professional alert system;

### Achievements in 2014 and outlook for 2015

Program rollout continued along various axes:

- continued communication and awareness raising actions, for the first time with the organization of R&ED Days, two days dedicated to ethics and responsibility, which took place on December 9 and 10, 2014 - the International Anti-Corruption Day and Human Rights Day, respectively. Using the slogan « I am R&EDy to say yes » as a starting point, five pilot countries (France, Mexico, South Africa, Russia, China) organized conferences and workshops around these topics. This event was a resounding success and met with strong interest from employees, and will be repeated on a larger scale in 2015;
- the continuation of the training program for new entrants, with a special mention for employees from Invensys, which is currently being integrated into the Company, with over 5,000 people trained;
- continuation of implementing simple measures to enable employees to understand ethical dilemmas in an operational context and to help them position themselves above the risk level to which they may be exposed. For 2015, the goal is to continue building the educational kits and to ensure their deployment to the managers and their teams;
- the network of *Principles of Responsibility* Advisors was expanded in 2014 and now has about thirty members, allocated by function and region, which enables employees to have a minimum of two advisors available. The roles and responsibilities of these advisors have also been revised and made more operational in order to ensure that the program is properly deployed. For 2015, the objective is to teach this narrower network by organizing quarterly meetings to share best practices and establish preventive actions.

Focus will be given to two actions in 2015:

- the implementation of the United Nations Guiding Principles on Business and Human Rights (known as the « Ruggie Principles »), including improving reasonable efforts undertaken to identify, prevent and mitigate the impacts of the Group's activities on Human Rights.
- intensifying anti-corruption measures of all kinds in the regions that are most exposed to this risk.

3. ensure that all policies comply with *Our Principles of Responsibility*;
4. inform employees of new standards and procedures;
5. implement monitoring and audit systems;
6. in the event of a breach of the ethics principles, take the corrective measures necessary, including imposing penalties and the consolidation of procedures.

The Group has a significant portion of its business in countries considered highly vulnerable to corruption by Transparency International. Consequently, a targeted prevention plan is being rolled out.





### Accomplishments

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 vulnerable functions in 2014.

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

- 57% of Schneider Electric African subsidiaries received anti-corruption compliance certificates issued by Ethic Intelligence, for their activities on the continent: Schneider Electric Egypt & North East Africa, Morocco, South Africa, and Conlog; this is a major work of Schneider Electric's fight against corruption on the African continent and distinctive by the depth of its action; the objective is to have 100% of African subsidiaries certified; this initiative will be expanded to include other subsidiaries on other continents;
- since 2013, 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;

- training materials and specific awareness-raising materials have been developed for a number of functions, such as the Purchasing function;
- 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;
- Schneider Electric became a member of Transparency International in September 2014 to promote and enhance integrity in its business; Transparency International is a leading NGO whose mission is to stop corruption and promote transparency, accountability and integrity at all levels and across all sectors; the Group participates in cross-company exchanges promoted by the NGO;
- Schneider Electric actively participates in the Global Compact working group which brings together companies ranked at the Advanced level and which addresses many issues, including anti-corruption; it contributes to the exchange of best practices organized by Ethic Intelligence and the Business Ethics Club (*Cercle Éthique des Affaires*).

## > 3. Schneider Electric's commitment to environmental performance

This chapter deals with the environmental impact of the Group's global supply chain and logistics activities (its « Global Supply Chain »). The products, services and solutions offered by Schneider Electric which help reduce the environmental impacts of its customers' activities are described in part 2 (page 58).

### 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 vast majority of its 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 and with a continual rhythm of internal development and 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 (2012-2014) Company program:

- to roll out the ISO 14001 certification and the Group's environmental reporting to 100% of the industrial sites and logistics centers (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 m<sup>2</sup> and to several strategic sites (*i.e.* a total of 280 sites) representing 89% 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<sub>6</sub> to 0.65% of the consumption of this gas at those sites;
- reduce CO<sub>2</sub> emissions associated with transportation paid by the Group by 10%;

- reduce the Group's water consumption by 10%, with specific action plans for the sites with the highest water consumption and those located in areas of water stress, covering 62% of the Group's total consumption, 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 industrial waste recycling rate of greater than 85%;
- 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 have been set in the Planet & Society Barometer for the duration of the Connect program (2012-2014):

Objectives for Year-End-2014	2014	2013	2012	2011
1. <b>10% CO<sub>2</sub> savings on transportation</b>	16% ▲	16.7%	14.8%	-
2. <b>75% of our product revenues achieved with Green Premium</b>	79% ▲	68.7%	65.5%	63%
3. <b>10% energy consumption savings</b>	13% ▲	8%	6.1%	-

The 2011 performance serves as a starting value for the Planet & Society Barometer of the Connect program between 2012 and 2014.

▲ 2014 audited indicators.

Please refer to pages 101 to 104 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 70 for indicator 1, 70-72 for indicator 2 and 68-69 for indicator 3).

### Organization

At the corporate level, the Environment Director, ranked below the Senior Vice-President of the Global Supply Chain Management (member of the Executive Committee), determines the Group's environmental strategy.

The environmental manager network consists of:

- for product management: environmental managers in each activity who are responsible for integrating environmental concerns in line-up management, environmental representatives who are responsible for assessing the impacts on marketing, and environmental specialists with expertise in integrating environmental aspects into product design;
- for site management: environmental managers in each major region, environmental managers in each large region with significant business volume, and environmental managers in each plant or supply chain center;
- for the supply chain: The Transport Director and his/her teams, within the Global Supply Chain Management, are in charge of measuring and reducing freight CO<sub>2</sub> emissions at Group level.

The regional organization within the Global Supply Chain is as follows: 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 region and for reporting on progress plans. The VPs meet every quarter to ensure coherence in applying the Safety and Environment policies for the entire Group. To implement these policies, the Safety & Environment VPs lead a network of more than 300 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.

To educate all employees on environmental issues, e-learning modules have been developed, notably regarding 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<sub>2</sub> 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 by CDP progresses every year. In 2014, Schneider Electric scored 99/100. The Group has been selected in the Climate Disclosure Leadership Index and the Climate 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 2011-2012 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 is represented by road freight. Emissions in Group buildings represent around 10%. More modest items – employees' travels and waste – represent 6% and 1% respectively.





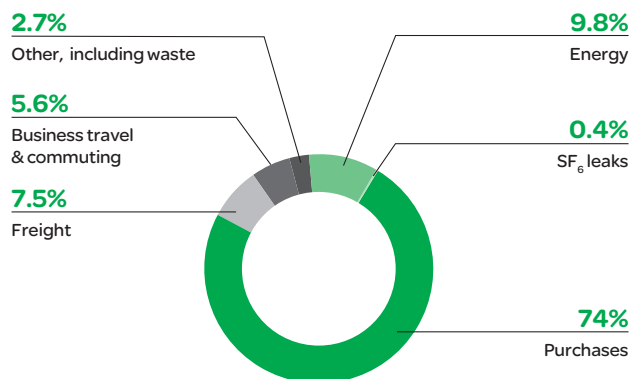


## SUSTAINABLE DEVELOPMENT

### SCHNEIDER ELECTRIC'S COMMITMENT TO ENVIRONMENTAL PERFORMANCE

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<sub>6</sub> 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<sub>2</sub> equivalent emissions of 30,000 tons per year for all scopes 1 and 2 as defined in the GHG Protocol<sup>(1)</sup> *i.e.* by approximately 15% over three years on a constant basis compared to 2008;
- implement a recovery process for SF<sub>6</sub> gas in 12 countries. The first devices containing SF<sub>6</sub> 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<sub>6</sub> 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<sub>2</sub> equivalent. The reduction target of 30,000 tons per year (%, 90,000 tons over the life of the program) was exceeded.

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. The Group's approach is based on measuring, controlling and reducing CO<sub>2</sub> 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:

- set a challenging objective (below 0.65%) to limit leaks of SF<sub>6</sub> used in the manufacturing of new products;

- confirmed its Planet & Society Barometer objective of achieving 10% additional savings on its energy consumption;
- integrated into the Planet & Society Barometer an objective of a 10% reduction in CO<sub>2</sub> in transportation paid by the Group.

All CO<sub>2</sub> savings indicators and results are presented pages 109-111.

## Action plans

### Actions to reduce SF<sub>6</sub> emissions and achievements

A Failure Modes, Effects and Criticality Analysis (FMECA) was deployed for manufacturing processes with SF<sub>6</sub> gas; there were also improvements in processes and measurements on certain highly emitting sites.

From the end of 2008 to the end of 2014, the SF<sub>6</sub> leakage rate fell from 4% to 0.47%, exceeding its objective of 0.65%.

In 2012, this was equivalent to about 10,400 tons of CO<sub>2</sub> avoided compared to 2011 (data corrected for production level); in 2013, 11,500 tons compared to 2012; and in 2014, 5,200 tons compared to 2013.

In parallel, in 2014, 998.5 kg of SF<sub>6</sub>, 23,864 tons of CO<sub>2</sub> equivalent, were recovered from customers' end-of-life products through our « EoL program » (see page 60).

### 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;
- 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.

(1) The Greenhouse Gas Protocol (GHG Protocol) is the most widely-used international accounting tool for CO<sub>2</sub>-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.).



The 2012-2014 company program, Connect, included 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<sup>2</sup>;
- 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 on the 2012-2014 period:

- energy savings of 13% in 2014 compared to 2011 (weather and production level-normalized) for the 280 highest-consumption sites, covering 89% of total published Group energy consumption;
- ISO 50001 certification of 90 sites;
- connection of 365 sites to StruxureWare Energy Operation;
- connection of 315 sites to StruxureWare Resource Advisor;
- around EUR14 million invested in energy efficiency projects, generally with a return on investment of less than three years;
- around EUR10 million monetary savings and 145 million kWh energy savings.

A target of 10% additional energy savings has been set for the period 2015-2017, as well as the ISO 50001 certification of 150 sites.

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 the Group's 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 the 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 optimize and reduce the Group's server footprint by virtualization and or by leveraging virtual private and or public cloud where appropriate.

Achievements in 2014 include:

- Schneider Electric became an official signatory to the new Data Center segment to the United States Department of Energy's existing Better Buildings Program. Within this program, the signatories commit to improving their energy efficiency by 20% over the next 10 years from their own data center operations; Schneider Electric participated in the launch of this program at the formal signing ceremony taking place at The White House on September 30, 2014;
- migration of over 120,000 PC's from Windows XP to Windows 7 enabling more advanced energy management with the built in client management features;
- refresh of over 30,000 PC's with the latest models providing better energy efficiency;
- continuation of infrastructure transformation across all geographies including virtualization, consolidation, centralization and decommissioning of our servers, storage and associated infrastructure;
- launch of several major key design initiatives which will significantly contribute to optimizing the corporate IT server footprint and hence energy usage in the next two years;
- design and deployment of Cloud Services Brokerage to make it easier for Schneider Electric to consume and maintain cloud services, particularly when spanning across multiple providers;
- deployment of a Unified Communications Strategy leveraging the cloud - ability for users to seamlessly transition between productivity tools such as Email, Instant Messaging/Presence/Desktop Sharing, Web Conferencing, Audio/Video, Video Conferencing/Tele Presence and Telephony.





## 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 from 2012 to 2014. 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.

From 2012 to end-2014, reduction in CO<sub>2</sub> emissions linked to freight exceeded the target and reached 16% compared to 2011, thanks primarily to the optimization of long-distance freight modes.

The program contributed to save 250,000 tons of CO<sub>2</sub> and EUR5.8 million since the end of 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).

See indicators page 111.

### Long distance freight

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

During the three years of the program, air freight tonnage represented on average 13.8% of joint air and sea tonnage, against 17.9% in 2011 and 20% in 2010. The reduction in CO<sub>2</sub> emissions on long-distance freight was 32% from 2012 to 2014.

Local and central initiatives have been conducted during the program, such as:

- implementing a manager's approval workflow for certain regions (India, China, East Asia) to challenge the decision of air usage,

with validation by the only manager authorized to change the shipping mode;

- close collaboration between the Inventory Management teams and Transport teams to ensure common goals in the reduction of air transport;
- monthly monitoring of the Air/Sea ratio by region.

### Short distance freight

At the end of 2014, over the three years of the program, CO<sub>2</sub> emissions on roads decreased by 4.3%.

The main initiatives launched or enhanced in 2014 were:

- consolidation of our volumes on a few strategic logistics service providers equipped with transport optimization functionalities; two pilots were launched in 2014 in Europe and a very advanced project in North America; this new strategy has set a new target of a 10% reduction over the next three years;
- two network modeling projects in Australia and China which include, in particular, a reduction in deliveries, reduced transportation lines and an increase in truck loading rates; CO<sub>2</sub> reductions will fully benefit from this new logistics architecture starting in 2015;
- the implementation of a transport management system in China with the objective of improving truck loading and optimizing delivery schedules.

### Participation in several key initiatives

Schneider Electric is actively involved in the French Shippers' Association, where it actively participates in the Environment Commission and is strongly committed to sustainable development in transport.

In parallel to this, Schneider Electric has carried out a successful pilot with an external partner for the industrialization and automation of the ratio of CO<sub>2</sub> emissions in transport.

## 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 a certain number of public and private players to mobilize around these questions.

Customers do not routinely explicitly specify environmental criteria for a product; these practices become more commonplace and the nature of expectations diversifies (origin of materials, recyclability, energy footprint in use, toxicity, etc.).

Global customers, particularly in the construction, transport and IT sectors, and in more and more industries, as well as public 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.

### Action plans

#### 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 impacts of its products and solutions throughout their lifecycle;
- therefore, design products and solutions that respect the environment through a continuous eco-design improvement 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.

## Green Premium Eco-mark

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, for several years Schneider Electric developed Green Premium – a unique eco-mark based on criteria clearly defined, either with a view to 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, % 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 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.

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 2014 with 75% of global product sales made through Green Premium offers, based on 2013 sales. The Group achieved 79%.

As part of its new 2015-2017 company program, Schneider Electric is strengthening its Green Premium eco-brand by giving it new impetus and renewing communication on its deployment 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 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.

## Communication and circulation

The Schneider Electric Environment Marketing campaign was rolled out during 2012, promoting the Green Premium eco-mark. Since 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;
- a unique 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.

In 2014, more than 340 Product Environmental Profile (PEP) documents and more than 210 End-Of-Life Instructions (EoLI) were generated in addition to the hundreds of documents already available.

*Check a Product* website was checked worldwide on average 3,200 times per month and more than 6,200 reference products were checked monthly for their RoHS and REACH environmental status and their PEP and EoLI environmental information.

## Substance Management

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

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

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

**The 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.

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

Immediately after the publication of this new RoHS2 Directive in July 2011 and without waiting for 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 tolerated threshold) and the CE mark since the RoHS2 Directive is now covered by the EU New Legislation Framework. Since 2013, Schneider Electric has performed many studies with its suppliers to define substance substitution solutions by removing the exemptions used until now.





Efforts to bring products into compliance continued in 2014, particularly for the new entities having recently joined Schneider Electric. For specific offers that have little to do with the scope of the 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 the 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.).

**The 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 (commercialization of these substances only with the authorization of the European Commission); even if those substances could be used in Schneider Electric products, the Group EcoDesign policy declares them as substances to substitute;
- notify the quantities of SVHC put on the EU market when they are over one ton per year and per legal entity in each EU Member State;
- adapt the Safety Data Sheet management process to REACH requirements.

In 2014, the 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 December 2014, the communication of the presence and content of these substances included 154 hazardous substances.

**The CRESCENDO project**, initiated in 2011, which aims to integrate substance management within Schneider Electric's information systems, was finalized in 2012 and implemented in 2013. The automation of REACH and RoHS reports enables the Group to continue to provide complete and up-to-date SVHC information to its customers despite the growing of the SVHC list every six months. The CRESCENDO project accelerates the dissemination of information to Schneider Electric's customers while anticipating the impact of obsolescence on its 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 impacts 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's 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.

#### 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 collection and 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. Nevertheless, the new European Directive WEEE2 (2012/19/EU) brings a large portion of industrial electrical and electronic devices and electrical distribution equipment into the scope of application. Under the directive, the equipment manufacturer is responsible for setting up and financing dedicated solutions to collect and process end-of-life equipment. The directive sets minimum rates for recovery and recycling.

For the past several years, Schneider Electric has been actively involved in a responsible approach to manage the waste generated by its products on the market, in particular by publishing instructions for processing its end-of-life products. In addition, Schneider Electric is in dialogue with recycling organizations to better understand the processing of end-of-life products and to incorporate recommendations into its eco-design rules, as is also required by Directive WEEE2 (2012/19/EU).

As a responsible company, Schneider Electric has ensured that the processing and recycling of its end-of-life products is carried out by qualified facilities 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 EU Member State. 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, in particular by reducing health and environmental impacts. Plastic is present in the vast majority of Schneider Electric products and the amount of CO<sub>2</sub> 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 free from potentially toxic substances and have an end-of-life evaluation scenario that respects the environment (ideally material or energy, or at least to avoid landfilling); in 2014, the project improved the health profile of the flame retardant added to a plastic used to make circuit breaker boxes; in addition, a new method has been developed to produce ducts and systems for cables that do not emit toxic fumes that use a high proportion of recycled raw material or that come from renewable resources (via an external collaborative project);
2. come from a production sector that has low CO<sub>2</sub> use (recycled plastic or plastic from renewable sources) and be capable of limiting fossil fuel demand as well as energy and water; in 2013, two ranges of innovative plastics – respectively from renewable origin and from recycled origin – were validated for wire and device offers (sockets and 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 an agricultural source. Schneider Electric continues its involvement in a collaborative project called Polywood which is based on cellulose bio refinery. This project is dedicated to enable building blocks based on sugar extracted from by-products of the timber industry to synthesize performance polymers without competing with the food industry.

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

- applications exempt from substances of very high concern, particularly including non-PVC and non-halogen flame retardant plastics product ranges; we are also working to improve the health profile of electrical insulation resins based on thermosetting hardeners and substances;
- energy efficient or electric vehicle offers that use plastics with a very low environmental impact;
- solutions whose resources and CO<sub>2</sub> footprint is less than that of alternative offers, which will allow customers to reduce their overall CO<sub>2</sub> footprint (their « upstream » Scope 3 of the GHG Protocol) and the fossil fuel intensity of their own products, infrastructure and solutions.

Schneider Electric uses a partnership approach in order to make progress in research in this area. The Group therefore participates in collaborative platforms and competitive clusters (in sustainable chemistry and plastics engineering), and collaborates with institutes for applied research. The co-development approach with leading 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. In the same approach, Schneider Electric is also interested in plant resources such as lignin or tannins that could be valuable building blocks for tomorrow's products while enabling recovery of by-products in sectors such as the timber and wine industries. This work is carried out through particularly strong interaction with several competitiveness clusters through an « open innovation » approach.



## 3.4 Eco-efficient manufacturing

### 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 109-110:

- energy consumption;
- CO<sub>2</sub> 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 Groups' headquarters 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 60% of employees.

The challenge for the future is to maintain this performance level by certifying all 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 water from the public network, groundwater, surface water (lakes, rivers, etc.) and other sources (rain, recycled water, etc.). Water drawn for the sole purpose of cooling and immediately released without alteration also began to be monitored and has been subject to separate reporting for some sites since 2012.

Water is not generally a critical resource in Schneider Electric's industrial processes. The topic was considered not very material by both internal and external stakeholders during the materiality analysis.

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.

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

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

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.

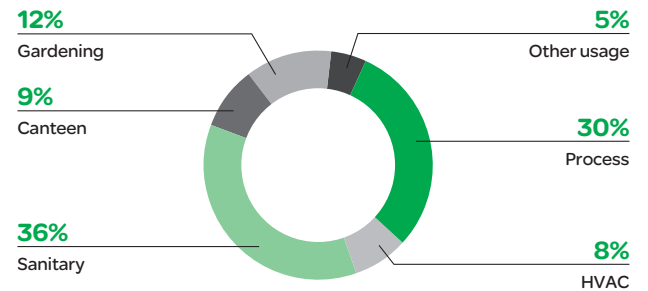
In 2014 EverBlue encompassed 56 sites that represent 62% of the Group's total published consumption.

Since January 2013, Schneider Electric has measured and analyzed the quantities of water consumed by its sites on a monthly basis and the different usages made of it (process, HVAC/Heating Ventilation and Air Conditioning, Sanitary, Canteen, Irrigation). It continues 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 2014, the overall eco-efficient manufacturing approach allowed the Group to reduce its *per capita* water consumption by 9.1% in relation to 2013 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.

Finally, within the scope of Everblue, water consumption in 2014 was reduced by 23% versus the 2011 baseline (data normalized on for headcounts and activity evolution). The overall Group objective of 10% reduction in 3 years has been exceeded.

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



Notes: other usage includes exceptional water usage such as water used for construction of new buildings.

HVAC = Heating, Ventilation, Air Conditioning.

Sanitary, irrigation and canteen usage represents 57% of the total. Industrial processes represent 30%.

This information enables more focused and dedicated action plans for a reduction in water consumption and also enables normalization of information for more accurate performance management: 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.

#### Energy consumption

See the Group's energy consumption action plans on pages 68-69.

#### 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 end-of-life instructions, see the Green Premium chapter on pages 70-72. Also see the Green Plastic program on page 73.



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 China 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, aluminum, tin, nickel, zinc, copper and iron amongst 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 87% in 2014, and by providing end-of-life instructions for its products that customers can easily access online.

## 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 an eco-efficient manufacturing priority.

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 the ISO 14001 certification that all Schneider Electric production and logistics sites worldwide are required to follow.

Since 2009, the objective has been to recover more than 85% of hazardous and non-hazardous waste. Since 2012, Schneider Electric has also worked 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, it is 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%.

This data is processed to ensure local traceability. All waste is channeled 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*, as well as linked to its industrial activity, on a like-for-like basis in order to evaluate its performance from one year to the next.

The overall eco-efficient manufacturing approach helped reduce our production of waste *per capita* in 2014 compared with 2013 on a like-for-like basis and to stabilize the proportion of waste recycled at 87.2% at the end of 2014 on a like-for-like basis (target of 87% in 2014 was 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 2014 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 2014.

### 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 2014.

Emissions of NO<sub>x</sub> and SO<sub>x</sub> 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 supervised by the heads of the regions. 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 the Group's 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 regulations.

### 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, it actively manages the potential for impacts to the natural environment at our operating facilities. No Schneider Electric sites are Seveso classified. The Group's focus on environmental compliance and continuous improvement of its significant environmental impacts minimizes impacts on the environment. Regarding the 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 2014, 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 2014.

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 example, 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. Its ultimate ambition is to generate higher performance and employee engagement, through world-class People practices that are supported by a global/local and scalable model.

Human Resources thus plays a key role in supporting the performance and talent of Schneider Electric in the changing context of its activity. Its 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 digital tools provided. 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	2014	2013	2012	2011
1. <b>30%</b> reduction in the <b>Medical Incident Rate (MIR)</b>	-61% ▲	-47%	-23%	-
2. <b>63%*</b> result in our <b>Employee Engagement Index</b>	61% ▲	60%	55%	-
3. <b>30% women</b> in our talent pool (~2,500 people)	28% ▲	28%	27%	23%
4. <b>1 day of training</b> for each employee every year	79% ▲	67%	-**	-
5. <b>300 sites</b> recognized as « <b>Cool sites</b> »	355 ▲	224	-**	-

The 2011 performance serves as a starting value for the Planet & Society Barometer of the Connect program between 2012 and 2014.

▲ 2014 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 7 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 101 to 104 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 77-79 for indicator 1, 79-81 for indicator 2, 84-86 for indicator 3, 81-83 for indicator 4 and 80 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: all HRBPs supporting front office businesses report 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 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 2014, Schneider Electric based its action plan on hazards and employee injuries, focusing on the following areas:

- employee safety while commuting to and from the workplace;
- safety practices regarding powered industrial trucks (PITs);
- electrical safe work practices with special emphasis on lockout and tagout of equipment energy sources; and
- emergency planning and preparedness at work and at home.

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 2014 included:

- continuation of the Global Safety Alert program – the system to quickly communicate serious events and their associated corrective actions;
- launch of Regional Safety Alerts – specific to a region or type of business to quickly communicate serious events and their associated corrective actions;
- launch of the Global Safety Bulletin – the system to communicate specific key points for each key focus area; it includes statistics and facts in a one-page easy to read format, shared globally and communicated locally;
- the first full year of implementation of the Global Safety Directives– which define the absolute requirements for 16 of our most critical hazards and exposure areas;
- launch of the Guidance Documents – a supplement to the Global Safety Directives; it offers the user visual details, descriptions or examples to help with the understanding and intent of the Global Safety Directives;
- launch of the Global Integrated Management System – kickoff occurred in 2014 with the Asia Pacific region; as a result of the success achieved, the program will be expanded to include all regions under one certification;

- the 2<sup>nd</sup> year of the Global Safety Standardization deployment – the program to standardize safety best practices globally; in 2014, 7 initiatives were approved for standardization; each region reported quarterly updates to the global safety leader and Global Supply Chain EVP; the objective is to have all items deployed by year end for all regions;
- the 2<sup>nd</sup> year of global implementation of the Annual Safety & Environmental Assessments (ASEA) – 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;
- the first full year for the implementation of GlobES (Global Environment and Safety) – the new safety and environmental data management system;
- continuation of OHSAS 18001 deployment.

### 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 2014 results for MIR, LTIR and LTDR are as follows:

- MIR 2013 = 2.37; MIR 2014 = 1.85; reduction of 22%;
- LTIR 2013 = 1.18; LTIR 2014 = 0.93; reduction of 21%;
- LTDR 2013 = 38.67; LTDR 2014 = 29.98; reduction of 22%.

### Certifications

In 2009, Schneider Electric began the implementation of occupational health and safety management systems that meet or exceed the requirements of 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 2014.

### 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, 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 the Group is using many communication methods to share OHS concerns, best practices, and successes. New communication opportunities implemented in 2013 include a new web-based tool, Spice, and a document sharing tool, Box. Training and communication have 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, 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 has been put in place to increase awareness among all actors in the Company on the prevention of psychosocial risks. Four classroom training modules for managers/HR, OSH/health professionals, management committees, and health, safety and working conditions committees (CHSCT) were designed and rolled out by a network of internal HR trainers or volunteer managers. As of the end of October 2014, nearly 1,000 people had been trained since the launch of the training courses in April 2013.

An e-learning training module, hosted by the My Learning Link platform, was designed to raise employees' awareness. This training can be triggered either by the employee or provided in group training sessions and led by HR as part of the Connect People program.

A collective assessment tool for psychosocial risks was designed and integrated into the framework of the professional risk assessment methodology of the health and safety management system. The rollout is now taking place; over 20 sites have launched the process.

Specific support was structured in the framework of the prevention of psychosocial risks in case of reorganization affecting employment (psychological, social and medical support).

The psychosocial risk prevention program at Schneider Electric France has been selected by the French Ministry of Labor to represent France at the European competition on stress at work at the ILO.

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 2014, the satisfaction rate is 62% at Group level on this question, which is above the global rate of employee engagement (61%).

## Accomplishments

For the second year, Schneider Electric set aside a day to recognize and celebrate safety in all of its locations. In 2014, Schneider Electric added three new elements. First, the Group included a theme « Emergency Planning and Preparedness » in which sites conducted training, drills, demonstrations etc. Second, it included an activity to generate interaction, « Safety Ideas » for our employees to identify and implement safety improvements. The participation and satisfaction was outstanding. For example, 80 sites began a safety idea program, within a 6 week timeframe, which generated over 1,300 ideas. Furthermore, a total of 300 sites contributed over 4,000 ideas of which 1,500 were implemented. Third, Schneider Electric encouraged its sites to participate in a video campaign « What does safety mean to me ». The Group received over 340 self produced 15 second videos by its employees representing 25 countries; each region selected the top 3-5 videos which were compiled, edited and distributed as one video to the employees.

Schneider Electric also continues to receive high recognition both externally and internally for its strong Health & Safety program. Recognition received in 2014 included 309 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 constantly strives to be one of the best companies to work for, providing the environment and motivation for its employees to take control of their own career progression – through simple to access training and development resources, while the latest job opportunities are easily visible.

The Group has also a strong focus on ensuring it is seen as a desired employer by top talent externally and the Employer Value Proposition is authentic and consistent 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 for the success of all.

### 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 and « OneVoice » survey

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 OneVoice survey in numbers:

- 100% of employees surveyed twice 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 70% in 2014.



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 2014, the Employee Engagement Index at Group level is 61%, above the industry average (56% – source: Aon Hewitt). 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. In 2014, the result was 77% (compared to 68% in 2012 and 73% in 2013).

### **Flagship program: Cool Sites**

Employee welfare is boosted via the 'Cool Sites program' to promote engaging workplaces (offices, factories, R&D centers, hubs, etc.), which are attractive, inspiring, energizing and distinctive via those small attentions that make a huge difference to our employees' quotidian work life. This program is equally an important driver to develop the ENPS, collaboration, and our Care and Connect values. It is also a key element to attract and retain talent at all levels, and in all cultures around the world. The Cool Sites program is creating an environment that fosters innovation, a deeper understanding of how our products and solutions bring value to our own sites, and strengthen our partnership with our local communities.

The Cool Site certification is relaunched each year to ensure the sustainable quality of the program. The program now has a proven positive and sustainable impact on the engagement and satisfaction scores: Engagement index of Cool Sites in 2<sup>nd</sup> year: +8 pts (vs +1 pt for Non Cool Sites), ENPS of Cool Sites in 2<sup>nd</sup> year: +17 pts (vs -1 pt for Non Cool Sites), One Voice Action Plan Awareness of Cool Sites in 2<sup>nd</sup> year: +13 pts (vs 0 pt for Non Cool Sites).

In 2014, the Cool Sites target of 300 sites (representing a minimum of 80% of its global workforce) has been exceeded, with 355 sites

in 60 countries representing a headcount of close to 110,000 employees having successfully achieved 'Cool Site' certification. This indicator has been included in the Planet & Society Barometer 2012-2014.

## **Employer Branding**

### **Our employer value proposition**

Our Employer Value Proposition continues to evolve in step with the business as a whole. 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 to make that feel real with employees as a form of encouragement, motivation and inspiration. 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.

As this is core to our ability to attract and retain top talent a substantial project is underway to ensure our employer brand continues to be true, authentic and resonates effectively with key audiences.

### **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 2014 the competition expanded its scope to become a truly global competition by opening its gates to students in all countries around the world.

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.

### **Flagship program: Marco Polo**

Launched in 2001, Marco Polo is an internal recruitment and development program to engage high potential employees in overseas missions. This unique program allows to prepare a future generation of leaders for Schneider Electric, while considering present business needs and anticipating future conditions. Since the inception of the program, the Group has actualized over 850 junior profiles from 70 different nationalities for truly diverse assignments in 56 different countries.



## University Partnerships

In 2014, Schneider Electric has continued to focus on key relationships with a core selection of partner universities throughout the world. This enables a deep relationship to develop for the benefit of all. Primarily relationships exist with universities with specialisms that align to our business - most commonly in engineering, energy management or technology. Ranging from:

- sharing of our business acumen – for example competitions and guest lectureships;
- sponsorship initiatives;
- on campus recruitment events.

This approach has enabled strong talent pipelines to be established for key target skills and greater awareness of Schneider Electric as an employer. In addition, in 2014 our efforts have been recognized by others, in particular:

- in Asia Pacific, Schneider Electric was placed no.14 by engineering students in Universum's « most attractive employer » rankings;
- the campus management program in India was selected as an « HR best practice » at the 3<sup>rd</sup> NHRD-Titan Showcase awards in Bangalore.

## Our Employer Brand and Social Media

Over the last 12 months, a coordinated and integrated approach has been taken, with regards to maximizing usage of key social

media channels, to further build the Schneider Electric presence and expand its reach. Highlights include:

- improved organization and branding of major social media channels. This resulted in the Schneider Electric LinkedIn page achieving 470,000 followers (Dec. 2014), doubling in 12 months;
- through internal engagement, increased advocacy of Schneider Electric as an employer has been achieved; by our people, through social media, for recruitment purposes;
- launch of a dedicated « Schneider Electric Careers » Facebook page; to engage in conversation with potential candidates and provide authentic content about Schneider Electric as a place to work; since launch (Sept. 2014), it has received over 35,000 « likes » (Dec. 2014).

## Further recognition

External validation of our ongoing employer branding strategy is crucial in validating Schneider Electric as a potential « employer of choice ». In 2014, recognition was received by achieving:

- a place in LinkedIn's coveted « Most InDemand Employer » rankings worldwide – appearing for the 1<sup>st</sup> time in the list (no. 50); this is based upon interactions on the social media site with Schneider Electric employees and company areas;
- for the 3<sup>rd</sup> year running, a ranking in the top 50 (47<sup>th</sup>) globally in Universum's « World's Most Attractive Employers » results among engineering students; 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.



## 4.4 Fostering talent and competencies

The ongoing growth of Schneider Electric's businesses in markets around the world requires the development of leaders and innovators across all disciplines. Matrix organization structures and virtual teams place new demands on employees. The Connect company program initiatives such as digitization, simplification, growing services business or customized supply chain, etc., also require ongoing adaptation and skills enhancement. Learning and career development is therefore at the heart of Schneider Electric's Human Resources policy.

### Approach

There is a strong focus on Learning in our « Connect » 2012-2014 company program. Within this program, « Learn & Grow » defines strong ambitions in training, fosters 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; and 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 ».

Schneider Electric places a strong focus on the effective management of talent at all levels. To this end, a talent review process operates across the organization to help ensure that talented individuals are identified and realize their full career potential. Structured succession planning for critical roles helps to accelerate individual career development while maintaining continuity for the organization. In selecting and developing talent, an important consideration is also to foster diversity such as gender and nationalities (new economies as well as mature economies). At the individual level, tools and processes ensure that clear goals are set and tracked in the areas of both performance and development. Managers and employees are able to draw on extensive resources in support of individual development, and these activities are formalized in an Individual Development Plan.

Talent management and performance management processes were brought together during 2014 via the deployment of a new integrated HR information system called TalentLink. This system will allow significantly improved data management and analytics in the areas of strategic workforce planning and talent management; it will also improve the matching of resources to demand regarding learning in the different parts of the organization.

## Action plans

### Innovation in training

Research shows that building and sustaining a high-impact learning culture are smart business, both in short-term business performance and long-term business growth. Because we want to achieve our business goals and stand above the competition, we know we must invest in our people and prepare them for the future with the right set of skills. The innovations that Schneider Electric conducted in 2014 are solid steps in that direction.

First, The Group progressed on its digital journey:

**Offline player:** My Learning Link now offers an Offline player for e-learning. It enables users to download courses when they are on the network, and play them later offline, wherever they are, connected or not. This is a first step towards a more convenient and flexible learning experience. Only a small part of the catalog is currently available offline, but this list will extend as time goes by.

**Mobile devices:** the Group has finalized studies to define action plans to increase the number of learning offers accessible through mobile devices. The first courses on tablets and mobile phones will be launched in June 2015.

**Digital learning:** academies (see « Organization » below) and countries have continued their actions to transform their in-class offer into e-learning or blended programs. As of end-2014, Schneider Electric learning catalogue encompasses 20,000 learning objects including 11,500 on-line courses (e-learning, quizzes, tests, videos).

Secondly, Schneider Electric has successfully experimented new approaches:

**MOOC pilot:** in May, the Group launched a proposal through its social network Spice to invite employees to follow 3 pre-selected MOOCs (Massive Open Online Courses) on Strategy, Leadership and Global trends. Of the 250 employees who indicated interest, 24% fully completed their selected MOOC. Thanks to good selection of topics and right internal project facilitation, this completion rate was 3 times higher than the market average completion rate of 7%. All learners found the key learning useful and applicable in their current job and would recommend MOOC for future learning at Schneider Electric. As a next step, selected MOOCs will enrich and complete Schneider Electric academy portfolio, supporting its digitized learning culture and creating real value.

**Learning week:** for the first time ever, the Group organized a Learning week which was held worldwide from October 13 to 17<sup>th</sup>, with 3 main objectives:

- foster a culture of self-development: I learn and I enjoy;
- share with colleagues, experts;

- reach « One day training per year for all ».

Many activities were organized such as webinars and workshops on key subjects, collective e-learning, market place, roundtables with leaders, training courses, employee initiatives to teach professional and personal subjects to colleagues, games, contests, selfies on Spice (our social network), etc. Over 50,000 employees actively participated. Consolidated results from the Learning week confirm our success:

- 70% of respondents satisfied (2,428 answers, including 620 managers and 1,808 individual contributors);
- 73% are likely to recommend the Learning week to a friend or colleague;
- 91% of respondents think that Learning weeks should continue to be organized in the future;
- 384,000 training hours were registered in October, which is the highest monthly record of the year 2014 (average monthly progression: 192,000 hours).

**Collaborative Learning:** a vote was organized to celebrate the most active learning communities utilizing web and social media tools to build collaborative learning groups. These groups are centered on communities with common topics of interest such as New Hires, Action Learning Project Teams, Corporate leadership programs etc. New groups were also launched such as that for Front Line Managers.

### « 3E » program

The 3E program was implemented to collect local existing practices on how to create individual development. It involves relevant work experience (Experience), managerial coaching and feedback structures (Exposure) and appropriate training investment (Education). The generic 3E playbook for the 19 cross-functional competencies provides ideas for concrete individual development actions. The 3Es have been integrated in the new HR information system, under the employee individual plan. The Group's aim is to give all employees the opportunity to draw up a personalized skills and solid career development plan in collaboration with their managers.

## Organization

### Global academies

The academies' curricula are built using the outcome of workforce planning (see page 84). Schneider Electric benefits from 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. Few examples:

- Global Supply Chain (GSC): the Global Supply Chain Academy is providing 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 2014, 40 new learning offers were launched on strategic topics, 90% of them being e-learning; more than 80% of GSC employees did more than 1 day training and 10,000 white collars did more than 5 hours of digital learning;

- **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. The range of learning offers covers the entire OCP lifecycle, addressing skills such as project management, design and testing, R&D processes, software tools, etc.;
- **Sales through Partners:** the Sales Excellence Academy is set to prepare the transactional sales force for the challenges of the commercial transformation in line with business strategies. It develops training paths for sales engineers, representatives and managers in order to impart knowledge, skills and behavior to sell 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;
- **Solutions:** the Solutions University offers a comprehensive portfolio with a flexible approach including 18 blended certification curricula and 10 programs for leaders and managers, tailored to organization's needs and performance environments. The Solutions University's aim is to support the solutions and services business growth, greater business collaboration and more agility. At the end of 2014, around 13,000 enrolled candidates from 92 countries have taken the Solutions University learning paths, delivering 6,689 certificates.

### Leadership Development

The ongoing development of leaders within Schneider Electric is seen as a critical element of our future success. «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. Approximately 3,500 managers participated globally in the different offers for leaders and senior leaders.

LEAP (Leadership Excellence Acceleration Program) is the regional high potential program of One Leadership; it develops high potential leaders for future regional leadership roles. Inclusive in its design is the «3E» approach (Experience, Exposure and Education), simulations and projects to address real business problems. Approximately 400 high potential leaders have attended these regionally run programs in 2014.

Our executive development offer, Lead to Achieve, Lead to Impact and Lead to Inspire, brings multi-level leaders together and

provides challenging, best-in-class education and exposure opportunities for 260 global high potential leaders. This innovative approach to leadership development has led to enhanced leadership acumen and accelerated career advancement, ensuring the continuity of Schneider Electric's leadership pipeline.

The focus of leadership development in 2014 continued to be the front line managers' population.

### 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, assessments and full certification paths, was progressively deployed in all countries in 2013 and took off in 2014. Academies and country-level courses are registered in My Learning Link:

- more than 20,000 modules of learning content are available in 7 languages;
- 125,000 employees have access to the system;
- 88,000 employees followed at least one day training (instructor-led training and digital learning) in 2014.

No managerial approval is required for employees to register for online courses; employees are actively encouraged to take the responsibility for developing their competencies. 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. It is also instrumental in reaching the Group's objective of one day of training per employee per year, which is part of the Planet & Society Barometer.

My Learning Link is also used to deliver online training programs to Schneider Electric customers. In 2014, the Partner Relationship Management (PRM) program has been deployed in 8 countries, including a training module that provides our partners with dedicated learning paths based on their area of expertise.

#### 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

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As Schneider Electric'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, focusing 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 and inclusion

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### Approach

At Schneider Electric, diversity is an integral part of our history, culture, and identity. Having gone through a series of acquisitions, the Group has now operations in over 100 countries, its employees speak more than 50 languages, and 43 percent of its workforce comes from new economies. The first Diversity Group policy was written in 2006 and, at the end of 2013, Schneider Electric launched a new global Diversity & Inclusion policy. The Group strongly believes that its success and its future depend on its collective ability to:

- reflect worldwide and diverse marketplaces;
- boost innovation with diversified teams;
- leverage the value of the company's diverse character and multiple facets.

More importantly, Schneider Electric believes that in treating all people with respect and dignity, it strives to create and foster a supportive and understanding environment in which all individuals realize their maximum potential, regardless of their differences.

### Diversity and inclusion commitments

The new Diversity & Inclusion policy describes how Schneider Electric wants to welcome differences as real value for the company and how its commitments should be addressed and implemented across the whole company. The Group works through three major commitments:

- value diversity at all levels of the company;

- we want our employees to reflect the diversities of the communities in which we operate, believing that true value results from integrating these diversities,
- we want to achieve the same level of commitment across the whole company, in all countries where Schneider Electric operates,
- we work through programs that help us bridge differences and embrace diversity to the fullest;
- ensure that diversity is integrated at all stages of the Group's « Total Employee Experience » (HR processes and tools);
- we want to promote equal opportunities and respect of diversity at all levels of the Human Resources processes and make diversity and inclusion an integral part of the Group's management;
- foster a culture of inclusion and respect all cultural diversities;
- we want to ensure that all employees treat others, at all times, with dignity and respect and exhibit conduct that reflects inclusion,
- we encourage employees to create support communities and networks, and require them to complete annual diversity awareness training that will enhance their knowledge and encourage respect for others.

### Scope

The Diversity & Inclusion policy applies to all Schneider Electric entities worldwide. All Schneider Electric entities must develop Diversity & Inclusion action plans that cover areas such as gender and cultural diversities, while meeting local regulations and addressing country-specific issues.

### Governance

A global committee, comprising two Executive Vice-Presidents, two Country Presidents and Senior Vice-Presidents Human Resources, has been created to validate and promote the global action plan.

Diversity & Inclusion ambassadors have been appointed in the top largest countries and entities and each of them have implemented a Diversity & Inclusion action plan. This Diversity & Inclusion core community convenes to share best practices every two months.

Twelve countries have launched Diversity & Inclusion action plans covering gender, culture, generations, disabilities, etc.

### Communication, education and further developments

A company-wide communication campaign was deployed to raise awareness on the new global policy and promote the value of having a diverse and inclusive culture.

An e-learning module was launched at the end of 2014 for all employees to better understand diversity.

Three areas are being explored to define improvements and set up new policies and actions:

- how to ensure the most neutral recruitment process;
- maternity leave policy;
- pay equity.

### Processes and indicators

Several global processes have been developed to support Schneider Electric's diversity policy, e.g.:

- talent review process to detect talent and promote equality and diversity at all levels of the company, ensuring that professional development is based on equality;
- recruitment policies, succession planning, and access to training pay particular attention to gender balance and new economies representation; for example, succession planning for key positions in the company must include at least one woman.

Under the Connect People program 2012-2014, three key performance indicators have been set with the objective to promote women and new economies in the talent pool and in positions of key responsibility: the percentage of women in key positions and in the talent pool; the latter is also included in the Planet & Society Barometer which aimed to have women constitute 30% of the talent pool by the end of 2014 (28% achieved); and the percentage of Key Position Potentials and Key Position Holders located within the new economies.

### Notoriety and community commitment

Our CEO, Jean-Pascal Tricoire, has signed the CEO Statement of Support for the Women's Empowerment Principles (WEP). By doing so, he has signaled his support for the overall goal of advancing and empowering women and more specifically, the guidance offered by the WEPs on how to empower women in the workplace, marketplace and community. The WEPs seek to emphasize the gender dimension of good corporate citizenship, the UN Global Compact, and the role of businesses in sustainable development. This commitment from Mr. Tricoire has encouraged local Schneider Electric offices in countries around the world to begin integrating the WEPs into their own business practices.

The Country Presidents of Schneider Electric India, China, Canada, Italy, Turkey, Germany, Vietnam, the US and France have also signed a statement of support. Signers of the CEO Statement underscore that equal treatment of women and men is not just the right thing to do; it is also good for business and should be a corporate priority.





## A strong focus on gender diversity

In its Diversity & Inclusion 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 21<sup>st</sup> 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.

The Women @ Schneider Global Initiative was launched in 2012 and is based on two main pillars: programs supporting women's professional development and programs educating leaders.

The Women @ Schneider Global Initiative has 4 main objectives:

- become a distinctively attractive workplace for women;
- engage more women in top positions of the company;
- support and develop young talented women in their career;
- become a gender balanced company.

### Programs supporting women's professional development

A specific program, « Women in leadership » (3 days' coaching), has been deployed in three regions (Asia, Europe and North America). By end-2014, more than 300 women have attended this program.

More than 10 Schneider Electric local women networks have been created in different parts of the world.

### Leaders' commitment

A half-day seminar focusing on gender balance, Gender Workshop for leaders, was launched in 2010 with the Executive Committee members and their teams. It has since then been deployed targeting the Management Committees of the main entities and main countries; this cascading process started in Asia at the end of 2012 with 150 leaders; in 2013 and 2014, 180 leaders have attended this workshop, including leaders from Italy, Turkey, US, Purchasing, Global Supply Chain leadership teams, and Partners team.

## Nationalities

Schneider Electric has always promoted cultural diversity and inclusion as a key enabler of the strategy.

In 2014, five nationalities are represented within the Executive Committee (French, American, Spanish, German and Chinese). The Group also focuses on diversity of nationalities for Country Presidents, expatriates, and all employees.

Emphasis is also placed on representation of new economies within the Group's talent pool.

## Focus on France

In France, diversity and inclusion are longstanding priorities and a strategic asset.

### Diversity and equal employment opportunity for men/women

Equality between women and men is a major issue that has been addressed in France since 2004 with the signing of the Diversity Charter. The main objective is to deepen the commitment of men and women by ensuring that HR policies are favorable to the development of their careers.

In France, Schneider Electric signed an initial agreement in favor of equal employment opportunity for men and women for Schneider Electric Industries and Schneider Electric France (SEI/SEF) in December 2004. This agreement, which was renegotiated and signed in 2012, sets 5 priorities:

- training: ensuring equal access to training and ensuring the employability of all employees, both men and women;
- equal pay for men/women: salary equality is fundamental to the equality of treatment that Schneider Electric is committed to guaranteeing for all its employees, both men and women. In France, this commitment has been put into action since 2006 by allocating an annual budget (0.1% of the salary total) dedicated to fixing gender salary gaps. In 2011, Schneider Electric designed an innovative methodology to analyze remunerations versus competencies, responsibilities and the career path. This methodology, renewed in 2012 and 2014, identified 1,067 people whose salary had been increased (21% of the women and 7% of the men);
- professional development: ensuring equal treatment in the promotion of all employees and ensuring equity of access to positions of responsibility;
- work-life balance: supporting measures and mechanisms designed to enhance private life and parenthood:
  - flexible work schedules that can be adjusted according to periods in which presence at the workplace is obligatory,
  - regular or occasional telecommuting, and part-time schedules, accessible under certain conditions,
  - concierge services developed by Site Management,
  - best practices every day: scheduling meetings between 9 a.m. and 6 p.m., except for emergencies or specific activities, taking into account the days on which part-time employees are present for team meetings, complying with a minimum notice period of one week for trips of several days (seminar, show, forum, etc.),
  - daycares: 78 reserved places for children under 3 in the inter-company daycare, a partner of Schneider Electric (*Les Petits Chaperons Rouges*);
- communication and awareness: developing the support necessary for a better understanding of practices that enhance workplace equality between men and women. A guide to gender equality and a guide to parenting were created in 2014.



In 2007, Schneider Electric received the Employment Opportunity for Men and Women label awarded by AFNOR Certification (SEI/SEF scope). Awarded for a period of three years, this label was renewed in November 2010 and June 2014.

Schneider Electric has also been a signatory to the Parenthood Charter since March 2008, and signed partnership with the Ministry of Women's Rights for the development of professional equality in France in April 2013.

## Disability

To ensure equal opportunities for those with disabilities, all the Group's 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, etc.), 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 signed a new Disability Agreement in France in December 2012. Within the scope of this 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 and going beyond legislation;
- taking account of accessibility for 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.

In 2014, 100% of the production and commercial sites were audited for accessibility for the disabled and a continuous

improvement process was implemented with the Directors of the sites.

In 2014, 15 people with disabilities were recruited on work-study contracts and 3 on permanent contracts. In all, employees with disabilities accounted for 6.06% of employment at Schneider Electric in France in 2014, 2.91% of these in indirect employment (subcontracting to the protected and adapted sector) and 3.15% in direct employment.

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 EUR33 million in 2014, including: EUR16 million in France, EUR11.6 million in Spain, and EUR5.4 million in other European countries. In 2014, a new dynamic for subcontracting services was launched in France: new development opportunities were identified and are beginning to bear fruit to increase results in 2015.

## Generational and origins diversity

Schneider Electric wants to capitalize on the younger generations by giving a chance to all, especially low-skilled youth who are unemployed or from disadvantaged areas. In addition, Schneider Electric also wants to enable seniors to share their skills and explore new prospects for change and for their careers. To achieve these goals, in 2013 Schneider Electric signed:

- the Intergenerational Device Agreement, a commitment in favor of the young and seniors' employment and in support of the transfer of knowledge and skills;
- the agreement on apprenticeship (renewal), which sets broad guidelines for the use of work-study contracts, sets out the financial conditions for the support of the work-study participants and provides increased means to better support its sponsor's mission;
- the « Jobs of the Future » (*Emplois d'Avenir*) Agreement signed with the Ministry of Labor, Employment and Social Dialog, which is in favor of recruiting for 70 « Jobs of the Future » (*Emplois d'Avenir*) between 2013 and 2014 in favor of young people or low-skilled people;
- the Businesses and Neighborhoods (*Entreprises et Quartiers*) Agreement (2014-2015) signed with the Minister Delegate for Urban Affairs, in which Schneider Electric strengthens its actions in favor of enabling people in difficult situations (unemployment, social exclusion, school dropouts, etc.) to enter the workforce and develop assistance in disadvantaged areas.

## 4.7 Compensation and Benefits

### Approach

Schneider Electric is committed in providing a competitive and comprehensive compensation and benefits offering that is cost effective in each market and country in which the Group operates in order to attract, motivate and retain talents.

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 global job architecture to support and align Rewards and Human Resources programs so that Schneider Electric can develop and move talents across different businesses and geographies.

In line with the Group's pay-for-performance philosophy, the 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 the Group's reward offering and reflect the diverse needs of its 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

One of Schneider Electric's underlying benefit objectives 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.

In 2014, Human Resources and the local business have continued to actively track the agreed deployment roadmap in order to ensure full compliance in the first quarter of 2015.

## 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. When possible, 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).

Sustainable development criteria also apply to the main zone and country Presidents (10 in 2014) and 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 annual performance.

The sustainable development criteria are then cascaded into the teams if relevant and decided. For example, since 2010, the CO<sub>2</sub> reduction targets have been taken into account for the performance incentives of all Global Supply Chain personnel who receive a bonus and involved in these projects; all Purchasing personnel who receive a bonus have the sustainable purchasing KPI of the Planet & Society Barometer in their performance incentives; and 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 (% score at the end of 2014 for 2013 annual grant). As a reminder, the Planet & Society 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 2014

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 its 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 Française des Associations d'Actionnaires Salariés et Anciens Salariés). In view of the dynamism of the employee share ownership program, the « 2014 Plan » was again enlarged and proposed in 38 countries. More than 41,000 employees subscribed shares for a total of EUR205 million with nearly 11,000 new investors.

The employee shareholding at December 31, 2014 represented:

- 4.01% of Schneider Electric SE's capital and 6.26% of the voting rights;
- over 62% of the employees worldwide.

In 2015, the Group expects to launch a new global Plan which will cover 120,000 employees in 33 countries.

### **Socially responsible investment fund**

In November 2009, Schneider Electric created the « Fund Schneider Énergie 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 Access to Energy program (see pages 91-95).

Investment in this fund has reached EUR9 million, thereby enabling 5,000 employees to take part in social welfare projects in France and abroad which have been developed as part of the Access to Energy 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.

While changing the corporate form of its parent company, Schneider Electric SA, into a European Company (« Société Européenne »), Schneider Electric negotiated an agreement with employee representatives of European countries about the involvement of these countries' employees in the company's decision-making processes, thus reaffirming its commitment to promote social dialogue at international level.

### **Action plans in major localizations**

#### **European Works Council (EWC)**

In 2014, Schneider Electric General Meeting of Shareholders decided to transform the corporate form of Schneider Electric SA into a European Company. This change of corporate form, which eventually occurred in June 2014, was made possible after the negotiation of the « Agreement on the information, consultation and participation of Schneider Electric employees in Europe », with employee representatives from all European countries.

This agreement, which was approved by a vast majority of negotiators, set out a new European Works Council with extended

powers and means, and introduced the participation of European employee representatives at board of directors' level. It replaced the existing European Works Council.

This European channel for dialogue aims at enabling 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 covers all European Economic Area countries (hence all EU member states) and Switzerland, for a total employee number of more than 50,000.

In 2014, the European Works Councils (before and after the transformation into a European Company) met eleven times, including nine Core Council meetings and two plenary sessions. This allowed an active social dialogue at European level all along the year, as well as in-depth discussion on key topics. The June plenary session hosted presentations by five Executive Committee members among which Schneider Electric's CEO.

#### **Group Works Council, France**

Schneider Electric's French Group Works Council is a forum for economic, financial and social dialogue between senior management and the representatives of the employees from all French subsidiaries.

In 2014, the Group Works Council for France enhanced its transversal information and understanding of business stakes and strategy of Schneider Electric, through six 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 Rectiphase plant near Annecy and 38LL site in Grenoble.

#### **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.



During the 4<sup>th</sup> quarter of 2014, a three year coordinated bargaining agreement was reached with the three international unions in the United States. Union agreements were also ratified with employees at Juno Lighting Group. 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 four 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 2014, 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. Also, one major Mexican plant was part of an audit according the EICC Code, confirming its compliance on social, environmental and ethical standards.

### **Social dialogue in China**

The Group has 39 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 2014, 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.

### **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.

In its purchasing strategy, Schneider Electric has defined « off-limit situations » at suppliers'; child labor is one of them. These situations are unacceptable for a Schneider Electric supplier. Processes and training are being deployed among the purchasing function to learn how to detect these situations and react when facing an ethical dilemma.

## > 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 Foundation and the « Schneider Electric Teachers » NGO, and by its commitment to helping people to enter the workforce.



### 5.1 Access to Energy program

#### Context and aims

In today's world, 1.3 billion<sup>(1)</sup> 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 2 US dollars per day.

Their families' energy costs may run to more than USD 15 per 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 Access to Energy program, Schneider Electric wants to play a major role in helping underprivileged people to gain access to electricity.

Schneider Electric is involved in three specific areas:

- **Investment:** manage an investment fund for business development in the electricity sector;
- **Offer:** design and deliver electrical distribution solutions for disadvantaged 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 its employees' contributions.

Created in 2008 and launched in 2009, the Access to Energy program illustrates Schneider Electric's desire to create a virtuous circle combining business, innovation and social responsibility.

#### Organization

##### Management

The program is managed by the Sustainable Development Department. The program management team is now spread equally between France and India:

- an Access to Energy solutions Business Development Director;
- an Offering Creation Director based in Bangalore (India);
- a Social Investment Director, who manages the Schneider Electric Energy Access social welfare fund;
- a Training Programs Director;
- Access to Energy correspondents in key countries (India, Senegal, Nigeria, South Africa, Brazil, etc.).

##### Rollout

The Access to Energy 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 countries concerned. 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 the program are India, Bangladesh, China, South Asia, Sub-Saharan Africa and South America.

(1) Source: International Energy Agency – World Energy Outlook 2013.



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	2014	2013	2012	2011
1. <b>1 million households</b> at the Base of the Pyramid have <b>access to energy</b>	1,095,806 ▲	695,685	344,441	-
2. <b>30,000</b> people at the Base of the Pyramid <b>trained in energy management</b>	60,232 ▲	32,602	10,517	-
3. <b>300 missions</b> with the « <b>Schneider Electric Teachers</b> » NGO	460 ▲	228	66	-

The 2011 performance serves as a starting value for the Planet & Society Barometer of the Connect program between 2012 and 2014.

▲ 2014 audited indicators.

Please refer to pages 101 to 104 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 93-95 for indicator 1, 95 for indicator 2 and 97 for indicator 3).

## Social investment

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.

On December 31, 2014, the following amounts were managed by the fund:

- EUR3,000,000 in capital invested by Schneider Electric;
- EUR1,700,000 invested by Schneider Energie Sicav Solidaire (of which EUR500,000 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 fuel 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 underprivileged people.

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. At the end of 2014, 5,000 Group employees in France showed their interest in the Access to Energy program by investing EUR9 million.

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.

## 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. This company has developed a range of efficient and environmentally friendly buildings on the basis of recycled shipping containers. An initial project of housing units for people entering the workforce was exhibited in Versailles (France) at the « Solar Decathlon » event. Following this exhibition, the housing units were installed in Lyon by « Habitat for Humanity » as housing for people entering the workforce.

### Partnership with ADIE

In 2010, Schneider Electric set up a project 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 to 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. In 2014, SEEA helped refinance 120 loans. 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.



## International investments

One transaction was concluded as part of the SEEA international portfolio in 2014:

- SunFunder is an innovative financing company specializing in companies seeking to increase energy access in sub-Saharan Africa and emerging countries. It has a range of unique and diverse funding offers through an online platform for participatory financing and debt funds for institutional investors. It has recognized expertise in monitoring and selecting projects based on a rigorous selection process and measurement of the social impact through an online platform.

This was an investment of EUR1,900,000 as part of the SEEA international portfolio, or about 80% of the allocation. SEEA is not planning any further investment in this portfolio but will continue to support the development of the companies in the portfolio.

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 solar homes systems (SHS) as well as collective systems for supplying irrigation pumps or agricultural windmills;
- 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;
- 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 cell phones;
- Fenix International, a company that designs and distributes solar systems in Uganda, enabling users to develop a cell phone charging business. This company has established distribution agreements with mobile operators and has developed a prepayment offering;
- Lumos International, a company that 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 business models

### 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 business 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 Mobyia TS120S lamp, which resulted from collaboration on technical specifications with the Total Access To Solar teams. Mobyia 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 cell phone. Its original design has already won three awards.

**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 cell phone recharging. In 2014, the Access to Energy program extended its offering to provide a range of SHS dedicated to individual income-generating activities requiring higher-power alternating-current equipment (miller, tailor, hairdresser, restaurant, grocery, cinema, etc.).

**Collective electrification:** Schneider Electric originally developed Villaya Villasil, 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, which began 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 and direct radiation, 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 2016.

**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 and public lighting.

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.

Villaya Lampadaires Solaires solutions have been marketed since 2014 to provide public lighting with standalone LEDs in isolated locations. Based on an intelligent energy management system, the streetlights guarantee uninterrupted lighting, even in cases of low levels of sunlight. Their « Plug and Play » design with resistant NiMH batteries is particularly suited to the tropical environment and can withstand high temperatures.

**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 Access to Energy Training teams, an affordable range of Access to Energy 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.

**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 Access to Energy program, the partnership aims to support farmers, electrify remote villages, promote the production and intelligent management of energy for the association's « Enchanted Farms », and train and support local entrepreneurs in the field of energy access.

**Microfinance:** Microcredit enables individuals and small businesses with low or irregular incomes to finance the purchase of solar lighting or individual electrification solutions for economic development. At the end of 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 MFI customers: « 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. Based on this success, in 2014, Schneider Electric partnered with Golden Key Company (GKC) in Myanmar to form « Village Electrification Consultants », which establish their point of sale of energy access products in their villages, advise villagers on domestic electrification and provide maintenance of installed products.

**Decentralized rural electrification:** Rural electrification continues following the success of the projects launched since 2009 in Madagascar, Vietnam, Senegal, Cameroon, 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 2014, the village of Baghagha in Casamance, Senegal was equipped with two Villaya Villasol micro solar power plants that provide electricity to the school and the health center, and a battery charging station 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. In 2014, Schneider Electric partnered with Golden Key Company (GKC) in Myanmar to electrify three villages in the province of Irrawady. 675 households have been electrified through an experimental microarray solar solution, all direct current that enables them to power two LED lights, a cell phone charger and a radio 24 hours a day.

## Training

### Approach

The key challenge of training in the energy sector is to provide underprivileged people 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 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, if not included within a bilateral logic;
- the training of trainers to support the 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 Schneider Electric's local subsidiary. 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.

Constantly evolving to meet the needs of the professions and solutions of tomorrow, the range of teaching materials launched in 2012 was expanded to include new materials. The first center of excellence for the training of trainers was opened in India. Two global agreements were signed this year.

Entrepreneurship is now part of the training. These specific training modules are designed to be rolled out quickly in all Access to Energy partner centers.

Since starting the program in 2009, more than 73,000 people have been trained in more than 20 countries, giving hope for a decent life for the young people being supported.

### Outlook

The large-scale expansion of the training projects initiated in 2013 will continue, with the objective of training 150,000 people by 2017 and the goal of supporting 1 million young people by 2025.

The opening of new centers of excellence is planned in partnership with the French Ministry of National Education.

In 2015, the following activities will be launched or are being continued: the launch of new projects in new countries, initiatives for direct donations of materials, transnational spin-offs, the development of global partnerships, creating alumni, and research on digital learning solutions.



## 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:

- training and professional integration in the energy trades;
- tackling energy poverty;
- raising awareness about sustainable development;
- employee engagement, especially with the NGO Schneider Electric Teachers.

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 EUR10 million has been invested in this way to benefit local communities (see page 118).

### Organization

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 in the areas of vocational training in the energy trades and tackling energy poverty, 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.

The Foundation's network structure is an original and very suitable means 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.

The delegates also organize local events adapted to the country's culture, to better boost employee morale, and inform them of Foundation activities at their site.

Finally, they coordinate the organization of the Schneider Electric Foundation's annual campaign for international mobilization called Communities days. This week took place in October 2014 and was an important time in the Foundation and Company's history, with local partnerships taking center stage at an international level. They also engage in campaigns organized following natural disasters.

In 2014, 36,129 employees in 56 countries took part in these campaigns.

## 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/funders 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 bylaws 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, etc.).

### The Executive Committee

The Schneider Electric Foundation's Executive Committee meets once to twice a year. It is made up of members of Schneider Electric, employee representatives and other qualified individuals.

The current composition of the Schneider Electric Foundation's Executive Committee is as follows:

- Chairman: 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 Rosenczweig (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; Leslie Zambelli, Commitment and Fuel poverty project manager; Morgane Pelouille, Administrative Assistant. The selection committee is made up of three members: the Foundation's General Delegate, the Foundation's Program Director and Director of the Access to Energy Vocational Training Program. It meets once per 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 by 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, 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 Foundation's General Delegate.

## Programs

### Training and professional integration in the energy trades

Since 2009, the Foundation has been supporting the Access to Energy program to improve energy access in new economies through the development of vocational training in energy management trades for the most underprivileged.

To facilitate the integration and professional training of these young adults, the Schneider Electric Foundation continually encourages and supports national and international integration associations or electrical profession educational organizations.

This training and integration program captures 68% 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 2012-2014 period, the objective of training 30,000 people was exceeded, with 60,232 underprivileged people trained in energy management professions.

### Tackling fuel poverty

In 2013, the Schneider Electric Foundation stepped up its commitment to contribute to the fight against fuel poverty in mature economies by supporting the implementation of information and awareness campaigns and supporting actions targeting households facing this type of poverty.

Through this program, which is its most recent, the Foundation provides long-term support to associations or entrepreneurs who offer solutions that contribute to the fight against energy poverty. Currently, contributions are made via the Foundation's partners to:

- support projects for families affected by fuel poverty;
- innovative or experimental projects in the area of social housing and its equipment, or support of families.

This program accounts for 19% of the Schneider Electric Foundation's commitments.



## 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* in the framework of the new Refuge du Goûter, 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 develops solutions that will serve the project by extending its scope, adapting to needs and to different ways of collaborating that are new and original;

- setting an example for employees, but also for the wider community.

Faced with our planet's issues 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.

## 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.

Since 2012, the NGO Schneider Electric Teachers was created to organize volunteer missions benefiting the Foundation's partners. Schneider Electric and its Foundation wish to do more to support the voluntary work of Schneider Electric's current and retired employees in the teaching and professional training programs. From 2012 to 2014, the main objective was to provide a new contribution to the Access to Energy training programs and to undertake 300 missions in three years. This indicator was included in the Planet & Society Barometer 2012-2014 and reached 460 missions.

## Governance

The Schneider Electric Teachers association lodged its bylaws 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 Access to Energy program. In 2013, a new member representing volunteers joined the office. This is composed of: Christian Wiest (Chairman), Dominique Devinat (Vice-Chairman), François Milioni (Secretary), Christophe Poline (Treasurer), Emir Boumediene (member), Bernard Lancian (member), Gilles Vermot Desroches (member). The board met seven times in 2014 and the General Assembly was held in December 2014.

Though less than two years old, 41 partners from 25 countries have joined the initiative; the volunteer community comprises more than 900 people.

## Operations and players

This is a shared contribution between the Foundation, Schneider Electric entities and employees/retirees for the benefit of non-profit structures that are partners of the Foundation:

- 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

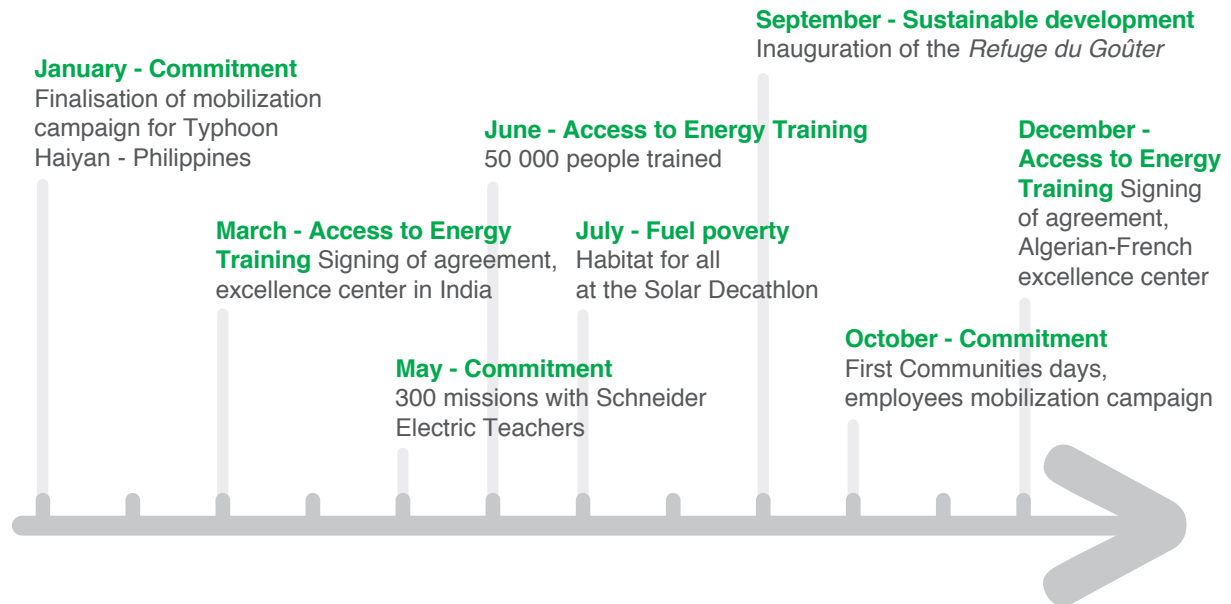
The missions are for the most part:

- 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 with associations and entrepreneurs:
  - who have supported Schneider Electric Energy Access social 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](http://www.fondation.schneider-electric.com) and [www.teachers.schneider-electric.org](http://www.teachers.schneider-electric.org)



## Highlights of 2014 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 2014, the North America Foundation provided USD4 million of funding to various charitable and community organizations, employee match and employee giving programs;
- due to the volunteer efforts of thousands of North American employees, significant contributions were made to Habitat for Humanity, the American Heart Association, the American Cancer Society, the American Red Cross and to the ALS Association (« Amyotrophic Lateral sclerosis » Association); the Schneider Electric North American Foundation has long term partnerships with many of these organizations due to their importance in the communities in which Schneider Electric has a presence.

### Initiatives in India

Schneider Electric India is committed to promote development for underprivileged people through various projects. Schneider Electric India has created a Foundation in 2008 to execute all Corporate Social Responsibility activities in the country. Schneider Electric India Foundation is working in the following focus areas:

- Education: skill development of unemployed youth dropped out of school and college; scholarship of meritorious students from underprivileged sections of society; education of school children on energy saving and conservation of the environment;
- Entrepreneurship: support of young people, trained by Schneider Electric Access to energy program, to create their own business;
- Employment: support of young people, trained by Schneider Electric Access to energy program, to get a job;
- Electrification: electrification of underprivileged households in remote areas;
- Emergency support: restoration of electrical network after natural disasters.

Schneider Electric India Foundation works in partnership with more than 25 NGOs and with the involvement of Schneider Electric employees and Schneider Electric business partners.

Achievement of Schneider Electric India Foundation from 2009 to end of 2014:

- 209 electrician training centers across 21 states in India;
- 34,716 unemployed youth trained (100,000 + men months of training);
- 75 scholarships;
- 81 Schneider Electric teacher's volunteering missions;
- 17,235 school children enrolled for « Conserve My Planet » program.

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 labor markets of its industrial locations. 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

#### Approach and action plans

For more than 20 years, Schneider Electric in France has supported employee projects to create businesses or business takeovers through Schneider Initiatives Entrepreneurs (SIE), through a dedicated structure demonstrating the Group's commitment to its local labor markets: promoting actions to support local economic development, proposing and supporting volunteer employees in reliable career paths that are external to the Group.

SIE provides support for Schneider Electric employees at 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 company purchase projects to ensure they are viable and sustainable.

More than 1,000 project sponsors have been supported, including electricians, bakers, consultants, graphic designers, asset managers, florists, etc., creating more than 3,000 jobs.

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 2014. 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 and enhances the quality of services offered through partnerships with associations such as the EGEE, ECTI, Management Boutiques, local *Entreprendre* networks and other local associations.

SIE is very active in the promotion of expansion, by chairing the DIESE Network, an association formed by major groups that support their employees in project creation or takeovers.

### 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 or 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 Île-de-France or in the Grenoble labor market. These experts are invested in structured and strategic development projects for SMEs;

- support for organizations that open the way to the creation of activities and companies (*Réseau Entreprendre*, *France Initiative*, etc.).

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.

### Support for associations or NGOs that are partners with the Access to Energy program (Pass Associations/NGO mechanism)

SIE supports employees who want a career path external to the Group within the framework of a Pass Associations/NGO mechanism. This mechanism allows employees to be positioned on structured projects in partner associations or NGOs, primarily under French law: in the same framework as the support for SMIs/SMEs, the SIE teams, together with the Foundation and the teams of the Access to Energy program supports the posting of employees for several months on missions to associations or NGOs. All types of trades may be involved.

### Revitalization of local employment pools in France

The pilot SIE structure was used to implement the revitalization actions put in place during the industrial development of certain local labor markets.

The involvement of teams in local economic networks optimizes the allocation of resources where they are most needed under these agreements defined in the GPEC, the employment safeguarding plans (PSE) or the future industrial restructuring plans.

Nine local labor markets have been involved since 2011. 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 of the sites at Merpins, St Pnyvé, St Mesmin, and Barentin, to guarantee the industrial sustainability of these sites.

### Access to Energy Entrepreneurs

The attachment of the SIE teams to the Sustainable Development Department enables it to promote its ambitions in the Access to Energy program and attract and support the creation of utilities in this context. The directions taken to date are already helping students in the Access to Energy training program (training for careers in energy for disadvantaged populations around the world) to prepare for the establishment of an independent business in electricity. So far five countries are classified as priority and the programs are being rolled out.

By the same logic, the SIE teams provide help and support to entrepreneurs from partner associations such as Unicités.

This results in the development of teaching modules and the deployment and operations of these training modules.



## 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, Schneider Electric believes that companies have a role to play. It is their duty to act, particularly in the heart of the markets in which they 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, those who 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 2014, 2,983 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 1,816 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, Rennes, Rouen, Rueil-Malmaison, Saint-Denis, Strasbourg and Valence. Blois, Rennes and Valence were added in 2014.

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 the Group purchasing policy.

Employment clauses are included on new markets (or renewals of markets), especially in the purchase of services and the construction of new sites, based on the example of the public markets, in order to engage Schneider Electric suppliers in this desire to help unemployed young people to find their place in society.

For example, more than 2,000 hours of employment were provided during the construction of Schneider Electric international distribution center at Evreux and more than 1,950 hours at a demolition site in Grenoble during the last quarter of 2014.

In this dynamic, following the signature of a partnership agreement with the Minister Delegate for Urban Affairs and of the Future Employment agreement with the Ministry of Labor, Employment, Vocational Training and Social Dialogue, Schneider Electric recruited over 60 young people in 2014, particularly in Production and Logistics.

Finally, Schneider Electric has partnered with many other organizations: *École de la Deuxième Chance*, *Nos Quartiers ont des Talents*, *Télémaque*, *Fondation de la 2<sup>e</sup> 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, collection and consolidation procedures and 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.

In keeping with its commitment to continuous improvement, Schneider Electric asked Ernst & Young to conduct a review in order to obtain a « limited » 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 107-108); an exception was made in 2014 for a barometer indicator, the EcoXperts, whose program was subject to a major revision during the year.

#### Human Resources, safety and environment indicators

The Human Resources, safety and environmental data comes from several dedicated reporting tools, available on the Group's Intranet, primarily: One and Bridge HR for the Human Resources data and GlobES (Global Environment and Safety) for the safety and environment data. Its consolidation is placed respectively under the Global Human Resources and the Global Supply Chain functions. 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 two years. A gap can thus be 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 87% 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 logistics 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 pilot.

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% CO<sub>2</sub> savings on transportation

This indicator includes emissions from the transport of goods purchased by Schneider Electric, taking into account cumulated emissions since the beginning of the program (2012), covering 81% of the Group's total transport costs.

The measurement of CO<sub>2</sub> equivalents combines the impact of CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, SF<sub>6</sub>, PFCs, NOx and water vapor.

Two methods, developed in partnership with a specialized firm, are used by carriers to measure CO<sub>2</sub> equivalent emissions: energy-based method (calculation based on fuel combustion – preferred) and activity-based method (calculation based on the mileage and the quantity of transported goods – 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 product is a tangible one (solutions, services, software, etc., are out of the scope).

The indicator measures 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. 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 Voltage offers (Infrastructure Unit) are also exempt to take into account Areva integration and the migration toward RoHS compliant offers.

This indicator was audited by Ernst & Young.

### 10% energy consumption savings

The goal is to reduce energy consumption each year (2012-2013-2014) by 3.3%, using Schneider Electric solutions. The program is available for all Schneider Electric sites, and focuses on sites larger than 5,000 m<sup>2</sup>. Global Supply Chain Management is the internal client, and the Energy & Sustainability Services teams are the internal provider.

In 2014, the program addressed Schneider Electric's 280 most energy intensive sites. In case of acquisition, the sites concerned are included in the program the following year.

The « energy savings » are calculated by comparing the actual consumption of the site with its modeled theoretical consumption; a model for each site is built to take climatic variations and changes in production into account.

All energy consumptions that can be modeled are taken into account and converted into MWh.

This indicator was audited by Ernst & Young.

### +7 points of growth revenue with EcoXperts above Group growth revenue

The objective is, through « EcoXperts » partners selected by Schneider Electric, to develop energy efficiency and renewable energy 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 energy 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).

### 1 million households at the Base of the Pyramid have access to energy

The indicator accounts for all sales of products and solutions that provide access to energy for underprivileged people that were developed within the Access to Energy program:

- products: lamps (In-Diya and Mobyia TS102S) 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 off-grid electricity generation (Villasol and VillaSmart).

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. Batteries and solar cells are not included in the indicator because they are always accompanied by charge controllers or central energy management systems (to avoid double counting); the same applies to battery charging stations and solar water pumping systems because they are for community use.

This indicator was audited by Ernst & Young.

### 90% of our recommended suppliers embrace ISO 26000 guidelines

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 by a third party. Suppliers whose assessments are too low are excluded from the indicator. The 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 is stopped at January 31 n+1 in order to take into account the assessments on 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 (Climate Disclosure Leadership Index or Climate 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 « Cool sites »

Schneider Electric wants to create motivating work environments for its employees, environments that are not only safe and effective, but that are also based on reflection on the values of Schneider Electric.

The « great place to work » program of the Connect company program 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 of the residents, based on pre-defined criteria. The Country President commits and validates the Cool Site. The indicator records the number of sites recognized as Cool Sites during the period of the program (2012-2014).

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 licensed health care professional solely for observation or counseling; 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 the 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 access to an IT room), for the other employees.

At the beginning of 2014, the target for this indicator was lowered from 70% to 63% for two main reasons: benchmark with respect to competitors (the industry average was 53% in 2013 and 56% in 2014 – Source: Aon Hewitt – or respectively 10 points and 7 points lower than the new target) and lack of an internal benchmark when the indicator was set in late 2011.

This indicator was audited by Ernst & Young.

### 30% 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. In 2014, the talent pool categories changed to focus on the Key Position Potentials and Key Position Holders. To calculate the barometer indicator at the end of 2014, with respect to the Exceptional Potentials and the Potentials, those selected in 2013 and still with the Company at the end of 2014 were counted. The result of the indicator, therefore, diminished.

The selection of talent is made through the talent review process at Group level.

This indicator was audited by Ernst & Young.

### One day of training for each employee every year

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, who are entered into our HR information system are included in the indicator. Subcontractors, fixed-term contract employees, trainees and apprentices are excluded. Individual new arrivals are not counted; new acquisitions are excluded (they are counted 12 months after being incorporated into our HR information system).

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 covered North America, China and France; by the end of 2014, it covered the entire Group.

This indicator was audited by Ernst & Young.





### **30,000 people at the Base of the Pyramid trained in energy management**

Through the deployment of professional training programs in energy management dedicated to underprivileged people, the objective is to enable these people to acquire skills 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 the Company's local entities 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 three months, evening courses totaling 100 hours, with diploma or certification in energy management.

These courses must benefit disadvantaged people, being noted that each partner must be able to justify it, 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 with « 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. A mission corresponds to the departure of a volunteer, for a period of at least five days 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 Access to Energy training teams, the Schneider Electric Energy Access fund and 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.

<b>1° Social information</b>	<b>Pages</b>
<b>a) Employment</b>	
Total workforce and breakdown of employees by gender, age and region	112-113
Hiring and layoffs	114-115
Remuneration and its development	87-89, 146-157
<b>b) Organization of work</b>	
Organization of working time	112, 115
Absenteeism	115
<b>c) Social relations</b>	
Organization of social dialogue – particularly information and personnel consultation procedures and personnel negotiation procedures	89-90, 116
List of collective agreements	89-90, 116
<b>d) Health and safety</b>	
Health and safety conditions in the workplace	77-79
List of agreements signed with unions or employee representatives regarding health and safety in the workplace	116
Work accidents, particularly their frequency and their seriousness...	115
... as well as occupational illnesses	78-79, 88, 115
<b>e) Training</b>	
Training policies implemented	81-83
Total number of training hours	116
<b>f) Equality of treatment</b>	
Measures taken towards gender equality	86, 113
Measures taken towards employment and involvement of persons with disabilities	87
Anti-discrimination policy	84-87, 62-65
<b>g) Promotion and respect of the provisions of the International Work Organization's fundamental agreements relating to:</b>	
<ul style="list-style-type: none"> <li>● respect of the freedom of association and the right to collective bargaining;</li> <li>● eradication of discrimination in employment and profession;</li> <li>● eradication of forced or obligatory labor;</li> <li>● effective abolition of child labor.</li> </ul>	53-54, 61-62, 62-65, 90

### 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	66-67, 73-74, 109
Employee training and information actions regarding environmental protection	67, 63
Environmental risk and pollution prevention means	75-76
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	75, 109-110
Measures for prevention, recycling and removal of waste	75, 109
Consideration of noise pollution and any other form of pollution specific to an activity	75



## **2° Environmental information**

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### **c) Sustainable use of resources**

Water consumption and supply according to local constraints	74, 709-110
Raw material consumption and measures taken to improve the efficiency of their use	74-75
Energy consumption and the measures taken to improve energy efficiency and the use of renewable energies	68-69, 110
Land use	75

### **d) Climate change**

Greenhouse gas emissions	67-70, 110
Adaptation to the consequences of climate change	67-70, 74, CDP

### **e) Biodiversity protection**

Measures taken to preserve or develop biodiversity	74-76, 70-73, 50
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## **3° Information relating to societal commitments in sustainable development**

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### **a) Territorial, economic and social impact of the Company's activity**

• Regarding employment and regional development	91-95, 99-100
• On bordering or local populations	91-95, 99-100

### **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	48-49
Partnership or sponsorship actions	95-98

### **c) Subcontracting and suppliers**

Consideration within the Company's purchasing policy of social and environmental issues	61-62
The importance of subcontracting and the consideration within relations with subcontractors and suppliers of their social and environmental responsibility	61-62

### **d) Loyalty of practices**

Anti-corruption actions taken	65-66
Measures taken towards consumer health and safety	70-73, 14

### **e) Other actions taken towards human rights, within the scope of this third indicator**

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## 6.3 Independent verifier's report

Year ended December 31, 2014

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC<sup>(1)</sup>, under the number No. 3-1050, and as a member of the network of one of the statutory auditors of the company Schneider Electric, we present our report on the consolidated social, environmental and societal information established for the year ended on December 31, 2014, presented in chapter 2 of the management report, and on the Planet & Society barometer indicators, hereafter referred to as the « CSR Information », pursuant to the provisions of the article L. 225-102-1 of the French Commercial code (*Code de commerce*).

### Responsibility of the company

It is the responsibility of the board of directors 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, Safety and Environment reporting procedures in their version dated November 1, 2014 (hereafter referred to as the « Criteria »), and of which a summary is included at the end of chapter 2 of the management report (the « Methodological Note ») 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 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 accordance with the Criteria (Limited assurance on CSR Information);
- to express, at the request of the company, a reasonable assurance conclusion on the indicators « 1 day training for each employee every year » and « 75% of our product revenues achieved with Green Premium », has been established, in all material aspects, in accordance with the Criteria.

Our verification work was undertaken by a team of five people between September 2014 and March 2015 for an estimated duration of eighteen weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of May 13, 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<sup>(2)</sup>

#### 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 programs.

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 in chapter 2 of the management report (« 2.6 Methodology and audit of indicators »).

Based on this work, we confirm the presence in the management report of the required CSR information.

#### 2. Limited assurance on CSR Information

##### Nature and scope of the work

We undertook approximately 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:

(1) Scope available at [www.cofrac.fr](http://www.cofrac.fr)

(2) ISAE 3000 - Assurance engagements other than audits or reviews of historical information.



- 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.

For the CSR Information which we considered the most important<sup>(1)</sup>:

- at the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organization, 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<sup>(2)</sup>, 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 5% of the fixed-term contract and permanent contract personnel and between 8% and 14% 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.

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.

## Observations

Without qualifying our conclusion above, we draw your attention to the fact that methodological changes, presented in section « 2.6 Methodology and audit of indicators » of the management report, were made on the Planet & Society barometer indicators « 1 day of training for each employee every year », « 30% women in our talent pool », and « 63% result in our Employee Engagement Index », relating respectively to the reporting scope, the method of calculation and the target to reach.

## 3. Reasonable assurance on a selection of CSR Information

### Nature and scope of work

Regarding the two indicators « 1 day training for each employee every year » and « 75% of our product revenues achieved with Green Premium », we undertook work of the same nature as those described in paragraph 2 above for the CSR Information considered the most important, but in a more in-depth manner, in particular in relation to the number of tests.

We consider that this work allows us to express a reasonable assurance opinion on these two indicators of the barometer published in Chapter 2 of the management report.

## Conclusion

In our opinion, the two indicators « 1 day training for each employee every year » and « 75% of our product revenues achieved with Green Premium » have been established, in all material aspects, in compliance with the Criteria.

Paris-La Défense, March 9, 2015

Independent Verifier  
ERNST & YOUNG et Associés

Eric Mugnier  
Partner, Sustainable Development

Bruno Perrin  
Partner

(1) Social, environmental and societal information: information and indicators marked with a "tick" ▲ in the text of chapter 2 "Sustainable Development" of the management report including, for greenhouse gas emissions, scope 1 and 2 emissions, and emissions related to purchased transportation (included in scope 3).

(2) SSAM (China), SSIC (China), Universal Capellades (Spain), Sarel (France), Telvent Madrid (Spain), ZAO Potential (Russia), ITBU Bangalore (India), and ITB Cavite (Philippines).

## > 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 gap can, therefore, be recorded with the scope of financial consolidation. The scope of environmental reporting covers about 60% of the Group headcount, against 70% in 2013. This decrease is mainly due to the acquisition of Invensys, consolidated in the Group's workforce and not integrated in the environmental reporting.

#### ISO 14001 certification of the sites

	2014	2013	2012
Number of ISO 14001 Certified Sites	270 ▲	279	280
Industrial and logistics sites	252	UP	258
Tertiary sites	18	UP	22
New sites certified this year	12	20	11
Certified sites that have closed or consolidated this year	21	20	4

▲ 2014 audited indicators.  
UP = Unpublished.

Schneider Electric provides readers two pieces of information so that environmental performance can be compared from one year to the next:

- the publication of indicators on a constant scope;
- the publication of indicators per employee to correct the changes in activities of the sites. 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.

#### Group sites consumption, emissions and waste

GRI	Indicators	Current Scope			Constant Scope	
		2014	2013	2012	2014	2013
	Number of participating sites	266 ▲	281	283	260	260
	Total employees	103,886 ▲	108,126	98,923 <sup>(1)</sup>	102,708	100,311
G4-EN23	Waste produced (in t)	132,171 ▲	139,044	134,814	131,181	139,698
	of which hazardous waste <sup>(2)</sup>	6%	4%	UP	UP	UP
G4-EN23	Waste produced per employee (in t/p)	1.3 ▲	1.3	1.4	1.3	1.4
G4-EN23	Waste recovered (in t)	115,166 ▲	120,490	115,382	114,415	121,960
G4-EN23	Share of waste recovered	87.1% ▲	86.7%	85.6%	87.2%	87.3%
	of which metal waste recovered	UP	99.4%	UP	UP	UP
	Target share of waste recovered	-	-	-	87%	-
G4-EN8	Water withdrawn for consumption (m <sup>3</sup> )	2,055,999 ▲	2,377,680	2,456,716	2,047,948	2,200,172
	of which public water (m <sup>3</sup> )	1,678,518	1,928,151	1,973,348	UP	UP
	of which ground water (m <sup>3</sup> )	299,481	397,843	483,367	UP	UP
	of which surface water (m <sup>3</sup> )	20,300	20,667	-	UP	UP
	of which other sources (m <sup>3</sup> )	57,700	31,019	-	UP	UP
G4-EN8	Water consumption/employee (m <sup>3</sup> /p)	19.8 ▲	22.0	24.8	19.9	21.9
	Change in water consumption per employee	-	-	-	-9.1%	-
	Target consumption of water per employee	-	-	-	-3.3%	-





GRI	Indicators	Current Scope			Constant Scope	
		2014	2013	2012	2014	2013
G4-EN8	Water withdrawn for cooling (m <sup>3</sup> ) <sup>(3)</sup> <i>restituted w/o impact</i>	603,876 ▲	727,679	722,709	UP	UP
G4-EN21	VOC emissions (kg) (estimates) <sup>(4)</sup>	314,258 ▲	415,352	416,612	313,407	376,926
G4-EN21	VOC/employee (kg/p) (estimates)	3.0 ▲	3.8	4.2	3.0	3.8
G4-EN3-6	Energy consumption (MWh equivalent)	1,111,359 ▲	1,207,613	1,166,497	1,071,396	1,146,612
	Electricity (indirect consumption)	792,793	841,495	812,917	756,346	781,394
	District heating (indirect consumption)	34,815	33,122	29,255	34,171	33,122
	Fuel oil (direct consumption)	8,354	22,740	22,466	8,352	20,985
	Gas (direct consumption)	272,255	306,783	297,114	269,383	307,638
	Coal (direct consumption)	0	3,091	4,521	0	3,091
	Renewable energy (direct consumption)	3,142	382	224	3,142	382
G4-EN3-6	Energy consumption per employee (MWh)	10.7 ▲	11.2	11.8	10.4	11.4
G4-EN15-16-19	CO <sub>2</sub> emissions linked to energy consumption (in t) (estimates) <sup>(4)</sup>	395,110 ▲	431,019	413,414	380,341	401,411
EN16	Electricity (indirect emission)	323,120	348,845	334,720	309,009	319,518
EN16	District heating (indirect emission)	14,006	12,317	10,403	13,936	12,317
EN15	Fuel oil (direct emission)	2,172	5,912	5,841	2,172	5,456
EN15	Gas (direct emission)	55,812	62,891	60,908	55,224	63,066
EN15	Coal (direct emission)	0	1,054	1,542	0	1,054
EN15	Renewable energy	0	0	0	0	0
G4-EN15-16-19	CO <sub>2</sub> per employee (in t/p)	3.8 ▲	4.0	4.2	3.7	4.0
G4-EN15	SF <sub>6</sub> emissions (in CO <sub>2</sub> equivalent t) <sup>(5)</sup>	26,069 ▲	33,807	44,947	26,069	30,783
	SF <sub>6</sub> leakage rate	0.47% ▲	0.56%	0.75%	UP	UP
	Target SF <sub>6</sub> leakage rate	0.65%	0.75%	0.95%	-	-
G4-EN15	Total scope 1 CO <sub>2</sub> emissions (direct energy consumption and SF <sub>6</sub> emissions in t) of reporting perimeter	84,053 ▲	103,664	113,238	83,465	100,359
G4-EN16	Total scope 2 CO <sub>2</sub> emissions (indirect energy consumption in t) of reporting perimeter	337,126 ▲	361,162	345,123	322,945	331,835
G4-EN15-16-19	Total scopes 1 and 2 CO <sub>2</sub> emissions (in t) of reporting perimeter	421,179 ▲	464,826	458,361	406,410	432,194
G4-EN15-16-19	Total scopes 1 and 2/Turnover (t/€)	0.000017	0.000019	0.000019	0.000016	0.000018

▲ 2014 audited indicators.

UP = Unpublished.

(1) 2012 workforce corrected in 2013 for a major site.

(2) Estimates. Rules under finetuning.

(3) Two sites taken into account in 2012, four sites in 2013 and 2014. In 2012, Schneider Electric changed methodology to distinguish the water used for consumption and water used for cooling (and restituted to the environment). Schneider Electric plans to expand this differential reporting to all sites concerned.

(4) From 2013, only the sites that emit more than 1,000 kg of VOC per year are reporting, as well as some smaller sites on a voluntary basis.

(5) The CO<sub>2</sub> emissions linked to energy consumption are considered estimates, because the indirect emissions are calculated on the conversion factors per country.

(6) 17 sites in 2012 and 2013; 16 sites in 2014.

Constant scope emissions are not corrected from activity level.

## CO<sub>2</sub> emissions in transportation (scope 3)

Indicators	2014	2013	2012	2011
G4-EN17 1. CO <sub>2</sub> emissions on transportation paid by the Group (in equivalent tons of CO <sub>2</sub> )	494,987 ▲	484,012	431,626	497,703

▲ 2014 audited indicators. Calculation based on a coverage of 81% extrapolated to 100%. Restatements have been done on 2013 and 2012 data.

For complete carbon footprint of Schneider Electric (scopes 1, 2 and 3), please refer to pages 67-68



## Key performance indicators from the Planet & Society Barometer

Objectives for Year-End 2014	2014	2013	2012	2011
1. <b>10%</b> CO <sub>2</sub> savings on <b>transportation</b>	16% ▲	16.7%	14.8%	-
2. <b>75%</b> of our product revenues achieved with <b>Green Premium</b>	79% ▲	68.7%	65.5%	63%
3. <b>10%</b> <b>energy</b> consumption savings	13% ▲	8%	6.1%	-

The 2011 performance serves as a starting value for the Planet & Society Barometer of the Connect program between 2012 and 2014.

▲ 2014 audited indicators.

Please refer to pages 101 to 104 for the methodological presentation of indicators and the following pages for the analysis of the results (page 70 for indicator 1, 70-72 for indicator 2 and 68-69 for indicator 3).

## Other key indicator

Objectives for Year-End 2014	2014	2013	2012	2011
<b>15 countries</b> are implementing a recovery process for SF <sub>6</sub> gas	15	13	10	8
% SF <sub>6</sub> gas recovered and recycled (in CO <sub>2</sub> equivalent t)	23,864	15,996	29,683	UP

UP = Unpublished.

Please refer to page 60 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 101). Certain indicators cover 87% 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, G4 version.

## Key performance indicators from the Planet & Society Barometer

Objectives for Year-End-2014	2014	2013	2012	2011
1. <b>30%</b> reduction in the <b>Medical Incident Rate (MIR)</b>	-61% ▲	-47%	-23%	-
2. <b>63%*</b> result in our <b>Employee Engagement Index</b>	61% ▲	60%	55%	-
3. <b>30% women</b> in our talent pool (~2,500 people)	28% ▲	28%	27%	23%
4. <b>1 day of training</b> for each employee every year	79% ▲	67%	-**	-
5. <b>300 sites</b> recognized as « <b>Cool sites</b> »	355 ▲	224	-**	-

The 2011 performance serves as a starting value for the Planet & Society Barometer of the Connect program between 2012 and 2014.

▲ 2014 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 7 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 101 to 104 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 77-79 for indicator 1, 79-81 for indicator 2, 84-86 for indicator 3, 81-83 for indicator 4 and 80 for indicator 5).

## Workforce

GRI	Indicators	2014	2013	2012
	<b>Workforce</b>			
G4-10	Average workforce <sup>(1)</sup>	185,965 ▲	163,033	152,384
	Blue collar (VDC)	95,213	81,712	75,601
	White collar (non-VDC)	90,752	81,322	76,383
G4-10	Average supplementary workforce	16,875 ▲	14,849	13,947
G4-10	Fixed-term contract and permanent contract personnel <sup>(2)</sup>	167,124 ▲	152,784	139,989
	Permanent contract	91.8%	90.5%	90.2%
	Fixed-term contract	8.2%	9.5%	9.8%
G4-10	Share of temporary personnel (fixed-term contracts and temporary workers) <sup>(2)</sup>	16.8%	17.7%	17.4%
G4-10	Organization of working time <sup>(3)</sup>			
	Full-time	94%	98%	98%
	Part-time	6%	2%	2%
G4-LA1	Hires <sup>(4)</sup>	28,830 ▲	23,079	20,971
G4-LA1	Departures <sup>(4)</sup>	29,460 ▲	21,600	20,615
	Layoffs	6,454 ▲	5,071	5,719
	Resignations	15,826 ▲	10,909	10,379
	Others (retirement, end of contract, etc.)	7,180	5,743	4,489
G4-LA1	Voluntary turnover	9.4% ▲	7.4%	7.5%
G4-10	Breakdown of workforce by region <sup>(2)</sup>			
	Asia-Pacific	34%	30%	31%
	Europe	37%	40%	38%
	North America	19%	20%	21%
	Rest of the world	10%	10%	10%
G4-10	Breakdown of workforce by country (the most significant countries) <sup>(2)</sup>			
	France	11%	12%	14%
	United States of America	12%	13%	13%
	China	15%	10%	11%
	India	9%	9%	9%
	Mexico	5%	6%	5%
	Spain	3%	4%	4%
	Brazil	3%	4%	4%

<b>GRI</b>	<b>Indicators</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	Germany	3%	3%	3%
	Australia	2%	2%	3%
	Indonesia	3%	3%	3%
	United Kingdom	3%	2%	2%
	Russia	7%	8%	2%
G4-10	Annual change in workforce by country (the most significant countries) <sup>(2)</sup>			
	France	-2%	-1%	-4%
	United States of America	+8%	+2%	0%
	China	+61%	+1%	-5%
	India	+12%	+3%	+6%
	Mexico	-7%	+13%	+3%
	Spain	-15%	-9%	-2%
	Germany	+7%	-3%	+2%
	Brazil	-8%	+7%	+21%
	Australia	0%	-3%	-7%
	Indonesia	-4%	+9%	+33%
	United Kingdom	+29%	-5%	+6%
	Russia	0%	+269%	+3%
G4-10	Breakdown of workforce by gender <sup>(2)</sup>			
	Men	70% ▲	70%	69%
	Women	30% ▲	30%	31%
G4-10	Breakdown of workforce by gender and by category <sup>(2)</sup>			
	White collar	54%	53.7%	53.2%
	Men	70%	71%	72%
	Women	30%	29%	28%
	Blue collar	46%	46.3%	46.8%
	Men	70%	69%	65%
	Women	30%	31%	35%
G4-10	Breakdown of workforce by age <sup>(2)</sup>			
	14/24 years	8.0%	8.4%	9.2%
	25/34 years	31.9%	32.5%	33.2%
	35/44 years	27.8%	27.8%	26.8%
	45/54 years	20.8%	20.9%	20.7%
	55/64 years	10.7%	9.9%	9.5%
	> 64 years	0.8%	0.5%	0.6%
G4-10	Breakdown of workforce by seniority <sup>(2)</sup>			
	< 5 years	44.2%	42.6%	42.9%
	5/14 years	33.6%	34.9%	33.5%
	15/24 years	12.2%	12.6%	13.2%
	25/34 years	7.2%	7.1%	7.2%
	> 34 years	2.8%	2.8%	3.2%
G4-10	Breakdown of workforce by function <sup>(2)</sup>			
	Marketing	3.6%	3.7%	3.8%
	Sales	10.4%	10.6%	11.4%
	Services and projects <sup>(6)</sup>	17.9%	16.0%	16.4%
	Support	18.4%	19.5%	19.6%
	Technical	6.9%	7.6%	7.6%
	Industrial	6%	6%	6%
G4-10	Direct variable costs (cost of employees under production or business costs) <sup>(7)</sup>	49.1%	47.4%	46.7%



<b>GRI</b>	<b>Indicators</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>Hires<sup>(4)</sup></b>			
G4-LA1	Breakdown by type of contract			
	Permanent contract	68%	67%	67%
	Fixed-term contract	32%	33%	33%
G4-LA1	Breakdown by category			
	White collar	37%	44%	44%
	Blue collar	63%	56%	56%
	Breakdown by gender			
	Men	66%	UP	UP
	Women	34%	UP	UP
	Breakdown by age			
	14/24 years	42%	UP	UP
	25/34 years	36.1%	UP	UP
	35/44 years	14.1%	UP	UP
	45/54 years	5.9%	UP	UP
	55/64 years	1.7%	UP	UP
	> 64 years	0.2%	UP	UP
G4-LA1	Breakdown by region			
	Asia-Pacific	47%	38%	45%
	Europe	19%	22%	21%
	North America	24%	25%	21%
	Rest of the world	10%	15%	13%
	<b>Layoffs<sup>(4)</sup></b>			
G4-LA1	Breakdown by type of contract			
	Permanent contract	84%	85%	83%
	Fixed-term contract	16%	15%	17%
G4-LA1	Breakdown by category			
	White collar	38%	41%	45%
	Blue collar	62%	59%	55%
G4-LA1	Breakdown by Region			
	Asia-Pacific	33%	30%	29%
	Europe	21%	23%	25%
	North America	29%	28%	27%
	Rest of the world	17%	18%	19%
	<b>Resignations<sup>(4)</sup></b>			
G4-LA1	Breakdown by seniority <sup>(5)</sup>			
	< 1 year	38.4%	33.5%	28.9%
	1/4 years	39.6%	42.7%	47%
	5/14 years	18.4%	20.4%	19.6%
	15/24 years	2.5%	2.5%	2.3%
	25/34 years	0.8%	0.7%	1.2%
	> 34 years	0.3%	0.2%	1%
	<b>Departures</b>			
G4-LA1	Breakdown by gender			
	Men	65.8%	UP	UP
	Women	34.2%	UP	UP
G4-LA1	Breakdown by age			
	14/24 years	30.3%	UP	UP
	25/34 years	34.1%	UP	UP
	35/44 years	17.4%	UP	UP

<b>GRI</b>	<b>Indicators</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	45/54 years	9%	UP	UP
	55/64 years	8%	UP	UP
	> 64 years	1.3%	UP	UP
G4-LA1	Breakdown by region			
	Asia-Pacific	34.1%	UP	UP
	Europe	26.7%	UP	UP
	North America	25.3%	UP	UP
	Rest of the world	13.9%	UP	UP
G4-10	Average supplementary workforce			
	Breakdown by category			
	White collar	18.5%	18.4%	16.4%
	Blue collar	81.5%	81.6%	83.6%
G4-10	Breakdown by region			
	Asia-Pacific	63.2%	59.6%	59.6%
	Europe	21.7%	26.9%	26.9%
	North America	10.1%	4.1%	4.1%
	Rest of the world	5.0%	9.3%	9.3%



### Health and safety of employees

<b>GRI</b>	<b>Indicators</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
G4-LA6	Number of medical incidents <sup>(9)</sup>	568 ▲	733	878
	of which Schneider Electric employees	481	640	746
	of which subcontractors	87	93	132
G4-LA6	Number of lost-time accidents <sup>(9)</sup>	287 ▲	366	364
	of which Schneider Electric employees	245	317	312
	of which subcontractors	42	49	52
G4-LA6	Number of fatal accidents	1	3	1
	of which Schneider Electric employees	1	3	1
	of which subcontractors	0	0	0
G4-LA6	Medical Incident Rate <sup>(9)</sup>	1.85 ▲	2.37	3.44
	of which Schneider Electric employees	2.01	2.65	3.36
	of which subcontractors	1.29	1.38	3.92
G4-LA6	Lost-Time Injury Rate (LTIR) <sup>(9)</sup>	0.93 ▲	1.18	1.42
	of which Schneider Electric employees	1.02	1.31	1.41
	of which subcontractors	0.62	0.73	1.54
G4-LA6	Lost-Time Day Rate (LTDR) <sup>(9)</sup>	29.98 ▲	38.67	47.98
	of which Schneider Electric employees	33.45	45.04	51.60
	of which subcontractors	17.60	15.81	24.15
G4-LA6	Number of lost days	9,209 ▲	11,961	12,263
	of which Schneider Electric employees	8,023	10,896	11,449
	of which subcontractors	1,186	1,065	814
G4-LA6	Number of hours worked	307,213,189 ▲	309,279,615	255,566,952
	of which Schneider Electric employees	239,828,768	241,930,530	221,866,584
	of which subcontractors	67,384,423	67,349,085	33,700,368



## Dialogue and social relations

GRI	Indicators	2014	2013	2012
G4-11	Sites stating they benefit from employee representation <sup>(5)</sup>			
	Unions	67.2%	44%	47.6%
	Works Council	46.4%	51.3%	50%
G4-LA5	Health and Safety Committee	80%	69.1%	76.7%
G4-11	Number of collective agreements <sup>(5)</sup>	217	265	315
G4-11	Employees covered by collective bargaining agreements	79.6%	UP	UP
G4-LA5	Employees represented in Health and Safety Committees	80%	UP	UP

## Talent development and training

GRI	Indicators	2014	2013	2012
G4-LA9	Number of training hours <sup>(10)</sup>	2,756,292 ▲	2,416,766	2,489,421
G4-LA9	Average hours of training per person <sup>(10)</sup>	21.3	20.3	21.5
	White collar	24.2	24.4	27.7
	Blue collar <sup>(7)</sup>	18	15.3	15.4
	Average hours of training per person <sup>(10)</sup>			
	Man	26.6	UP	UP
	Women	22.9	UP	UP
G4-LA9	Breakdown of hours by category <sup>(2)</sup>			
	White collar	60.5%	60.3%	64.2%
	Blue collar <sup>(7)</sup>	39.5%	39.7%	35.8%
LA10	Employees taking one day training (7 hours or more)	79%	NP	NP
	Breakdown of one day training by country			
	Mexico	94%	UP	UP
	Italy	93%	UP	UP
	India	87%	UP	UP
	China	87%	UP	UP
	Russia	80%	UP	UP
	Brazil	79%	UP	UP
	Philippines	77%	UP	UP
	France	75%	UP	UP
	Spain	73%	UP	UP
	United States	72%	UP	UP
	Canada	71%	UP	UP
	United Kingdom	70%	UP	UP
	Indonesia	70%	UP	UP
	Australia	58%	UP	UP
G4-LA11	Employees having had a performance interview <sup>(3)</sup>	54.8%	59.5%	66.3%
G4-LA11	Breakdown by category			
	White collar	95%	UP	UP
	Blue collar	5%	UP	UP
G4-LA11	Breakdown by gender			
	Men	76%	UP	UP
	Women	24%	UP	UP
G4-LA11	Employees having had a career interview <sup>(3)</sup>	51.2%	68%	31%
G4-LA11	Breakdown by category			
	White collar	97%	UP	UP

GRI	Indicators	2014	2013	2012
G4-LA11	Blue collar	3%	UP	UP
	Breakdown by gender			
	Men	73%	UP	UP
	Women	27%	UP	UP

▲ 2014 audited indicators.

UP= Unpublished

(1) Temporary workforce included.

(2) Based on spot workforce year end.

(3) The data relates to over 87% of the Group's workforce at 12/31/2014.

(4) Acquisitions/disposals and temporary staff are not taken into account in the calculation.

(5) The data relates to over 90% of the Group's workforce at the end of December 2014 (annual survey).

(6) Part of the VDC services on total workforce: 12.1% in 2014; 11.5% in 2013; 11.8% in 2012.

VDC, variable direct costs are Schneider Electric employees whose costs impact directly on the completion of business. They are included under « blue collar ».

(7) Data includes service VDC headcount, or 25% of all VDC in 2014; 24% in 2013; 33% in 2012.

(8) Includes business travel, excludes home/workplace travel.

(9) 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.

(10) The data covers 78% of the Group's workforce.



### 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 EUR10 million in 2014, the amount of budget for the Foundation's actions includes the Foundation's intervention budget, the amount of the donations from entities, employees and partners, and the amount of donations in kind.

#### Breakdown of the Foundation's financial commitments

	<b>2014</b>
<b>FOUNDATION'S INTERVENTION BUDGET</b>	<b>4,000,000</b>
Breakdown by program ( <i>in %</i> )	
Training and opportunities for young adults	68%
Fuel poverty	19%
Raising awareness about sustainable development	2%
Employees' volunteering/skills-based sponsorship	6%
Other	5%
Breakdown by region ( <i>in %</i> )	
Africa & Middle East	13%
America	4%
Asia	44%
Europe	39%

#### Breakdown of contributions from employees and Schneider Electric entities to the Foundation actions

	<b>2014</b>
<b>TOTAL FINANCIAL CONTRIBUTION (<i>in euros</i>)</b>	<b>5,494,652</b>
From employees	1,008,980
From the Schneider Electric entity	4,314,088
From partners	171,584
Financial contribution per region ( <i>in %</i> )	
Africa & Middle East	4%
America	70%*
Asia	19%
Europe	7%
<b>DONATIONS IN PRODUCTS OR SERVICES FOR A PARTNER/PROJECT OF THE FOUNDATION (<i>in euro</i>)</b>	<b>473,418</b>
<b>Number of employees involved in the Foundation's actions</b>	<b>36,129</b>

\* Of which Square D/Schneider Electric North America.

#### Total budget for the Foundation's actions

<b>FOUNDATION BUDGET, FINANCIAL CONTRIBUTIONS AND DONATIONS IN KIND (<i>in euros</i>)</b>	<b>9,968,070</b>
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## Key performance indicators from the Planet & Society Barometer

Objectives for Year-End 2014	2014	2013	2012	2011
1. <b>1 million households</b> at the Base of the Pyramid have <b>access to energy</b>	1,095,806 ▲	695,685	344,441	-
2. <b>30,000</b> people at the Base of the Pyramid <b>trained in energy management</b>	60,232 ▲	32,602	10,517	-
3. 300 missions with « <b>Schneider Electric Teachers</b> » NGO	460 ▲	228	66	-

The 2011 performance serves as a starting value for the Planet & Society Barometer of the Connect program between 2012 and 2014.

▲ 2014 audited indicators.

Please refer to pages 101 to 104 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 93-95 for indicator 1, 95 for indicator 2 and 97 for indicator 3).



### For more information:

- [www.schneider-electric.com](http://www.schneider-electric.com) (> Company and Careers > Sustainable Development or > Foundation)
- <http://energy-access.schneider-electric.com>
- [www.teachers.schneider-electric.org](http://www.teachers.schneider-electric.org)

### To contact us:

**Email:** [global-sustainability@schneider-electric.com](mailto:global-sustainability@schneider-electric.com)

**Mail:** Schneider Electric

Sustainable Development Department – 35, rue Joseph-Monier, CS 30323 – 92506 Rueil-Malmaison Cedex, France





# 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 balanced 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 on 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, in this section 3, as well as sections 2 (Annual Shareholders' Meetings and Voting Rights) and 7 of section 7 constitute the Chairman of the board of directors' report provided for in article L.225-37 of the French Commercial Code. They are indicated with a special mention.

### **Governance structure**

*This section is part of the Chairman of the board of directors' report.*

The company is a European company with a board of directors. The functions of the Chairman and the Chief Executive Officer are carried out by Jean-Pascal Tricoire, who was appointed Chairman and Chief Executive Officer on April 25, 2013.

On May 6, 2014, the board of directors confirmed this decision, in accordance with article 1 of its internal regulations, which provides that once it has decided to unify the functions of Chairman and CEO, the board must deliberate on this decision every year.

The exercise by Mr. Tricoire of the functions of Chairman and Chief Executive Officer seems particularly appropriate to the board of directors taking into account:

- the composition of the board, which includes 71% independent directors within the meaning of the AFEP/MEDEF Code;
- 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 ("Président") 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 appointment of an Vice-chairman independent lead director, the principle of holding an executive session at each meeting of the board presided by the Vice-chairman independent lead director, and the creation of four board committees;
- the requirement for the board to deliberate each year on the unification of the functions of Chairman and Chief Executive Officer.

The company applies the AFEP/MEDEF corporate governance guidelines, except for the few exceptions, which are described below (see section 10).

The guidelines are available online at [www.medef.fr](http://www.medef.fr).

# > 1. The board of directors

This section is part of the Chairman of the board of directors' report.

## Composition of 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 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 Shareholders' Meeting.

Throughout their term, pursuant to the internal regulations, each director must hold at least 1,000 Schneider Electric SE 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, 2014, the board of directors had 15 directors and two non-voting members, Mr. Claude Bébéar and Mr. Gregory Spierkel.

Director	Year first term began	Year current term expires	Independent under AFEP/MEDEF criteria
Jean-Pascal Tricoire <i>Chairman</i>	2013	2017	NO (performing executive duties at the head of the Group)
Léo Apotheker <i>Vice-chairman, independent lead director</i>	2007	2016	YES
Betsy Atkins	2011	2015	YES
Xavier Fontanet	2011	2016	YES
Noël Forgeard	2005	2016	YES
Antoine Gosset-Grainville	2012	2016	YES
Magali Herbaut	2012	2017	NO (bound by an employment contract with the company)
Jeong Kim	2011	2015	YES
Willy Kissling	2001	2016	NO (board member for more than 12 years)
Linda Knoll	2014	2018	YES
Cathy Kopp	2005	2018	YES
Henri Lachmann	1996	2016	NO (board member for more than 12 years)
Gérard de La Martinière	1998	2015	NO (board member for more than 12 years)
Lone Fønss Schröder	2014	2018	YES
Richard Thoman	2007	2016	YES

The average age of the Directors is 61.

Seven directors, or 46% of the board members, are of non-French origin or nationality (German: Mr. Apotheker, who also has French nationality; American: Ms. Atkins, Ms. Knoll, Mr. Thoman; Korean-American: Mr. Kim; Danish: Mrs. Fønss Schröder; 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.

### Independent directors

Each year, as recommended by the AFEP/MEDEF corporate governance guidelines and based on the report of the

Governance Committee, the board includes an item on the agenda to review the independence criteria vis-à-vis its members.

Members' directorships and functions in other companies that have business relations with Schneider Electric do not, by their nature, affect the said directors' independence in light of the types of transactions involved. These transactions, if any, are carried out on arms-length terms and are not material for either party.

As of December 31, 2014, there are 15 directors, 10 of whom are independent according to the definition contained in the AFEP/MEDEF corporate governance guidelines for listed companies: These are Léo Apotheker, Betsy Atkins, Xavier Fontanet, Noël Forgeard, Antoine Gosset-Grainville, Jeong Kim, Linda Knoll, Cathy Kopp, Lone Fønss Schröder, and G. Richard Thoman.



In addition, Jean-Pascal Tricoire, as Chief Executive Officer, Magali Herbaut, as employee shareholder representative, and Gérard de La Martinière, Willy Kissling and Henri Lachmann, who have served on the board for over 12 years, are not considered to be independent directors under the AFEP/MEDEF guidelines.

The AFEP/MEDEF corporate governance guidelines for listed companies recommend that there be, in non-controlled companies, at least 50% independent directors on the board. Directors representing employee shareholders are not recognized in calculating this percentage. The share of independent directors of the company, excluding Magali Herbaut, who represents employee shareholders, comes to 71%.

### Self-assessment of the board of directors

The AFEP/MEDEF corporate governance guidelines for listed companies provide that the board of directors must make a formal self-assessment at least once every three years. Pursuant to its internal regulations, Schneider Electric SE's board of directors annually reviews its composition, organization and operations, as well as those of its committees. This yearly assessment alternates each year between a written questionnaire sent to the board members and an individual interview with each member. The evaluation is conducted under the leadership of the Vice-chairman independent lead director.

For 2014, such self-assessment was conducted by using a written questionnaire sent to each member of the board in November 2014. The summary of responses was the subject of a thorough review by the Governance and compensation committee and was reviewed by the board on December 16, 2014 in the Governance and compensation committee's report.

This exercise resulted in a unanimously very positive assessment of the board of directors and its committees in terms of

composition, organization and operations. Board members believe that the work of the board, which was already considered to be excellent, has improved with the new governance and in particular the contribution of the committees to the board's work. The directors highlighted the great transparency of management, the openness of discussions, and the remarkable fit with the board members.

The assessment also highlighted the board's strong complementarity of skills, member involvement, and great capacity for change, adaptation and learning. The performances of the Chairman and the Vice-chairman independent lead director are unanimously acknowledged and appreciated.

On the proposal of the Governance and compensation committee, the board has adopted the following points for improvement:

- further study on improving the composition of the board and the skills that could enhance it, in accordance with the objectives and guiding principles set out in article 3 of the board's internal regulations;
- hold an annual strategy session, over two full days, including a « speed dating » session between the directors and the members of the Executive Committee;
- organize an information/training session for directors dealing with Human Resources and CSR issues;
- improve reporting on the committees' work to the board by showing presentations in support of each chair's oral reports to encourage discussion within the board on the issues addressed in committees;
- improve risk review by inviting members of the Strategy committee to attend the meeting of the Audit and risk committee which reviews the risk matrix.

## Proposal to the Annual Shareholders' Meeting on the composition of the board of directors

It is proposed that the Annual Shareholders' Meeting of April 21, 2014 appoints Gregory Spierkel as director and renew the terms of office that are expiring. If the Annual Shareholders' Meeting approves the proposals submitted to its vote:

- (i) Gregory Spierkel, who was appointed as a non-voting member by the board of directors on October 28, 2014, will be appointed as a director for a term of four years. He will be an independent director. Gregory Spierkel, 57, Canadian citizen, who was CEO of Ingram Micro Inc. (US), will bring to the board his international experience, his knowledge of the supply chain in a digital world, and his expertise in the field of electronics and data processing.

- (ii) Betsy Atkins and Jeong Kim would have their directorships renewed for a term of four years. They will be independent directors.

- (iii) Gérard de La Martinière, Chairman of the Audit and risk committee, would have his directorship renewed for a term of two years.

The renewed board would have:

- a 73% share of independent directors (excluding consideration of Magali Herbaut in accordance with the calculation methods used in the AFEP/MEDEF corporate governance guidelines for listed companies);
- a 31% share of women directors; and
- a balanced composition (50%-50%) between directors who are French citizens or from French origin and those who are not French citizens or from French origin.

## Composition of the board of directors at December 31, 2014

### Chairman of the Board of Directors and Chief executive officer

M. Jean-Pascal Tricoire

#### Age: 51

Business address: Schneider Electric  
35, rue Joseph Monier  
925000 Rueil Malmaison

**216,613<sup>(1)</sup> Schneider Electric SE shares**

First appointment: 2013/Term ends: 2017

### Directorships and other functions

- Currently:  
Chairman and CEO of **Schneider Electric SE**; Chairman and CEO of Schneider Electric Industries SAS; Director of DELIXI Electric Ltd; Director of Schneider Electric USA, Inc.; Director and Chairman of the Board of Directors of Schneider Electric Asia Pacific Ltd.; Chairman of the Board of Directors of Schneider Electric Holdings, Inc., 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**; Director 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 Schneider Electric's International Division. In October 2003, he was appointed Deputy CEO, 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.

(1) Held directly or through a FCPE.

Note: bold indicates the names of companies listed on a regulated market.

\* An independent director within the meaning of the AFEP/MEDEF corporate governance guidelines for listed companies

### Vice-chairman independent lead director

Léo Apotheker\*

#### Age: 61

Business address:  
Flat A, 15 Eaton Square  
London SW1W 9DD - England

**1,538 Schneider Electric SE shares**

First appointed: 2007/Term ends: 2016

### Directorships and other functions

- Currently:  
Vice-chairman independent lead director of **Schneider Electric SE** and Chairman of the Governance and compensation committee, member of the Strategy Committee.
  - Other directorships at a listed company:  
Director of **NICE-Systems Ltd** (Israel).
  - Other directorships or functions:  
Chairman of the board of KMD A/S (Denmark), Vice-Chairman of the board of Unit 4 NV (Netherlands); Director of New E.A. (United States) and Intelius (United States).
- Previous directorships and functions held in the past five years:  
Manager of « Efficiency Capital » fund; Vice-Chairman of **Schneider Electric SA**'s supervisory board; member of the supervisory board of **Steria**, President and CEO 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 GTNexus (United States); member of the board of directors and the 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 & Belgium, where he was Chairman and CEO between 1988 and 1991. Mr. Apotheker was founding Chairman and CEO of ECsoft. In 1995, he returned to SAP as Chairman of SAP France. After serving in various capacities within SAP as Regional Director, in 2002 he was appointed member of the Executive Committee and President of Customer Solutions & Operations, and in 2007 President CSO and Deputy CEO of SAP AG and CEO of SAP AG in 2008. In 2010, he became CEO and President of Hewlett-Packard, a position he held until the fall of 2011. Member of the Schneider Electric SA board of directors since 2007, Léo Apotheker was appointed Vice-chairman independent lead director in May 2014.



## Directors

### Betsy Atkins\*

**Age: 61**

Business address:  
BAJACORP, 10 Edgewater Drive,  
Ste 10A Coral Gables, FL 33133, USA

**1,000 Schneider Electric SE shares**

First appointed: 2011/Term ends: 2015

#### Directorships and other functions

- Currently:
  - Director of **Schneider Electric SE** and member of the Strategy Committee.
  - Other directorships or functions at listed company:
    - Governance Chair and member of the board of directors of **Darden** (USA); Compensation Chair and member of the board of directors of **Polycom Inc.** (USA); member of the board of directors of **HD Supply Holdings, Inc.** (USA); Chairman of **SAP** Advisory board;.
  - Other directorships or functions:
    - CEO of Baja LLC; member of ZocDoc Advisory board.
- 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 **Chico's FAS Inc.** (USA); **SunPower Corp.** (USA), **Vonage** (USA), **Wix** (Israel), **Ciber** (USA); President and CEO of Clear Standards, Inc. (USA).

#### Expérience et qualifications

After graduating from the University of Massachusetts, 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 Clear Standards from 2008 – 2009, Chairman and CEO of NCI from 1991 to 1993 and as CEO of Key Supercomputer from 1987 to 1989.

### Xavier Fontanet\*

**Age: 66**

Business address:  
3 rue Charles-Lamoureux  
75016 Paris

**1,000 Schneider Electric SE shares**

First appointed: 2011/Term ends: 2016

#### Directorships and other functions

- Currently:
  - Director of **Schneider Electric SE** and Chairman of the Strategy committee.
  - 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 LLC (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 CEO and then served as Chairman and CEO from 1996 to 2009 and Chairman of the board of directors until the beginning of 2012.

*Note: bold indicates the names of companies listed on a regulated market.*

*\* An independent director within the meaning of the AFEP/MEDEF corporate governance guidelines for listed companies.*

### Noël Forgeard\*

**Age: 68**

Business address:  
Arjil SA  
84, avenue d'Iéna  
75116 Paris

**1,000 Schneider Electric SE shares**

First appointed: 2005/ Term ends: 2016

#### Directorships and other functions

- Currently:
  - Director of **Schneider Electric SE** and member of the Audit and risk committee and the Strategy committee.
  - 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 Vivéris Holding; member of the steering and supervisory board of 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 de 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 CEO 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.

### Antoine Gosset-Grainville\*

**Age: 48**

Business address:  
BDGS Associés  
44, avenue des Champs-Élysées  
75008 Paris

**1,000 Schneider Electric SE shares**

First appointed: 2007/Term ends: 2016

#### Directorships and other functions

- Currently:
  - Director of **Schneider Electric SE** and member of the Audit and risk committee.
  - Other directorships at a listed company:
    - Director of the **FNAC** Group; and director and Chairman of the Audit Committee of **Compagnie des Alpes**.
  - 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** 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 is a graduate of the Institut d'Études Politiques de 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.



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\* An independent director within the meaning of the AFEP/MEDEF corporate governance guidelines for listed companies.



## Magali Herbaut

### Age: 43

Business address:  
Schneider Electric Industries SAS  
2 Chemin des sources  
38240 Grenoble

**3,726 <sup>(1)</sup> Schneider Electric SE shares**

First appointed: 2012/Term ends: 2017

### Directorships and other functions

- Currently:
  - Director of **Schneider Electric SE** and member of the Human Resources and CSR committee.
  - 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 earned an MBA from Laval University (Canada). She began her career as an auditor for the firm Deloitte, then joined Schneider Electric in 1996 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, and then on a global scale in 2013 as part of the Partner Retail Division. Since 2014, she has been in charge of the Group's ethics and global policies. Mrs. Herbaut is a member of the supervisory board of the FCPE Schneider Actionnariat.

## Jeong H. Kim\*

### Age: 54

Business address:  
Jurie Holdings LLC  
7735 Old Georgetown Road, Suite 1200  
Bethesda, MD 20814, USA

**1,000 Schneider Electric SE shares**

First appointed: 2011/Term ends: 2015

### Directorships and other functions

- Currently:
  - Director of **Schneider Electric SE** and member of the Strategy committee
  - Other directorships or functions:
    - CEO of Jurie Holdings LLC (USA); Chairman of Kiswe Mobile Inc. (USA); board member of **ARRIS Group Inc.** (USA); board member of Nuclear Threat Initiative (USA); board member of Washington 2024 (USA); member of President's Advisory board to Korea Advanced Institute of Science and Technology (KAIST) (South Korea)
- 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) (France); member of the supervisory board of **Schneider Electric SA** (France); President of Bell Labs and Chief Strategy Officer of **Alcatel-Lucent** (USA / France); member of the board of Trustees of Johns Hopkins University (USA); member of the **Nasdaq** Listing and Review Council (USA); member of the External Advisory board of the CIA (USA); member of the Advisory board of Royal Oak Capital (USA); Director of CINTT (USA); member of the board of Managers of the Applied Physics Lab (USA); Director of GIV Global Private Equity (USA); Professor at the University of Maryland (USA); member of the board of directors of Georgetown University (USA); member of the board of Visitors at the Stanford Freeman Spogli Institute (USA).

### Experience and qualifications

Jeong H. Kim is Chairman of Kiswe Mobile Inc., a start up focusing on interactive mobile video. His background ranges from being a CEO of a high technology start-up to senior executive of a Fortune 500 corporation and served as the President of Bell Labs from 2005 to 2013. Dr. Kim holds a Ph.D. from the University of Maryland and Master's and Bachelor degrees from Johns Hopkins University. Dr. Kim has sat on numerous corporate, University and non-profit boards and currently serves on the boards of **Schneider Electric SA**, **ARRIS Group, Inc.**, Washington 2024, KAIST, and the Nuclear Threat Initiative. He is a member of the National Academy of Engineering and was named one of the 10 most influential Asian Americans in business for 2005 by the U.S. Pan Asian American Chamber. In January 2014 the government of France awarded him membership in the Legion of Honor for his services in global technology.

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*(1) Held directly or through a FCPE.*

*\* An independent director within the meaning of the AFEP/MEDEF corporate governance guidelines for listed companies.*

## Willy R. Kissling

**Age: 70**

Business address:  
Poststrasse n° 4 BP  
8808 Pfaeffikon, Switzerland

**2,000 Schneider Electric SE shares**

First appointed: 2001/Term ends: 2016

### Directorships and other functions

- Currently:  
Director of **Schneider Electric SE**, and member of the Governance & remuneration committee and the Human Resources and CSR committee.
- 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**; Chairman of the board of directors of Grand Resort Bad Ragaz AG.

### Experience and qualifications

Willy Kissling, a Swiss citizen, holds diplomas from the University of Bern (Dr. rer.pol) and Harvard University (P.M.D). He has extensive experience and proven expertise both as a CEO and a director of multinational companies based in Switzerland and in the following areas in particular: construction and energy management technologies (acquired as CEO of the former Landis&Gyr Ltd), information technology and vacuum processing (acquired as Chairman of Oerlikon Bührle Ltd, which became OC Oerlikon Ltd), construction materials (Holcim Ltd, Cement, Forbo Ltd, Floring, Rigips GmbH, Gypsum), packaging (Chairman of SIG Ltd) and logistics (acquired at Kühne&Nagel Ltd).

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 CEO 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 Oerlikon Bührle Holding AG (since renamed OC Oerlikon Corp.).

## Linda Knoll\*

**Age: 54**

Business address:  
CNH Industrial N.V., 6900 Veterans Boulevard,  
Burr Ridge, Illinois 60527 USA

**1,000 Schneider Electric SE shares**

First appointed: 2014/Term ends: 2018

### Directorships and other functions

- Currently:  
Director of **Schneider Electric SE** and member of the Human Resources & CSR committee.  
– Other directorships or functions at a listed company:  
Chief Human Resources Officer and member of the Group Executive Council of **CNH INDUSTRIAL N.V.**  
Chief Human Resources Officer and member of the Group Executive Council of **FIAT CHRYSLER AUTOMOBILES N.V.**
- Previous directorships and functions held in the past five years:  
Interim President of CNH Parts & Service.

### Experience and qualifications

After a career in the Land Systems Division of General Dynamics, Ms. Knoll joined CNH Industrial N.V. in 1994 (Case Corporation at the time). She held various positions there, culminating in her appointment to multiple senior management positions.

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. Ms. Knoll was appointed CHRO in **CNH Industrial** and Fiat **Chrysler Automobiles** in 2007 and 2011 respectively.

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.



Note: bold indicates the names of companies listed on a regulated market.

\* An independent director within the meaning of the AFEP/MEDEF corporate governance guidelines for listed companies.

### Cathy Kopp\*

**Age: 65**

Business address:  
22, square de l'Alboni  
75016 Paris

**1,024 Schneider Electric SE shares**

First appointed: 2005/Term ends: 2018

#### Directorships and other functions

- Currently:
  - Director of **Schneider Electric SE** and member of the Human Resources and CSR committee.
  - Other directorships or functions:
    - Director and chair of the Compensation and Appointments Committee of SFIL; member of the board of the SNCF Foundation.
- Previous directorships and functions held in the past five years:
  - Member of the supervisory board of **Schneider Electric SA**; Director of **Dexia**; member of board of the École Normale Supérieure at rue d'Ulm in Paris; 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 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.

### Henri Lachmann

**Age : 76**

Business address:  
Schneider Electric  
35, rue Joseph-Monier  
92500 Rueil-Malmaison

**108,612<sup>(1)</sup> Schneider Electric SE shares**

First appointed : 1996/Term ends : 2016

#### Directorships and other functions

- Currently:
  - Director of **Schneider Electric SE** and Chairman of the Human Resources and CSR Committee.
  - Other directorships and functions in 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 Institut Télémaque; Vice Chairman and Treasurer of 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); Chairman of the Sup'Emploi Committee.
  - Previous directorships and functions held in the past five years:
    - Vice-chairman Lead Director of **Schneider Electric SA**, Chairman of the Supervisory Board of **Schneider Electric SA**; Vice-chairman of the Supervisory Board of Vivendi; 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 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, a position he held until May 2014.

*Note: bold indicates the names of companies listed on a regulated market.*

*\* An independent director within the meaning of the AFEP/MEDEF corporate governance guidelines for listed companies.*

*(1) Held directly or through a FCPE.*

## Gérard de La Martinière

### Age: 71

Business address:  
18, allée du Cloître  
78170 La Celle-Saint-Cloud

**6,856 Schneider Electric SE shares**

First appointed: 1998/Term ends: 2015

### Directorships and other functions

- Currently:
  - Director of **Schneider Electric SE** and Chairman of the Audit and risk committee.
  - 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**;
  - Director of Banque d'Orsay.

### 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 General Secretary 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.

## Lone Fønss Schrøder\*

### Age: 54

Business address:  
Klosterrisvej 6 –  
3100 Hornbæk Danmark

**1,000 Schneider Electric SE shares**

First appointed: 2014/Term ends: 2018

### Directorships and other functions

- Currently:
  - Director of **Schneider Electric SE** and member of the Audit and risks committee.
  - Other directorships or functions at listed companies:
    - Director of **Bilfinger SE** (Germany), **Valmet Oy** (Finland), of **NKT Holding A/S** (Denmark), and Senior advisor to the Nordic Region for Credit Suisse.
  - Other directorships or functions:
    - Vice-Chairman of Saxo Bank A/S and Director of Volvo Cars (Sweden).
- Previous directorships and functions held in the past five years:
  - Directorship and member of the Audit Committee of **Aker Solutions ASA** (Norway); Director of **Heidelberg AG** (Germany), of Handelsbanken, of Volvo and Vattenfall AB (Sweden), of Yara ASA (Norway); President and CEO of Wallenius Lines (Sweden); director and Chairman of the Audit Committee of Kvaerner ASA (Norway).

### Experience and qualifications

Ms. Lone Fønss SCHRØDER, 54 years old and of Danish nationality, possesses a law degree from Copenhagen University and a Master's degree in economics at the Copenhagen Business School. Ms. SCHRØDER has broad international experience acquired during 21 years (1982-2004) in senior management positions at A.P. Moller-Maersk A/S. In 2005, she became President and CEO of Wallenius Lines, a company specializing in sea RORO, terminals and logistics, offices that she held until 2010. At present, she is a company director.



Note: bold indicates the names of companies listed on a regulated market.

### G. Richard Thoman\*

**Age: 70**

Business address:  
Corporate Perspectives,  
LLC 485 Park Avenue New York NY 10022, USA

**1,000 Schneider Electric SE shares**

First appointed: 2007/Term ends: 2016

#### Directorships and other functions

- Currently:
  - Director of Schneider Electric SE and member of the Governance and Remuneration Committee.
  - Other directorships or functions:
    - Managing Partner of Corporate Perspectives (an American strategy consulting firm); member of the International 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; Member of the Board of Directors of China European International Business School (C.E.I.B.S).
- 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 (the result of 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.

### Non voting members

### Claude Bébéar

**Age: 79**

Business address:  
GIE AXA  
25, Avenue Matignon  
75008 Paris

**528 Schneider Electric SA shares**

First appointed: 2004/Term ends: 2014

#### Directorships and other functions

- Currently:
  - Non-voting member of **Schneider Electric SE**
  - 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. He resigned as Chairman of the supervisory board in April 2008 to become Honorary Chairman of AXA.

## Gregory Spierkel

**Age: 58**

Business address:

325 Weymouth Place, Newport Beach, USA.

**1,000 Schneider Electric SE shares**

First appointed: October 2014/Term ends: 2015

## Honorary Chairman

Didier Pineau-Valencienne

### Directorships and other functions

- Currently:

Non-voting director of **Schneider Electric SE**; Member of the strategy and audit committee.

– Other functions at a listed company:

Director of **MGM Resorts International** (with audit and compensation committee membership) and Director of **PACCAR Inc.** (Chair of compensation committee and member of audit committee)

– Other directorships or functions

Member of the Advisory Board at The Merage School of Business at the University of California, Irvine.

- Previous directorships and functions held in the past five years:

Chief Executive Officer of **Ingram Micro Inc.**; President, Worldwide of **Ingram Micro Inc.**; Director of **Ingram Micro Inc.**

### Experience and qualifications

Mr. Spierkel holds a Bachelor of Commerce degree from Carleton University (Ottawa), a Master's Degree in Business Administration from Georgetown University. He also attended the Advanced Manufacturing Program at INSEAD.

Mr. Spierkel began his career working for Bell Canada in sales and product development, followed by a period with Nortel Inc. in market research. For four years, he served as Managing Director of Mitel Telecom with responsibilities over Europe and Asia. He then spent 5 years at Mitel Corp where he served as President of North America and President of Global Sales and Marketing. In August 1997, he joined Ingram Micro as a Senior Vice President and President of Ingram Micro Asia-Pacific. In June 1999, he was appointed as Executive Vice President and President of Ingram Micro Europe where he led the transformation of the region into a best-in-class performer, delivering sales and operating margins at historic highs. He was promoted Ingram Micro Inc.'s Corporate President in 2004. He took over as Chief Executive Officer of Ingram Micro Inc in 2005, retaining that position and that of a member of the Board of Directors until his departure in 2012. Since 2012 Mr. Spierkel has been providing advisory and consulting services to private equity firms with investments in the information technology sector.





## 2. Organizational and operating procedures of the board of directors

*This section is part of the Chairman of the board of directors' report*

### 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 corporate purpose, except for those matters which, by law, can only be decided on by the shareholders in a Shareholders' Meeting.

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 the Senior Management of the Company;
- appoint executive corporate officers and also remove them from office (Chief Executive Officer and deputy Chief Executive Officers) as well as to set their compensation and the benefits granted to them;
- co-opt directors whenever necessary;
- call the Shareholders' Meetings and, as applicable, the Bondholders' General Meetings;
- approve the corporate and consolidated financial statements;
- draw up management reports and reports for 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 Shareholders' Meetings, more particularly for increasing Company capital, buying back the company's own shares, carrying out employee shareholding transactions and cancelling shares;
- authorize the issue of bonds;
- decide on the allocation of options or free/performance shares within the limits of authorizations given at Shareholders' Meetings;
- authorize regulated agreements (agreements covered by article L.225-38 et seq 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 interim dividends;

The board of directors may appoint between one and three non-voting members and decide to create board committees. It draws up internal rules. It determines the allocation of attendance fees; the total amount is determined by the Shareholders' Meeting.

### Internal regulations and procedures of the board of directors

The board of directors adopted its internal regulations on April 25, 2013 and amended them on May 6, 2014 to change the committees' scope of competence. These internal regulations include the rules of procedure of the board committees (the Audit and Risk committee, the Governance and Compensation committee, the Human Resources & CSR committee and the Strategy committee), and the directors' charter as recommended by the AFEP/MEDEF corporate governance guidelines. The regulations are reproduced on pages 306 to 312 of this annual report. It is published on the company's website [www.schneider-electric.com](http://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, provides that the board shall deliberate each year on the decision to unify the functions of Chairman and Chief Executive Officer. It also defines the duties and missions of the Vice-chairman independent lead director who is appointed when the board decides to unify the functions of Chairman and Chief Executive Officer. As such, the Vice-Chairman:

- is informed of major events in the life of the Group within the framework of regular contacts and monthly meetings with the Chairman, as well as through contacts 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 them on governance issues when it is considered that he is the most appropriate spokesperson;
- reports to the Chairman on the results of the « executive sessions » (see below);
- sets the agenda for board meetings 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 Deputy CEO;
- leads the annual evaluations of the board of directors;
- informs the Chairman and CEO and the board of any conflicts of interest which could be identified;
- reports on his activities during the Annual Shareholders' Meeting.

The charter for the Vice-chairman independent lead director is found on page 312.

**Article 2** defines the role and powers of the board of directors. It states that the board of directors shall determine the strategic orientations of the Company and oversee implementation thereof. To enable the board to perform its missions, the Chairman or the committees must inform the board of any significant event affecting the Company's efficient operation. In addition, any acquisitions or disposals of assets amounting to more than EUR250 million as well as any strategic partnership agreements 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 skills, availability and commitment of its members, applying the principle of balanced representation of women and men on the board, enabling representation of employee shareholders on the board, and ensuring continuity through the re-appointment of a certain proportion of the members at regular intervals.

**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 meetings per year, the presence of the Chief

financial officer at board meetings as well as the presence of the relevant operational managers 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 with each director individually once a year.

**Article 6** defines the status of the directors in accordance with the director's charter of the AFEP/MEDEF corporate governance guidelines.

The charter provides that directors:

- represent all shareholders and act in the corporate interest;
- must resign from the board when they have not participated in at least half the board meetings;
- are bound by an overall obligation of confidentiality;
- must report any and all conflicts of interest and are asked to refrain from voting and any debate regarding the matter in question;
- may not hold more than four other directorships in listed companies outside the Group;
- must hold at least 1,000 shares in the Company;
- are bound by the Group's stock market ethics code, which provides strict rules concerning their transactions on Schneider Electric SE shares (see below);
- attend the Shareholders' Meeting.

**Article 7** provides that non-voting members who attend board meetings in an advisory capacity are subject to the same ethics code as directors.

**Articles 8 to 12** apply to board 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 SE applies the following rules 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, presentations on items scheduled on the agenda or notes and, as appropriate, draft social and consolidated financial information. A supplementary file 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 portion of the board's meetings 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 between the board meetings. Each year, a one-to-one session is organized between directors and members of the Executive Committee.

For new directors, training and information sessions may be organized on the Group's strategy and businesses.





### **Insider ethics code**

Schneider Electric has adopted an ethics code for members of the board of directors and Group employees designed to prevent insider trading. Under these provisions, both directors and relevant employees are barred from trading in the Company shares and shares in companies for which they have information that has not yet been made public. In addition, they may not trade in Schneider Electric SE 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 SE 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 guidelines, corporate officers also undertake not to enter into hedges of shares resulting from exercise of options and of performance shares they are required to hold (see page 284). These restrictions supplement the prohibition against hedging unvested stock options and performance shares during their vesting period.

## > 3. Board meetings

*This section is part of the Chairman of the board of directors' report*

The board held eight meetings in 2014. The meetings lasted four hours and twenty minutes on average with an average participation rate of board members of 94%. They were primarily devoted to discussing the Company's corporate governance,

strategy and its implementation, reviewing operations and the annual and interim financial statements, which it approved, and preparing the Annual Shareholders' Meeting.

### Corporate Governance

Based on the reports of its committees (Governance, and remuneration, Human Resources & CSR), the board of directors:

- discussed the composition of its membership and that of its committees and the principle of balanced representation of women and men. Based on the recommendation of the Governance Committee, the board proposed to the Annual Shareholders' Meeting of May 6, 2014 to appoint Linda Knoll and Lone Fønss Schröder to the board of Directors. On May 6, 2014, it appointed Léo Apotheker to succeed to Henri Lachmann as Independent Vice-chairman lead director. It also renewed Claude Bébéar's term as a non-voting member and, on October 28, 2014, appointed Gregory Spierkel as a non-voting member pending the proposal of his appointment as a director to the Annual Shareholders' Meeting of April 21, 2015. It reviewed the composition of the committees (see below) as well as their names and areas of competence. As a result, the Governance Committee, chaired by Léo Apotheker as Vice-chairman and independent lead director, became the Governance and compensation committee, recognizing its competence in matters concerning corporate officer remuneration, which was previously the purview of the Compensation, Human Resources & CSR committee. The latter is now the Human Resources & CSR committee;
- discussed whether to maintain the unification of the functions of Chairman and CEO (see above page 122);
- discussed the Governance and compensation committee's report on the succession plan for corporate officers. It was informed of the work done by the Human Resources & CSR committee on the succession plan for members of the Executive Committee;
- discussed the Governance and compensation committee's report on the findings of its self-assessment done in November 2014 using a questionnaire. The results of this self-assessment are detailed on page [124];

- approved the rules relating to the compensation of the corporate officers (determining the level of achievement of their personal objectives in 2013 and setting the rules for their 2014 compensation: fixed salary, variable pay and long-term incentives). The principles and rules applied by the board in determining compensation and benefits for corporate officers are presented below (see pages 150 and 151);
- decided the implementation of the 2014 long-term incentive plan. It drew up a list of beneficiaries (which includes the corporate officers) and set the terms of individual awards as well as performance conditions;
- approved the compensation of the Lead Director in accordance with the rules on regulated agreements (see page 150);
- approved the Chairman's report on the composition of the board and the application of the principle of balanced 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;
- validated the calculation of the level of achievement of performance criteria applicable to Performance Share plans 13 to 14ter.
- decided on capital increases reserved for Group employees (Wesop);
- discussed the transformation of the company to a European Company (see pages 10 and 274).

The board held an executive session during which its members expressed their views on the functioning of the Senior Management, the board and its committees, as well as the interactions between the Independent Vice-chairman lead director and the Chairman. They also discussed some elements of the Group's strategy. In addition, the board discussed the compensation of the Chairman and CEO and the Deputy CEO, 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. This meeting, held in Grenoble in June 2014 at the Electropôle site, was preceded by a tour of the laboratories. In addition, it heard the reports of the Chairman of the

Strategy Committee on the work of this committee, which met four times during the year. It also monitored the integration of Invensys through the updates that were presented on this issue at each of its meetings. The board has been informed of the moves and changes of competitors of Schneider Electric.



## Activities and results

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The board of directors read the quarterly business reports prepared by the Senior Management. At each meeting, the board also tracked business performance and examined the company's financial position.

The board was informed of the Group's 2014 objectives.

On February 19, 2014, the board of directors reviewed and approved the 2013 financial statements based on the Audit and risk committee's report and the report by the statutory auditors, who were present at the meeting. The board decided to propose to the Annual Shareholders' Meeting that the dividend be set at EUR1.87 per share. Similarly, on July 29, 2014, it reviewed and approved the financial statements for the first half of 2014.

Based on the Audit and risk committee's report, the board was informed about and discussed changes in risk mapping and the work of the Group's internal audit and internal control teams. The Audit Committee also reported on its other work, discussed by the board, in monitoring risk management (hedging policy for foreign exchange and interest rate risks, risks associated with purchasing,

customers, risk insurance coverage, etc.), in monitoring of the management of the Invensys pension fund, the risk management action plans of Invensys and Electroshield Samara, fraud prevention, management and protection of intellectual property, outsourcing of running information systems, R&D effectiveness, and monitoring of accounting standards and the independence of the statutory auditors.

It reviewed developments in the supply chain as well as on the Group's brand policy. It reviewed the new company program (see page [27]).

It ensured consistent compliance with market disclosure requirements, notably through an analysis of market consensus and issuing press releases.

It authorized the share buyback program carried out for the second half of 2014.

The board carried out the procedures required by law, which include reviewing management planning documents.

## Annual Shareholders' Meetings and bondholder consultations

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### Annual Shareholders' Meeting

The board reviewed and approved the agenda and draft resolutions of the 2014 Annual Shareholders' Meeting, and its report to the shareholders at the meeting. It approved the Chairman's report on the functioning of the board, internal control and the monitoring of risk management. It read the proxy-advisors' reports. Almost all of the members of the board (11/14) attended the Annual Shareholders' Meeting. The shareholders approved all the resolutions presented and approved by the board including those relating to « Say on Pay », the transformation of the company into a European company and the renewal of all financial authorizations submitted to it.

### Consultation with bondholders

The board consulted with the bondholders, some of whom gathered for a general meeting, on the proposed transformation of the Company into a European company, which they approved. Accordingly, the board approved the agenda, the draft resolutions and invited some of the bondholders to a General Meeting.

## > 4. Board committees (composition, operating procedures and meetings)

*This section is part of the Chairman of the board of directors' report*

In its internal regulations, the board has set out the roles, responsibilities and resources of its four study committees: the Audit and Risk committee, the Governance and Compensation committee, the Human Resources & CSR committee and the Strategy committee.

On May 6, 2014, the board of directors reviewed the committees' names and areas of competence. As a result, the Governance Committee became the Governance and compensation committee, recognizing its competence in matters concerning corporate officer compensation, which were previously the purview of the Compensation, Human Resources & CSR committee. The latter is now the Human Resources & CSR committee.

Committee members are appointed by the board of directors on the proposal of the Governance Committee. Committees may open their meetings to the other board members. The Vice-chairman independent lead director may attend any meetings of committees of which he is not a member. The committees may commission studies from outside consultants after having consulted with the Chairman of the board of directors. They may invite anybody they wish to meetings, as necessary. Secretaries of the board committees organize and prepare the work of the committees. They record the minutes of committee meetings that will then be sent to the directors. They are members of Group management teams and specialists in the subjects of competence of each committee.



### Audit and risk committee

The members, operating procedures and responsibilities of the Audit and risk committee are compliant with the recommendations included in the Audit Committee final report published by the AMF in July 2010.

#### Composition in 2014

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 four members: Gérard de La Martinière, Chairman, Noël Forgeard, Antoine Gosset-Grainville, and Lone Fønss Schrøder (since May 6, 2014). They are all independent, with the exception of Gérard de La Martinière, who has over 12 years of service on the board of directors. As demonstrated by their career records, summarized on page [125] et seq, the Audit Committee members all have recognized expertise in finance, economics and accounting. Gérard de La Martinière was General Secretary of the COB (precursor to the French securities regulator, the AMF), member of the Executive board and Director of Finance, Control and Strategy of the AXA Group, and member of EFRAG (European Financial Reporting Advisory Group). He brings to the committee his vast financial expertise and excellent knowledge of accounting standards.

In addition to their financial and accounting expertise, Noël Forgeard also brings special expertise to the committee on industrial issues, Lone Fønss Schrøder on the oil sector and supply chain, and Antoine Gosset Grainville on the macroeconomic and competitive environment.

At December 31, 2014, 75% of the Audit and risk committee consists of independent directors.

#### Operating procedures

The committee meets at the initiative of its Chairman or at the request of the Chairman and CEO. 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 Executive Vice President, Finance is the spokesperson for the Audit and risk committee.

The Director of Internal Audit 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 the annual and interim financial statements to be approved by the board and, more particularly:
  - checks the relevancy and consistency of the accounting methods used for drawing up consolidated and corporate accounts, as well as checking that significant transactions at 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 receives 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;
- monitors the efficiency of internal control and risk management systems. For this purpose, it:
  - reviews the organization and resources used for internal audit, as well as its annual work schedule, and receives a quarterly summary report on the findings of the audits carried out,
  - reviews the mapping of risks related to the Company's business and its year-on-year evolution, and ensures procedures are implemented to prevent and reduce them,
  - reviews risk mitigation and coverage optimization,
  - 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,
  - reviews the draft report of the Chairman on Internal control,
  - 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 examines proposals for distribution as well as the amount of financial authorizations submitted for approval at Annual Shareholders' Meetings.

The Audit and risk committee reviews all financial and accounting issues and those 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 keeps the Chairman and the Vice-chairman independent lead director promptly informed of any difficulties encountered.

### Meetings in 2014

In 2014, the Audit Committee met five times. The average duration of the meetings was about 2 hours and 50 minutes and the average attendance rate was 89%.

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 the statutory auditors. The committee also heard reports from operational directors and the managers of the Invensys pension fund. In line with the provisions of the AFEP/MEDEF Code, the Chairman and CEO does not in principle 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 goodwill, the Group's tax position, provisions and pension obligations or similar obligations,
  - review of investor relations documents concerning the annual and interim financial statements,
  - review of the Group's consolidation perimeter;
- 2) internal audit, internal control and risk management:
  - review of the 2015/Q1 2016 Internal Audit schedule drawn up after the risk mapping review,
  - monitoring the Internal Audit road map realization related to 2014/Q1 2015, and review of main audits' outcome,
  - review of the activities of internal control, particularly the results of assessments/self-assessments,
  - review of reporting on fraud prevention systems,
  - review of renewal of IT outsourcing contracts,
  - review of procurement-related risks (compliance with ethical rules, disruption of supplies, etc.)
  - review of risk mitigation by means of insurance,
  - review of the control system for the management of the Invensys pension fund,
  - review of the hedging policy on foreign exchange and interest rate risk,
  - review of the impact of future IFRS,
  - review of action plans relating to the effectiveness of R&D,
  - review of the Group's quality policy,
  - review of the policy and processes for the management and protection of intellectual property,
  - review of the process for preparing financial communications,
  - review of the risk control action plans of Invensys and Electroshield Samara,
  - 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 to their networks;
  - review of the external audit plan,
  - update on the process of renewal/appointment of statutory auditors at the end of their current terms;
- 4) Corporate Governance:
  - recommended dividend for 2014,
  - study of the relationship between the work of the Audit committee and that of the board on major risks,
  - review of the financial authorizations, whose renewal was presented to the Annual Shareholders' Meeting of May 6, 2014.

The Audit committee reported on its work in 2014 to the board at the February 19, June 10-11, July 29, October 28, and December 16, 2014 meetings.

## Human Resources and CSR committee

The name and areas of competence of the Human Resources & CSR committee were amended on May 6, 2014. Until that date, it was called the Compensation, Human Resources & CSR committee and it was competent to make proposals to the board on corporate officer compensation. This competence has been transferred to the Governance Committee, which has become the Governance and compensation committee.

### Composition in 2014

The internal regulations and procedures of the board of directors stipulate that the Human Resources & CSR committee must have at least three members.

Until May 6, the committee was made of up Serge Weinberg, Chairman, Magali Herbaut, Willy Kissling, Cathy Kopp and Rick Thoman.

Since then, the committee consists of Henri Lachmann, Chairman, Magali Herbaut, Willy Kissling, Linda Knoll and Cathy Kopp.

At December 31, 2014, 50% of the Human Resources & CSR committee consists of independent directors.

### Operating procedures

The committee meets 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 with the Chairman and CEO. It meets 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, Olivier Blum is the committee secretary.

### Responsibilities

The committee develops proposals to the board of directors on:

- the establishment of stock purchase or subscription options plans, the allocation of free/performance shares, and the monetary value of options or shares allocated to corporate officers.

The committee issues opinions on proposals made by Senior Management on:

- compensation for members of the Executive Committee;
- principles and conditions for determining the compensation of Group executives.

The committee is kept informed of any nomination of members of the Executive Committee and of key Group executives.

It reviews the succession plan for key Group executives.

The committee prepares for 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's CSR policy, including the policy on the equal treatment of men and women.

### Meetings in 2014

The committee, which met on February 18, 2014, with all members present, drew up proposals for the board of directors on:

- the compensation of corporate officers (amount and structure of compensation in 2014, objectives for 2014, and level of achievement of objectives in 2013);
- 2014 annual long-term incentive plan and more specifically the implementation of the annual performance share plan and the allocation of performance shares to corporate officers under this plan, ensuring the application of the AFEP/MEDEF recommendations of October 6, 2008;
- the implementation of « Say on Pay ».

Since May 6, the committee met 3 times and developed proposals to the board on:

- the analysis of human resource requirements to carry out the Group's strategy;
- adjustments to the status of the corporate officers;
- the 2015 long-term incentive plan;
- the launch in 2015 of a new Group employee share issue (Wesop 2015);

The committee also reported to the board on:

- the performance reviews of Executive Committee members;
- the review of succession plans for members of the Executive Committee;
- the review of the Group's CSR policy on equal opportunities and compensation for men and women;
- the review of Wesop 2014 (Group employee share issue);
- the « discovery report » by Olivier Blum at the end of his 100 days as head of Global Human Resources;
- its 2014/2015 annual schedule;

The attendance rate by its members was 100%. It reported on its work to the board at the June 10-11, October 28, and December 16, 2014 meetings.



## Governance and compensation committee

The name and areas of competence of the Governance and compensation committee were amended on May 6, 2014. Until that date, it was known as the Governance Committee. It is now the Governance and compensation committee because its areas of competence have been extended to matters concerning corporate officers compensation, which were previously the purview of the Human Resources & CSR committee.

### Composition in 2014

The board of directors' internal regulations and procedures provide that the Governance and compensation committee must have at least three members. It is chaired by the Vice-chairman independent lead director.

Until May 6, the committee was made up of Henri Lachmann, Chairman, Léo Apotheker, Claude Bébéar (non-voting member), Willy Kissling and Serge Weinberg.

Since then, the committee consists of Léo Apotheker, Chairman, Claude Bébéar (non-voting member), Willy Kissling and Rick Thoman.

At December 31, 2014, the Governance and compensation committee, chaired by an independent director was composed of 66% of independent directors.

### Operating procedures

The committee is chaired by the Vice-chairman independent lead director. The committee meets 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 with the Chairman and CEO. It meets at least three times a year.

The committee may seek advice from any person it feels will help it with its work.

The secretary to the board of directors is the committee's secretary.

### Responsibilities

The committee develops proposals to the board of directors on all appointments to:

- (i) the board of directors as:
  - director or non-voting member,
  - Chairman of the board of directors, Vice-Chairman, or Independent Vice-chairman lead director,
  - Chairman or committee member;
- (ii) the company's Senior Management. The committee also advises the board on proposals for the appointment of any deputy Chief Executive Officer.

The committee proposes 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 organizes annual and biannual assessments to be made of the board of directors. It makes proposals to the board of directors on:

- the determination and review of independence criteria for directors and the status of directors in light of these criteria;
- the responsibilities of the committees of the board of directors;
- changes in the organization and functioning of the board;
- the company's application of national and international corporate governance practices;
- the total value of attendance fees proposed to the Annual Shareholders' Meetings together with their allocation between the members of the board and compensation of the Vice-chairman lead director.

The committee develops proposals to the board of directors on: compensation of corporate officers (Chairman of the board of directors and/or CEO, and Deputy CEOs) and any forms of benefits granted to them. As such, it prepares the annual evaluation of such officers.

### Meetings in 2014

The committee, which met on February 19 and May 6, 2014, prepared proposals for the board on:

- the composition of the board of directors;
- the composition and areas of competence of its committees;
- the status of the members of the board with regard to the independence criteria;
- the continued unification of the functions of Chairman and CEO;
- the compensation of the Vice-chairman independent lead director;
- the resources made available to the Vice-Chairman and the committee chairs.

The committee also reported to the board on:

- the draft report of the Chairman of the supervisory board on corporate governance;
- the proposed transformation of the company into a European company.

The Governance and compensation committee met on June 10 and December 15, 2014. The committee prepared proposals for the board of directors on:

- the composition of the board;
- adjustments to the status of the corporate officers;

The committee also reported to the board on:

- its review of the succession plan for corporate officers;
- its findings and proposals on the results of the self-assessment questionnaire (see p. [124]).

The rate of attendance of members of the committee was 100%. It reported on its work to the board at the February 19, May 6, June 10-11, and December 16, 2014 meetings.

## Strategy committee

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### Composition in 2014

The internal regulations and procedures of the board of directors provide that the Strategy committee must have at least three members.

The committee consists of Xavier Fontanet, Chairman, Léo Apotheker, Betsy Atkins, Noël Forgeard, Jeong Kim and Gregory Spierkel (since October 28, 2014).

At December 31, 2014, the Strategy Committee included 100% independent directors.

### Operating procedures

The committee meets 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 with the Chairman and CEO. It meets 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.

The Strategy Director, Michel Crochon, is the committee secretary.

### Responsibilities

The committee prepares the board of directors' deliberations on strategic matters. For this purpose, it:

- gives its opinion to the board of directors on projects involving major acquisitions, joint ventures and disposals that are presented to the board for authorization;
- examines in detail certain strategic matters on behalf of the board;
- gives the board its view and understanding of major trends that are relevant to Group business sectors.

### Meetings in 2014

In 2014, the Strategy committee met four times: The average duration of meetings was about two hours. The committee, which set its work program based on requests from all of the directors, primarily focused its work on:

- the review of the Buildings business segment;
- the review of the US region;
- examining the issues of digitization with a focus on customer service and the impact of e-commerce;
- the preparation of "the strategy day".

The rate of attendance of members of the committee was 95%. It reported on its work to the board at the February 19, May 6, October 28, and December 16, 2014 meetings.



## > 5. Senior Management

The Senior Management of Schneider Electric SE consists 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

On April 25, 2013, the board of directors decided to unify the functions of Chairman and Chief Executive Officer, and to appoint Jean-Pascal Tricoire as Chairman and Chief Executive Officer. On May 6, 2014, the board of directors, which in accordance with its internal regulation must annually re-discuss the unification of the functions of Chairman and Chief Executive Officer, confirmed its decision for the reasons given on page 122.

The Chairman and CEO represents the company in its dealings with third parties. He is vested with the broadest authority to act in any and all circumstances in the name and on behalf of the Company. He exercises this authority within the limits of the corporate purpose, except for those matters that are reserved by law expressly to the Shareholders' Meetings or the board of directors. In addition, the internal regulations 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.

### The Deputy CEO

On April 25, 2013, on the proposal of Jean-Pascal Tricoire, the board of directors appointed Emmanuel Babeau as Deputy CEO in charge of Finance and Legal Affairs.

### Emmanuel Babeau

**Age: 47**

Business address:  
Schneider Electric  
35, rue Joseph-Monier  
92500 Rueil-Malmaison, France

**43,315 <sup>(1)</sup> Schneider Electric SE shares**

First appointed: 2009/Term ends: 2015

### Directorships and other functions

- Currently:  
Member of the Steering Committee at Aster Capital Partners SAS; Deputy CEO of **Schneider Electric SE**; Director of Samos acquisition Company Ltd, Schneider Electric (China) Co. Ltd, Schneider Electric Holdings, Inc. Invensys Ltd; Director of Schneider Electric Industries SAS and Schneider Electric USA Inc.; Member of the Supervisory Board of Custom Sensors & Technology SAS, Schneider Electric Energy Access representing Schneider Electric Industries SAS.
- Previous directorships and functions held in the past five years:  
Member of the Management Board of **Schneider Electric SA**; Director of Schneider Electric Taiwan, Telvent GIT SA and Transformateurs SAS, Chairman of the Board of Directors of Schneider Electric Services International Sprl.

### 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) Held 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 0.06% of the share capital and 0.07% of the voting rights.

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 Inc. and Chairman of the board of directors of Schneider Electric Asia Pacific. He receives

compensation from these two companies for the last two functions.

Emmanuel Babeau has an employment contract with Schneider Electric Industries SAS and is CEO of Invensys Ltd. He receives compensation for these functions.

Magali Herbaut has an employment contract with Schneider Electric Industries SAS.

### Service contracts

In accordance with the AFEP/MEDEF guidelines, which provide that specific functions such as Vice-chairman or lead director may give rise to the payment of exceptional compensation which is then subject to the rules on regulated agreements, the board of directors has provided that the Vice-chairman lead director shall receive the annual sum of EUR250,000, excluding tax, as

compensation for the duties 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. Accordingly, until May 6, 2014, Henri Lachmann received this compensation and, since then, it has been paid to Léo Apotheker.

### 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 corporate officers (Chairman and CEO and Deputy CEO) 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 corporate officers of the company are related through family ties.

### 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 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 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 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 et seq) for 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

*This section is included in the Chairman's report to the board of directors*

The general principles underlying compensation policy of Group Senior Management and their individual analyses are reviewed by the Governance and remunerations committee, who makes proposals to the board of directors for executive directors, and by the Human Resources and CSR committee who then informs the board of directors for members of the Executive Committee. It should be noted that the name and competence of the Human Resources & CSR committee were amended on May 6, 2014. Until that date, the committee then named Remunerations, Human Resources & CSR committee was in charge of making proposals to the board of directors on executive directors' remuneration. This competency has been transferred to the Governance Committee then renamed on May 6, 2014 Governance and remunerations committee.

The aims of the compensation policy for Group Senior Management are to:

- motivate and retain Group Senior Management in a highly competitive international market;
- align overall compensation with 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).

Thus, 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 2014, this varies from 0% to 200% of the fixed compensation for members of the Executive Committee and from 0% to 240% for the Chairman and CEO. The performance incentives are therefore of a distinctly random nature.

In 2014, the variable part of Executive Committee members who are in charge of a business is determined as follows:

- 70% based on the Group's economic performance (operating margin, organic growth, cash generation ratio) and on their respective 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 each Group Senior Manager based on his/her 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 Human Resources and CSR committee and the Audit Committee. Details of these performance shares are set out on page 283.

In 2014, the variable part of executive directors is determined as follows:

- 45% based on Group economic criteria component. These criteria are based on organic sales growth (15%), adjusted EBITA (15%) and cash generation targets (15%);
- 25% based on a component comprising criteria that are in line with the Connect Company program and social and environmental responsibility, evaluated among other things through objectives linked to customer satisfaction, services development, key talents development and succession plan as well as trends in Planet & Society barometer);
- 30% based on the achievement of their measurable personal goals.

### Pension benefits

*This section is included in the Chairman's report to the board of directors*

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 supplementary defined-contribution pension (article 83) plans for employees and/or Group Senior Management. 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%<sup>(1)</sup> 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. It provides for the progressive acquisition of rights according to seniority of the Executive Committee, to which is then added, if 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 the 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.

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.

Executive directors no longer benefit from the defined benefit top-hat pension plan (article 39). The board of directors of February 18, 2015 removed this benefit (See pages 295 to 297). However, it maintained the life and disability coverage.



## Compensation of members of the board of directors

*This section is included in the Chairman's report to the Board*

### Members of the board of directors

On April 25, 2013, the Annual Shareholders' Meeting set total attendance fees at EUR1.3 million. The board of directors decided to allocate these fees as follows:

a) for members of the board:

- a fixed share of EUR15,000 (prorated, where appropriate, for any term that starts 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 share of EUR20,000;
- b) for the non-voting members, a fixed share of EUR20,000, unless they are co-opted to become 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.

<sup>(1)</sup> 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 starting in the sixth year of service for Senior Manager status.

On this basis, and noting that Jean-Pascal Tricoire waived payment of his attendance fees, attendance fees paid in 2013 and 2014 were as follows:

Corporate officers who are not directors	Amounts paid/due for fiscal year 2014 <sup>(1)</sup>	Amounts paid/due for fiscal year 2013 <sup>(1)</sup>
<b>Léo APOTHEKER</b>		
Attendance fees	EUR109,000	EUR117,000
Other compensation:		
Vice-Chairman and Lead Director (as of May 6, 2014)	EUR 163,194	
<b>Henri LACHMANN</b>		
Attendance fees	EUR83,000	EUR89,000
Other compensation:		
Chairman of the supervisory board (until April 25, 2013)		EUR159,723
Vice-Chairman and Lead Director (until May 6, 2014)	EUR87,500	EUR170,139
Pension (article 39)	EUR581,969	EUR581,969
<b>Betsy ATKINS</b>		
Attendance fees	EUR67,000	EUR79,000
Other compensation		
<b>Claude BEBEAR<sup>(2)</sup></b>		
Attendance fees	EUR20,000	EUR20,000
Other compensation		
<b>Xavier FONTANET</b>		
Attendance fees	EUR79,000	EUR85,000
Other compensation		
<b>Noël FORGEARD</b>		
Attendance fees	EUR95,000	EUR109,000
Other compensation		
<b>Antoine GOSSET-GRAINVILLE</b>		
Attendance fees	EUR67,000	EUR95,000
Other compensation		
<b>Magali HERBAUT</b>		
Attendance fees	EUR79,000	EUR81,000 <sup>(3)</sup>
Other compensation		
<b>Jeong KIM</b>		
Attendance fees	EUR93,000	EUR80,750
Other compensation		
<b>Willy KISSLING</b>		
Attendance fees	EUR109,000	EUR116,000
Other compensation		
<b>Linda KNOLL</b>		
Attendance fees	EUR53,822	-
Other compensation		
<b>Cathy KOPP</b>		
Attendance fees	EUR79,000	EUR69,000
Other compensation		
<b>Gérard DE LA MARTINIÈRE</b>		
Attendance fees	EUR103,000	EUR115,000
Other compensation		
<b>Dominique SENEQUIER</b>		
Attendance fees	-	EUR7,250
Other compensation		

<b>Corporate officers who are not directors</b>	<b>Amounts paid/due for fiscal year 2014<sup>(1)</sup></b>	<b>Amounts paid/due for fiscal year 2013<sup>(1)</sup></b>
<b>Gregory SPIERKEL<sup>(2)</sup></b>		
Attendance fees	EUR30,000	
Other compensation		
<b>Lone FØNSS SCHRØDER</b>		
Attendance fees	EUR64,822	-
Other compensation		
<b>Rick THOMAN</b>		
Attendance fees	EUR93,000	EUR91,000
Other compensation		
<b>Serge WEINBERG</b>		
Attendance fees	EUR31,178	EUR95,000
Other compensation		

(1) Attendance fees for the year are paid at the beginning of the following year.

(2) Non-voting member.

(3) Magali Herbaut, who is also employed by a Group subsidiary, receives compensation for that employment.



On April 25, 2013, the board of directors appointed Henri Lachmann as Vice-chairman lead director. The board of directors set the compensation for his missions 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. In addition, Henri Lachmann, as a former manager of the Group, has a supplementary retirement pension (article 39).

On May 6, 2014, the board of directors appointed Léo Apotheker as Independent Vice-chairman lead director. The board of directors set the 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 provided that Léo Apotheker and Henri Lachmann could, in the performance of their missions as Vice-chairman lead director use certain means of the Group's management and, as a result, receive the services of an assistant, use an office at the company headquarters, and use the car and driver services of the Senior Management.

## Compensation and performance shares for executive directors

The Group's authorized global compensation of executive directors, for all their mandates/functions and allocated based upon decisions taken by Group's entities in which they perform their mandate/functions, was set by the board of directors during its meetings dated February 19, 2014 and May 6, 2014 for 2014 and February 18, 2015 for 2015, on the proposal of its remuneration committee.

### Mr. Jean-Pascal Tricoire, Chairman and CEO

#### Year 2014

##### Fixed part

The board of directors has set the total fixed annual compensation for 2014 for Jean-Pascal Tricoire, Chairman and CEO, at EUR950,000. The fixed part of Mr. Tricoire's compensation remains unchanged since April 25, 2013.

##### Variable part

The board of directors of February 19, 2014 set target variable part to 120% of the fixed part. The variable part ranges from 0% to 240% of fixed compensation.

The board of directors adjusted Mr. Tricoire's variable part target from 110% of fixed part, which was set at this percentage on December 15, 2011 and February 21, 2012, to 120% to strengthen:

- remuneration's variability in line with company performance, notably further to significant extension of Schneider Electric perimeter with Invensys acquisition; and
- his positioning by reference to 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.

The board of directors has set the criteria of the performance incentives, as well as the weight of these criteria and targets for 2014:

1. Group criteria for 70%, including:
  - for 45%, a Group economic criteria component. These criteria are based on organic sales growth (15%), adjusted EBITA (15%) and cash generation targets (15%);

- 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 objectives linked to customer satisfaction, services development, key talents development and succession plan as well as trends in Planet & Society barometer);
- 2. individual objectives for 30%: individual performance is rated based on specific objectives including Invensys integration, solutions development, digitization, preparation of new company program with the other objectives kept confidential to avoid making this valuable information available to competition.

On the proposal of the Governance and remunerations committee on February 18, 2015, the board of directors approved as 2014 variable part EUR1,500,000 paid in March 2015. The variable part was set at 157.9% of his 2014 fixed compensation (EUR 950,000). The breakdown of the variable part is as follows:

- For Group criteria (70%), variable part amounted to 94.4% of fixed part;
- For Individual objectives (30%), which are precised and as far as possible quantified objectives, the board of directors set variable part to 63.5% of fixed part, after having noticed that the objectives have been met and exceeded

Criteria/Objectives	Weight	Target variable part	Variable part achieved	Amount
Group	70%	84%	94.4%	EUR896,800
Individual	30%	36%	63.5%	EUR603,200
<b>TOTAL</b>	<b>100%</b>	<b>120%</b>	<b>157.9%</b>	<b>EUR1,500,000</b>

## Year 2015

### Fixed and variable part

On the proposal of the Governance and remunerations committee, the board of directors of February 18, 2015 set Mr. Tricoire's compensation for 2015. It breaks down into a fixed compensation amounting EUR950,000 and a target variable part at 130% of fixed compensation, and within a range of 0% to 260% of fixed compensation. The board thus set the variable part targets for 2015 as well as the weight of each of the criteria as follows:

1. Group criteria for 75%, including:
  - for 45%, a Group economic criteria component. These criteria include targets for organic growth in revenue, adjusted EBITA and cash generation targets;
  - for 30%, criteria that are in line with the company program *Schneider is On* and social and environmental responsibility, evaluated in particular through the evolution of the new Planet & Society Barometer.
2. Individual objectives for 25%: these objectives remain confidential as they might bring strategic information to the competition.

### Complementary remuneration

The board of directors dated February 18, 2015 authorized a complementary remuneration to enable Mr. Tricoire to build up a supplementary pension, knowing that the board of directors decided to remove the benefit of the supplementary pension scheme 'article 39' for executive directors (see chapter 8, page 295 and seq.).

## Long-term incentive

### Year 2014

The board of directors of March 31, 2014 has decided the grant, in the framework of the long-term incentive plan for 2014, the allocation of 18,000 performance shares under plan 17 and 42,000 shares under plan 18. 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 new Planet & Society Barometer at the end of 2015,
- For 15%, a level of achievement of the ROCE for the period 2014/2015.

They are also subject to a lock-up period (see page 284). The portion of shares allocated to Mr. Tricoire represents 2.1% of the number of performance shares granted by the board of directors and 0.01% of capital at the date of this allocation.

### Year 2015

As part of the long-term incentive plan for 2015, the board of directors agreed on an 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. They are also subject to a lock-up period

The shares will be allocated by the board of directors on March 27, 2015.

## Mr. Emmanuel BABAUE, Deputy CEO

### Year 2014

#### Fixed part

The board of directors has set the 2014 total fixed annual compensation for Emmanuel Babeau, Deputy CEO, at EUR550,000. The fixed part of Mr. Babeau's remuneration remains unchanged compared to the one set on April 25, 2013.

#### Variable part

The board of directors of February 19, 2014 set target variable part to 100% of the fixed part. The variable part ranges from 0% to 200% of fixed compensation.

The board of directors adjusted Mr. Babeau's variable part target from 90% of fixed part, which was set at this percentage on December 15, 2011 and February 21, 2012 to 100% to strengthen:

- remuneration's variability in line with company performance, notably further to significant extension of Schneider Electric perimeter with Invensys acquisition; and
- his positioning by reference to the market both for financial directors Deputy CEOs of CAC40 companies and for financial directors of international companies (US and European) in the Group's business segment based on a panel of companies.

The board of directors has set the criteria of the variable part, as well as the weight of these criteria and targets for 2014:

#### 1) Group criteria for 70%, including:

- for 45%, a Group economic criteria component. These criteria are based on organic sales growth (15%), adjusted EBITA (15%) and cash generation (15%);
- 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, services development, key talents development and succession plan, as well as trends in Planet & Society barometer);

#### 2) Individual objectives for 30%: individual performance is rated based on specific objectives including Invensys integration, divestment of activities, with the other objectives kept confidential to avoid making this valuable information available to competition.

On the proposal of the Governance and remunerations committee, the board of directors on February 18, 2015 approved as 2014 variable part EUR726,000 paid in March 2015. It set the variable part at 132% of his 2014 fixed compensation (EUR550,000). The breakdown of the variable part is as follows:

- For Group criteria (70%), variable part amounted to 78% of fixed part;
- For Individual objectives (30%), which are precised and as far as possible quantified objectives, the board of directors set variable part to 54% of fixed part, after having noticed that the objectives have been met and exceeded





Criteria / Objectives	Weight	Variable part target	Variable part achieved	Amount
Group	70%	70%	78%	EUR429,000
Individuals	30%	30%	54%	EUR297,000
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>132%</b>	<b>EUR726,000</b>

## Year 2015

### Fixed and variable part

On the proposal of the Governance and remunerations committee, the board of directors on February 18, 2015 set Mr. Babeau's compensation for 2015. It breakdowns into a fixed compensation amounting EUR550,000 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 75%, including:
  - for 45%, a Group economic criteria component. These criteria include targets for organic growth in revenue, adjusted EBITA and cash generation;
  - for 30%, criteria that are in line with the company program *Schneider is On* and social and environmental responsibility, evaluated in particular through the new Planet & Society Barometer.
- 2) Individual objectives for 25%: these objectives remain confidential as they might bring strategic information to the competition.

### Complementary remuneration

The board of directors dated February 18, 2015 authorized a complementary remuneration to enable Mr. Babeau to build up a supplementary pension, knowing that the board of directors decided to remove the benefit of the supplementary pension scheme 'article 39' for executive directors (see chapter 8, pages 295 to 297).

## Long-term incentive

### Year 2014

As part of the long-term incentive plan for 2014, the board of directors decided the grant of 26,000 performance shares under plan 17. The allocation of these shares is entirely dependent on attaining Group performance criteria, in compliance 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 new Planet & Society Barometer at the end of 2015,
- For 15%, a level of achievement of the ROCE for the period 2014/2015.

They are also subject to a lock-up period (see page 284). The portion of shares allocated to Mr. Babeau represents 0.9% of the number of performance shares granted by the board of directors and 0.004% of capital at the date of such allocation.

### Year 2015

As part of the long-term incentive plan for 2015, the board of directors agreed on an 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.

They are also subject to a lock-up period. These shares will be allocated by the board of directors on March 27, 2015.

## 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

<b>Jean-Pascal TRICOIRE, Chairman and CEO</b>	<b>Financial year 2014</b>	<b>Financial year 2013</b>
Compensation for the financial year	2,450,000	2,377,100
Valuation of options granted during the financial year	-	-
Valuation of performance shares <sup>(1)</sup> granted during the financial year	3,169,980	2,339,400
<b>TOTAL</b>	<b>5,619,980</b>	<b>4,716,500</b>

(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.

<b>Emmanuel BABEAU, Deputy CEO</b>	<b>Financial year 2014</b>	<b>Financial year 2013</b>
Compensation for the financial year	1,284,745	1,249,132
Valuation of options granted during the financial year	-	-
Valuation of performance shares <sup>(1)</sup> granted during the financial year	1,448,460	1,184,400
<b>TOTAL</b>	<b>2,733,205</b>	<b>2,433,532</b>

(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

<b>Jean-Pascal TRICOIRE</b>	<b>Financial year 2014</b>		<b>Financial year 2013</b>	
<b>Chairman and CEO</b>	<b>Amounts due for the financial year</b>	<b>Amounts paid during the financial year</b>	<b>Amounts due for the financial year</b>	<b>Amounts paid during the financial year</b>
Fixed compensation	950,000	950,000	934,028	934,028
Performance incentive	1,500,000	1,443,072	1,443,072	1,517,400
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind (car)	-	-	-	-
<b>TOTAL</b>	<b>2,450,000</b>	<b>2,393,072</b>	<b>2,377,100</b>	<b>2,451,428</b>

Mr. Tricoire's 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.

<b>Emmanuel BABEAU</b>	<b>Financial year 2014</b>		<b>Financial year 2013</b>	
<b>Deputy CEO</b>	<b>Amounts due for the financial year</b>	<b>Amounts paid during the financial year</b>	<b>Amounts due for the financial year</b>	<b>Amounts paid during the financial year</b>
Fixed compensation	550,000	550,000	550,000	550,000
Performance incentive	726,000	695,200	695,200	657,000
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind (Company car)	8,745	8,745	3,932	3,932
<b>TOTAL</b>	<b>1,284,745</b>	<b>1,253,945</b>	<b>1,249,132</b>	<b>1,210,932</b>

Mr. Babeau's travel and business expenses are covered by the Group as well as, in 2014, the relocation costs linked to his professional mobility. 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 2014 financial year.

### Performance shares granted during the financial year to each executive director

Performance shares were granted for 2014 during 2014 financial year.

	Plan no.	Plan date	Number of shares granted	Unit valuation IFRS 2	Acquisition date	Date of availability
Jean-Pascal TRICOIRE	17	03/27/2014	18,000	55.71	03/31/2016	04/02/2018
	18	03/27/2014	42,000	51.60	03/31/2018	04/02/2018
Emmanuel BABEAU	17	03/27/2014	26,000	55.71	03/31/2016	04/02/2018

#### Plans 17 and 18

100% of the shares – 2014 and 2015 adjusted EBITA margin at constant perimeter (consolidation perimeter on January 1, 2014 plus Invensys without Appliance division), average ROCE (Return on Capital employed) for the years 2014 and 2015 at current perimeter and level of the Planet & Society Barometer at the end of 2015

Performance conditions

### Benefits granted to executive directors (situation on February 18, 2015)

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	
	YES	NO	YES	NO	YES	NO	YES	NO
Jean-Pascal TRICOIRE Chairman and CEO/		X		X <sup>(1)</sup>	X		X	
Emmanuel BABEAU Deputy CEO/		X <sup>(2)</sup>		X <sup>(1)(3)</sup>	X		X	

(1) The board of directors of February 18, 2015 decided to put an end, for the executive directors, to the benefit of the top-hat pension plan for Senior Management implemented in 1995 (closed plan) and the new top-hat pension plan for Directors who are members of the Executive Committee (new plan) see annual report to Shareholders' Meeting on pages 295 to 297.

(2) Emmanuel Babeau resigned from his employment contract with SEI SAS on February 18, 2015 (see Report to Shareholders' Meeting, page 296).

(3) Contributions paid in 2014 to the defined contribution retirement plan were EUR25,431.

## 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	30	12/19/2007	20,000	45.71	04/06/2014
Emmanuel BABEAU	-	-	-	-	-

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	5	01/05/2009	22,500	02/22/2014	100% of shares – 2011 EBITA excluding restructuring costs and share of Revenue generated in new economies
	8	12/21/2009	25,000	02/22/2014	100% of shares – 2010 & 2011 EBITA excluding restructuring costs and acquisitions post 12/31/2009 and share of Revenue generated in new economies
Emmanuel BABEAU	7	08/21/2009	2,500	08/21/2014	Without performance conditions
	8	12/21/2009	7,500	02/22/2014	100% of shares – 2010 & 2011 EBITA excluding restructuring costs and acquisitions post 12/31/2009 and share of Revenue generated in new economies

### 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 aspects, the performance conditions related to the Involuntary Severance Pay were made more stringent. Also, 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. The General Assembly of May 6, 2014 approved renewal of Mr. Tricoire's status.

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 of Schneider Electric Industries SAS, with that of Jean-Pascal Tricoire (see Registration Document 2013 page 295). The General Assembly of May 6, 2014 approved Mr. Babeau's

new status. However, Mr. Babeau having been brought to resign from his employment contract with Schneider Electric Industries SAS, the board of directors of February 18, 2015 renewed Mr. Babeau's status, subject to adaptations linked to the removal of his employment contract and the supplementary pension schemes 'article 83' and 'article 39' (see pages 296 and 297).

### Long-term commitments

#### Pension obligations

Mr. Tricoire and Mr. Babeau are no longer covered by the defined-benefit top-hat pension benefits for Group Senior Management (article 39), as described on page 146 according to board of directors' decision dated February 18, 2015 (see pages 295 to 297).

#### Life & disability schemes

Mr. Tricoire and Mr. Babeau, who are granted benefits under the Schneider Electric SE and Schneider Electric Industries SAS employee benefit plans, 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, also benefit from a spouse's annuity in case of death or a pension, with a reversion for surviving spouse, in case of disability as long as these risks occur before the end of their mandate or after the age of 55 if they left the company in case of dismissal or disability. Eligibility for this supplementary coverage and for the benefits



under the Group's personal accident insurance policies is subject to the achievement of either of the two following performance conditions: (i) the average net profit for the last five financial years preceding the event is positive or (ii) 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 Mr. Babeau.

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 exception 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, pages 315 and 316).

#### 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) Dismissal, non-renewal or requested 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 wrongful 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, 120%.

#### 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:

- 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;
- Resignation is not the result of wrongful or gross misconduct.

## Compensation of Group Senior Management excluding executive directors

### Scope of Senior Management in 2014

On December 31, 2014, Senior Management includes Chairman and CEO and Deputy CEO, assisted by Executive Committee members. The Executive Committee (15 members) is chaired by Chairman and CEO. It includes, in addition to Chairman and CEO and Deputy CEO in charge of Finance and Legal Affairs:

- Executive Vice-Presidents of Corporate Functions: Industrial Operations – Information Systems – Strategy – Marketing – Global Human Resources;
- Executive Vice-Presidents of Operations: Global Operations – North America Operations – China Operations;
- Executive Vice-Presidents of Business Sectors: Buildings & Partner – Industry – IT – Energy - Global Solutions.

### Compensation paid in 2014

Gross compensation, including benefits in kind, paid by Group companies in 2014 to members of Group Senior Management

other than executive directors, amounted to EUR15.5 million, including EUR5.8 million in variable for the 2014 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 2014.

As of December 31, 2014 as part of the annual long term incentive plan, Group Senior Management other than senior corporate officers held:

- 499,038 shares, of which 352,075 are conditional;
- 131,266 options;
- 263,363 Stock Appreciation Rights (SARs).



## Transactions in Schneider Electric SE shares by corporate officers during 2014 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
01/15	Magali Herbaut	Disposal	EUR63.77	EUR7,653
01/15	Magali Herbaut	Disposal	EUR63.7	EUR43,826
02/24	Magali Herbaut	Exercice of stock options	EUR63.21	EUR173,827
02/24	Jean-Pascal Tricoire	Redemption of company fund shares	EUR121.49	EUR462,921.58
02/24	Jean-Pascal Tricoire	Redemption of company fund shares	EUR141.3	EUR584,415.85
02/26	Magali Herbaut	Disposal	EUR65.2	EUR32,600
02/26	Magali Herbaut	Exercice of stock options	EUR62.86	EUR113,148
06/04	Jean-Pascal Tricoire	Disposal	EUR68.69	EUR1,373,886
06/04	Jean-Pascal Tricoire	Exercice of stock options	EUR45.71	EUR914,200
06/09	Linda Knoll	Acquisition	USD96.7	USD97,939.13
06/24	Lons Fonss Schroder	Acquisition	EUR70.83	DKK653,151
07/24	Jean-Pascal Tricoire	Subscription	EUR58.33	EUR49,125.17
07/24	Jean-Pascal Tricoire	Subscription	EUR54.9	EUR173,150.06
07/24	Emmanuel Babeau	Subscription	EUR58.33	EUR6,433.08
07/24	Henri Lachmann	Subscription	EUR58.33	EUR150,000
07/24	Magali Herbaut	Subscription	EUR58.33	EUR22,833.27
08/21	Emmanuel Babeau	Disposal	EUR63.15	EUR631,569



## > 8. Regulated agreements and obligations

### Agreements and obligations of 2014 financial year (see chapter 8, page 295)

#### Compensation of the Vice-chairman lead director

The board of directors of May 6, 2014 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 Leo Apotheker 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.

### 2015 Agreements (cf. Chapter 8, pages 296 and 297)

The board of directors of February 18, 2015 decided to put an end, for the executive directors, to the benefit of the top-hat pension schemes (article 39) implemented in 1995 and 2012 except the life & disability (death, invalidity) coverage provided under these scheme.

The implementation of this decision lead the board of directors to amend Mr. Tricoire's status and renew Mr. Babeau's status.

allowance, in case of disability which payment would start at 60;

(iii) That, besides, complementary life & disability indemnities on health, incapacity, disability, death risks which he might be entitled to will be calculated on the basis of his global compensation (fix, variable and annual complementary remuneration).

#### Amendments to Mr. Tricoire's status

The board of directors stated:

- (i) That Mr. Tricoire, who loses the benefit of former and new defined benefit top hat schemes (article 39) for Group's top executives;
- (ii) That Mr. Tricoire retains the benefit of a survivor's annuity for surviving spouse in case of death before the end of his mandate or before retirement in case of departure before the age of 55, without pursuing any professional activity, further to dismissal or in case of disability, as well as a pension

#### Renewal of Mr. Babeau's status

Mr. Babeau who benefit from the defined benefit top hat plan (article 39) pursuant to his employment contract with Schneider Electric Industries SAS has resigned from such employment contract in order to enforce the board's decision to remove the benefit of this advantage to executive directors in his respect. The board of directors has therefore renewed the elements of his status pursuant to his employment contract with Schneider Electric Industries SAS at the level of Schneider Electric SE. The board of directors, on that occasion, totally aligned Mr. Babeau's status with that of Jean-Pascal Tricoire.

### Agreements signed during previous years and approved by the Annual Shareholders' Meeting (see chapter 8 pages 315 to 317)

#### Status of Jean-Pascal Tricoire

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 renewed the status of Jean-Pascal Tricoire as adopted by the supervisory board in 2012 subject to a number of adjustments primarily related to new recommendations of AFEP/MEDEF code.

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 and, with some adaptations in May 2012, upon renewal of his mandate as Chairman of the management board. Under the terms of his renewed or amended

status in 2013 and approved by the General Assembly of May 6, 2014, Mr. Tricoire:

- 1) Who is covered under the Schneider Electric SE and Schneider Electric Industries SAS employee benefit plan with health, disability and death coverage, is also covered under the employee supplementary health, disability and death coverage available to the Group's senior executives; and 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 wrongful or gross misconduct;

- 3) Will, subject to performance conditions and only in case of Involuntary Severance not resulting from wrongful 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;

### 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 adopted the status of Emmanuel Babeau who also had a work contract with Schneider Electric Industries SAS (of which he resigned on February 18, 2015) and a management contract with Schneider Electric Services International (who ended in June 2014) and has a contract with Invensys (since July 1, 2014): Per his status approved by the General Assembly of May 6, 2014, Mr. Babeau:

- 1) Benefitted from 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. Mr. Babeau was also covered under the Schneider Electric Industries SAS employee benefit plan, which offers health, disability and death coverage;
- 2) Benefitted from Involuntary Severance pay. This Involuntary 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;

### Other Agreements

An agreement relating to the remuneration for special assignments conducted by the Vice-chairman/Lead director and the resources placed at his disposal has been signed with Henri Lachmann and has been approved by the General Meeting of May 6, 2014. An agreement relating to the remuneration for special assignments conducted by the Vice-chairman/Lead director has been signed with Leo Apotheker and will be approved by the General Meeting of April 21, 2015.

- 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 (see non-compete obligation page 316);
- 5) Will retain coverage under the top-hat pension benefits (article 39) for Group Senior Management subject to the French social security system. However, as previously stated, Mr. Tricoire lost the benefit of this scheme in February 2015.

- 3) Was subject to the non-compete agreement provided for under Mr. Babeau's work contract;
- 4) Retained, under his work contract, the benefits of the top-hat pension schemes applicable to top executives or employees of Schneider Electric Industries SAS (article 39 plans and article 83 plans).
- 5) Subject to performance conditions and only in case of Involuntary Severance, retained 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 wrongful or gross misconduct;

The board of directors renewed all of these commitments at the level of Schneider Electric SE, except the benefit of supplementary schemes 'article 39' that the board of directors removed and the right to keep options and performance shares not vested that the board of directors previously granted.



## > 9. Internal control and risk management

*This section is included in the Chairman's report to the Board of directors*

### 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 SE 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 2014, 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 17 people in 2014. The internal auditors are responsible for ensuring that, at the level of each unit:

- the identification and control of risks is performed;
- significant financial, management and operating information is accurate and reliable;
- compliance with laws and regulations and with the Group's policies, standards, procedures is ensured;
- compliance with the instructions of the head of the Group is ensured;
- acquisition of resources is carried out at a competitive cost, and their protection is ensured;
- correct integration and control of acquisitions is ensured.

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 business internal controllers in the Operating Divisions and Business Units, with responsibility for ensuring the appropriation and implementation of the Key Internal Controls in the operating units within their scope – notably through annual self-assessments. They follow implementation by the units within their scope of the internal control action plans defined following self-assessments or internal control missions,
  - 27 regional internal controllers 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 control mission, a report is issued setting out findings and recommendations for the attention of the persons in charge of the unit audited;
- 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 controllers 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 control missions and the implementation of set action plans following self-assessments or internal control missions.

The committee 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 Chief financial officer.

The Executive Vice-Presidents of the Operating Divisions sit on the Executive Committee, which is chaired by the Chairman and CEO of the Group.

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.)

In addition to specific processes or bodies such as the Group Acquisitions Committee (see « Risk Factors – Acquisitions ») for making and implementing strategic decisions and centralization of certain functions within the Finance and Control – Legal Affairs Department (see above), Schneider Electric centralizes certain matters through dedicated Global Functions thus combining decision-making and risk management at the corporate level.

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.

## 9.3 Distributing information: benchmarks and guidelines

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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

See chapter *Ethics & Responsibility*, page 62.

### 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. It also sets permanent restrictions on purchases and sales of Schneider Electric SE 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). Such persons are prohibited from trading the Company's shares at any time if they are in possession of price sensitive information and during specified periods prior to (and until the day of) release of the Group's financial statements and quarterly information on sales.



### 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, 2014.

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, 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 114 items cover:

- the control environment (including the Principles of Responsibility, chart of authority, segregation of duties, business continuity plans and retention of records);
- operating processes (purchases, sales, logistics, 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 and shared depository, along with appendices with more detailed information, links to 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 2014, 48 of the Group's top managers were interviewed.

The risks identified through these interviews are ranked by impact, probability of occurrence and level of mitigation. 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 2014, a third of the major and global risks identified at the end of 2013 were audited.

### Local risks related to the company's business at the unit level

Local risks 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.

### Risks related to Solutions

The Solutions Risk 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 Department created a new entity responsible for investigations (internal and external fraud) within the Security Department itself and in charge to support internal investigators as well as to define methodology & procedures to conduct investigations properly (according to the Law and to be efficient in gathering evidences).

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

A Global IT Security Department inside Information, Process and Organization Department (IPO) defines and implements specific security policies for information systems, ensuring basic computer hygiene, confidentiality, integrity, availability and accountability of all our information and technology assets. This department identifies critical processes and information to capture, secure and prioritize them. Their members have proved and certified security technical skills and they perform regularly audits. After each audit, a report is issued setting out findings and recommendations. All corrective actions are monitored.

## 9.5 Control procedures

In addition to the general missions already described, this section describes specific measures taken in 2014 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 2014 for those involved for the first time in the annual self-assessment process: newly promoted managers and units recently integrated. Operational units, undertook self-assessment of compliance with the Key Internal Controls governing their scope of operations.

The self-assessments conducted during the 2014 campaign covered more than 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 on process within their scope of operations.

The self-assessments are conducted in the units by each process owner. 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.

The regional internal controllers carried out controls on site to assess the reliability of self-assessments and the efficiency of the remediation plans put in place as a result of the previous self-assessment.

### Global Functions

In 2014, the Global Functions continued to set guidelines, issue instructions and provide support.

For example:

- in 2014, with regard to Our Principles of Responsibility, a specific support has been brought to the entities which had a low score in the 2013 Key Internal Controls dealing with Our Principles of Responsibility. These actions have consisted in meeting with the entities top managers, providing in-site trainings to managers and employees and insisting again on the values and principles of the company;
- in 2014, The Global IT Security (GIS) Department has successfully:
  - managed the major global vulnerabilities such as heartbleed and shellshock,

- detected and prevented hundreds of real time attacks,
- eradicated and Quarantined thousand of viruses detected;
- in 2014, the Global IT Security (GIS) Department has significantly improved the end point Ex-Com members with the rollout of a HIDS (Host based Intrusion Detection System). Host based Intrusion Detection System, is a system to detect intruders that are, unexpected, unwanted or unauthorized people or programs on a computer;
- during 2014, a new IT Security Strategy has been defined to address the new high priority risks and cyber threats identified. This strategy has been presented to Ex-Com members during a Cyber War Game (simulation of multi-stage cyber-attack). This strategy contains important programs like Data Security, Identity & Access Management, Security Incident Response and Simulations, End-Point Security, Awareness and Training;
- for solutions risk management, a simplified template for the assessment of smaller projects was created and included in the approval workflow tool;
- the Security Department issued a new directive regarding the « multiple travelers on the same flight » risk and deployed Schneider Electric travel security procedures within Invensys (new acquisition).

### 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.

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 2015 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.

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 consists of 25 regional internal controllers in five 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.);
- completed more than 80 on-site inspection missions in 2014 to assess the level of internal control and the adequacy of action plans, issuing the necessary recommendations when needed.



### 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 2014, Internal Audit performed 27 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.

### Responsibility and Ethics Committee

The committee on Ethics and Responsibility steers action in relation to the Principles of Responsibility, updates them and

validates changes. The 2014 Key Internal Controls campaign results have been presented to the Responsibility & Ethics Committee and have shown a significant improvement in the number of entities complying with our minimum requirements (see chapter Ethics & Responsibility, page 62).

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 Group General Counsel & Chief Compliance Officer, head of Global Security and the head of Internal Audit & Internal Controls; it meets on a monthly basis as well as on ad-hoc 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.

## 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 French Commercial Code (Code de commerce), on the report prepared by the Chairman of the Board of Directors of Schneider Electric S.E.**

To the Shareholders,

In our capacity as statutory auditors of Schneider Electric S.E. 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, 2014.

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 13, 2015

The statutory auditors  
*French original signed by*

**MAZARS**  
David Chaudat

**ERNST & YOUNG et Autres**  
Yvon Salaün



## > 10. Application of the AFEP/MEDEF corporate governance guidelines

*This sections is part of the Chairman of the board of directors' report.*

Schneider Electric voluntarily refers to the AFEP/MEDEF corporate governance guidelines. However, as some of these guidelines may not correspond to Schneider Electric's specific situation, the Company has chosen not to implement the following recommendations:

<b>Recommendation</b>	<b>Schneider Electric practice</b>
<p><b>Non-compete agreement</b></p> <p>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 after having asserted his rights on retirement.</p>	<p>The non-competition agreement of corporate officers 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.</p> <p>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.</p>
<p><b>Stock options and performance shares</b></p> <p>The valuation of options and performance shares allocated must not depart from previous business practices.</p>	<p>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 for a certain length of time.</p>



## Business review

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## 1. Trends in Schneider Electric's core markets

### Industries and machine manufacturers

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Industrial markets growth remained modest with varied positions among major regional blocks.

In Western Europe market grew at a low pace. Fiscal austerity, Russia-Ukraine conflict as well as fears of deflation impacted European economy. France and Italy industry markets decreased while activity expanded at low pace in Germany.

In the US, industrial production fell in the first quarter, due to a combination of low exports to China, inventory adjustment and unfavorable weather. Nonetheless, during second quarter, the growth of Industry markets, mainly driven by investment in equipment and production of machines, improved significantly. The growth then moderated during second half, impacted by strong dollar and by the decrease of oil and gas investments.

In China, industrial production and manufacturing investment have slowed markedly, depressed by the deterioration in domestic demand and liquidity issues. Moreover, the deterioration of construction activity weighted on investment and had an increasingly negative impact on industries including metals, mining, construction materials and machinery. It also exacerbated over capacity in heavy industry.

In Japan, industrial markets were highly impacted by April's VAT hike and recorded a decline. Nevertheless, markets recovered marginally at the end of the year, thanks to a rise in real exports and fall of energy prices.

Australian's industry market decreased, hampered by Capex contraction in the Mining sector and slowdown in China.

### Non residential and residential buildings

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#### Non residential buildings

In the US, non residential construction as a whole grew at a slow pace. The fastest growing segments were manufacturing buildings (thanks to chemical sector), followed by office and commercial. Institutional buildings segments recorded a decrease, as a result of fiscal pressure and government spending cuts.

In Western Europe, non residential construction improved marginally in 2014. Manufacturing, office and commercial buildings recovered at a very slow pace, hampered by oversupply and weak domestic demand. Education and healthcare segments suffered from public-sector austerity. Non residential market decreased in Southern Countries (Spain, Italy, and France). Positive framework conditions prevailed in the UK and in German markets.

In China, non residential market slightly declined. Main reasons are office oversupply and weak economic outlooks. Non residential market dropped during the first half of the year and partly recovered during the second half. Non residential buildings stayed more resilient than residential market.

In Australia, non residential market grew at a moderate pace, increase in office and health buildings more than offset the fall recorded by commercial and industrial buildings.

Saudi Arabia's market returned to growth, thanks to government investment focused on developing new cities.

#### Residential

In the US, residential market growth slowed down in 2014, affected by difficult lending conditions.

In Western Europe, residential market was flat with varied trends across countries. Southern countries (Spain, Italy and France), Norway and Finland, reported a decline. German markets increased gently, while Great Britain and Sweden surged.

China's property sector has reached a structural turning point marked by oversupply and lower demand for property. As a consequence, housing starts dropped sharply, notably in small and medium size cities (Tiers 2 and 3) despite measures to boost demand (relaxation of mortgage lending rules and rates).

In Australia, the market returned to growth after a recession in 2012 and stagnation in 2013 due to a combination of low interest rates and incentives to buy that stimulated demand for housing.

In other new economies, residential markets continued to grow in 2014, notably in Asian new economies and Africa. On the contrary, the residential market has slowed dramatically in Brazil, Argentina and South Africa, hit by gloomy economic situation and tight monetary policy.

## Utilities and Infrastructures

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### Electrical Utilities

In Western Europe, the market declined further in 2014 due to weak demand, especially in southern countries. In mature countries, over-capacities in base generation are caused by energy efficiency and renewable energy growth.

In the USA, the market expanded modestly.

In new economies, markets were impacted by financial crisis and political elections.

The growth, specifically in solar and wind, faster in emerging economies, was fuelled by regulation, dropping costs and the support of governments and populations.

Looking for diversifying their revenues beyond sales of electricity, and with their customer base as an asset, utilities explore new services. Be it multi-utility, energy efficiency, home and life services, or enabling demand response to play in power markets, they can be leveraged with smart grid technologies to improve generation, grid operations and improve overall system efficiency.

To the network operators' attention to quality of supply was added more pressure on electricity prices. This led to careful control of network reinforcement and extension investments as well as to extracting more value from past investment in the grid.

While global smart grid investment remained steady, some utilities re-shuffled their priorities to manage urgencies such as ever-growing renewable penetration or revenue protection.

### Oil and Gas

The Oil & Gas markets have seen an end of an era in 2014.

The spending levels, in particular in Exploration, have seen a significant inflation, with Field Service Operators leading the charge.

The industry has moved to bigger and bigger projects, now often in the 10+B\$ range. Most of these projects have been finalized over cost and past delay.

The first to react were the International Oil Companies, who had decided end 2013 or early 2014 to limit their Capex spending, as they were challenged to demonstrate the profitability of their investment.

Another key evolution in 2014 was the development of unconventional oil productions in North America. This development was led by many small independent companies, which accumulated debts to generate rapid growth. It has led to an oversupply of oil on the global market by mid 2014.

Moreover, Saudi Arabia decided not to intervene in the market by regulating supply, despite the drop in oil prices.

In the fourth quarter, most of major oil companies announced drastic reduction in investment plans, especially in the upstream.

These spending cuts will affect Schneider only partially, as the company is not positioned in exploration, and has limited exposure to production. Schneider Electric has developed its presence in midstream and downstream in the recent years, thanks to the Telvent and Invensys acquisitions.

Furthermore, a substantial share of company revenues is related to Opex spending in activities that should be less affected by major budget cuts (such as field and consulting services, process optimization software).





## Data centers and Networks

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In 2014, the Global IT markets (Information Technologies) remained stagnant, with IT buyers taking a gradual approach to new projects and initiatives. An improving US economy provided a boost to IT spending in the second half of the year, but was offset by geopolitical headwinds: tensions between Russia and the West, slower growth in emerging economies, war in the Middle East, and weak economic environments in the Euro zone and Japan.

Fast growing IT solutions around Cloud and Mobile continued to disrupt IT markets, along with tentative recovery in X86 server shipments and early indications of a stabilizing data center infrastructure investment cycle.

Our transactional single phase market experienced strong growth in Asia in the second half of the year, and higher demand in Western Europe. Growth in these markets helped to offset significant impacts of distributor destocking in Russia, amidst a

very difficult situation with sanctions on the Russian economy, lower energy prices and the rapid fall of the Ruble.

Gradual improvement of data center markets in North America and Western Europe was offset by softer trends in Russia, Asia and Latin America.

The migration to the Cloud and growth in hyper scale Data Centers accelerated, needing new customer engagement models as well as faster adaptation of our offer to leverage the full Schneider Electric portfolio of solutions. IT reinforced its position in the fast growing modular data center market with the integration of AST Modular.

Secure power industrial markets achieved steady growth along with improved outlook for infrastructure investments in power generation, chemical production, and semiconductor fabrication.

## > 2. Review of the consolidated financial statements

### Review of business and consolidated statement of income

#### Changes in the scope of consolidation

##### Acquisitions

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. The transaction has been remunerated through the issuance of 17,207,427 new Schneider Electric shares on January 20, 2014 and the payment of GBP2.5 billion on January 30, 2014.

On February 5, 2014, Schneider Electric signed an agreement for the sale of the Invensys Appliance division because the unit is not a core business to Schneider Electric. The consideration for the transaction is GBP150 million and the agreement was completed on June 18, 2014.

Invensys is fully consolidated in 2014 mainly in the segment Industry, except its Appliance division reported as discontinued operations.

##### Acquisitions and disposals that took place in 2013 and that had an impact on the 2014 financial statements<sup>\*</sup>

Electroshield TM – Samara Group has been acquired in 2013 and consolidated from April 2013. Its consolidation over the full year in 2014 had an impact on the scope of consolidation compared with 2013.

##### Discontinued operations

On February 5, 2014, Schneider Electric announced that it has signed an agreement for the sale of the Invensys Appliance division, because this unit is not a core business to Schneider Electric. The consideration for the transaction is GBP150 million and the agreement was completed on June 18, 2014. The Invensys Appliance division is reported as discontinued operations

in the Group consolidated financial statements for the full year 2014.

On October 1, 2014 the Group has obtained all required regulatory approvals and subsequently finalized the sale of Custom Sensors & Technologies (CST) to The Carlyle Group (NASDAQ:CG), and PAI partners SAS, based on an enterprise value of USD900m (approximately EUR650m). As part of the transaction, the Group has reinvested approximately USD100 million alongside Carlyle, PAI and CST management to own a shareholding of 30% of CST. CST was reported in the Industry business of Schneider Electric. The CST activity was reclassified as discontinued operations in Group financial statements on full year 2014 (for EUR24 million net income) and on full year 2013 (for EUR443 million of revenues, EUR83 million of profit before tax and EUR22 million of income tax expense thus a net income of EUR61 millions).

#### 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 EUR543 million on consolidated revenue and to EUR166 million on Adjusted EBITA<sup>(1)</sup>.

#### Revenue

On December 31, 2014, the consolidated revenue of Schneider Electric totaled EUR24,939 million, an increase of 6.6% at current scope and exchange rates compared to EUR23,392 million on December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements).

This variance breaks down into an organic increase of 1.4%, a contribution of acquisitions net of disposals of 7.6%, mainly due to Invensys acquisition (EUR1,713 million), and a negative exchange rate effect of 2.4%.

### Changes in revenue by operating segment

The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1 of Consolidated financial statements.

**The Buildings & Partner business** generated revenues of EUR10,754 million, or 43% of the consolidated total. This represents an increase of +3.9% on a reported basis and an increase of **+3.5%** on a like-for-like basis.

All regions posted growth. Western Europe was supported by Germany, Spain and the Nordics. The US benefited from continued investment in residential construction and data center markets, while non-residential construction saw a slow recovery. China grew over the year despite slowdown in the second half thanks to focused execution and mid market offers. Australia benefited from slight improvements in residential construction. The Rest of the World was solid, driven by infrastructure projects in the Middle East. Russia was resilient over the year and saw an

\* 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.



increase towards year-end due to inventory build-up from customers anticipating further currency depreciation.

**The Industry business** generated revenues of EUR5,551 million, or 22% of the consolidated total. This represents an increase of +43.5% on a reported basis and an increase of **+4.3%** on a like-for-like basis. The business posted growth across regions, driven by strong installed base services and solid OEM demand. Growth in Western Europe was driven by export-oriented OEMs. North America benefited over the year from oil & gas investment and a solid OEM market, but observed a slowdown at the end of the year. In Asia-Pacific, South East Asia was robust, China declined in the second half of the year and mining remained weak in Australia. The Rest of the World was strong.

**The Infrastructure business** generated revenues of EUR5,277 million, or 21% of the consolidated total. This represents a decrease of -7.8% on a reported basis and a decrease of **-4.4%** on a like-for-like basis. The decline was mainly due to the persistently weak utility market in Western Europe.

However the business started to improve towards the end of the year. North America was strong in the year thanks to data center and oil & gas investment. Asia-Pacific saw mixed trends, with growth in oil & gas projects in Australia while China and South-East Asia were slightly down. The Rest of the World was impacted by Africa and South America. Services grew double digit.

**The IT business** generated revenues of EUR3,357 million, or 14% of the consolidated total. This represents a decrease of -2.5% on a reported basis and an increase of **+1.1%** on a like-for-like basis. Western Europe drove growth thanks to IT investment and commercial success. In North America, investment in large and extra-large data centers benefited the total Group's business, including low and medium voltage offer. The region saw an improvement in demand for small to medium sized data centers at year-end. Asia-Pacific saw slight growth. Demand in Russia declined and the business was penalized by distributor destocking over the year. Services continued to perform well.

## Gross profit

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Gross profit increased from EUR8,763 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements) to EUR9,407 million for the year ended December 31, 2014, or +7.3%, mainly due to Invensys acquisition from January 2014 (+8.5%) and an increase in

productivity, partially offset by unfavorable effect of foreign exchange. As a percentage of revenues, the gross margin increased to 37.7% in 2014 (versus 37.5% in 2013), driven by productivity and Invensys contribution, despite unfavorable foreign exchange effect.

## Support Function Costs: research and development and selling, general and administrative expenses

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Research and development expenses, excluding capitalized development costs and development costs reported as cost of sales, increased by 9.9% from EUR516 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements) to EUR567 million for the year ended December 31, 2014, mainly due to Invensys acquisition. As a percentage of revenues, the net cost of research and development increased to 2.3% of revenues for the year ended December 31, 2014 (2.2% for the year ended December 31, 2013).

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 8.3% from EUR1,119 million for the year ended December 31, 2013 to EUR1,212 million for the year ended December 31, 2014. As a percentage of revenues, total research and development expenses increased to 4.9% for the year ended December 31, 2014 from 4.8% for the year ended December 31, 2013.

In 2014, the net effect of capitalized development costs and amortization of capitalized development costs amounts to EUR175 million on operating income versus EUR173 million in 2013.

Selling, general and administrative expenses increased by 9.9% from EUR4,891 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements) to EUR5,377 million for the year ended December 31, 2014, mainly due to Invensys acquisition. As a percentage of revenues, selling, general and administrative expenses increased at 21.6% for 2014 from 20.9% for 2013, mainly due to investments in Software and Services.

Combined, total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR5,944 million for the year ended December 31, 2014 compared to EUR5,407 million for the year ended December 31, 2013, an increase of 9.9%, mainly due to Invensys. The support functions costs to sales ratio increased from 23.1% for the year ended December 31, 2013 to 23.8% for the year ended December 31, 2014.

## Other operating income and expenses

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For the year ended December 31, 2014, other operating income and expenses amounted to a net income of EUR106 million, including costs linked to acquisitions for EUR114 million, a EUR95 million gain on the curtailment of employee benefit plans in the UK, in France and in the US and miscellaneous other operating incomes and expenses amounting to a net expense of EUR69 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2014 acquisitions, mainly Invensys. Net other operating expense includes mainly provisions for litigation or claims in 2014.

For the year ended December 31, 2013, other operating income and expenses amounted to a net income of EUR71 million

(restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements), including mainly costs linked to acquisitions for EUR52 million, a EUR173 million gain on the curtailment of employee benefit plans in the US, in France and in Norway and miscellaneous other operating incomes and expenses amounting to a net expense of EUR37 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2013 acquisitions, notably Electroshield – TM Samara and acquisition costs linked to Invensys. Net other operating expense includes mainly provisions for litigation or claims and gain on disposal of fixed assets in 2013.

## Restructuring costs

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For the year ended December 31, 2014, restructuring costs amounted to EUR202 million compared to EUR173 million for the year ended December 31, 2013. These costs related to industrial and support functions restructurings.

## EBITA and Adjusted EBITA

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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 EUR3,463 million for the year ended December 31, 2014, compared to EUR3,356 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements), representing an increase of 3.2%, mainly due to Invensys acquisition and partially offset by an unfavorable foreign exchange effect of EUR166 million. As a percentage of revenue, adjusted EBITA decreased from 14.3% for

the year ended December 31, 2013 to 13.9% for the year ended December 31, 2014, mainly due to negative currency effect.

EBITA decreased by 3.0% from EUR3,254 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements) to EUR3,155 million for the year ended December 31, 2014, mainly linked to significant integration costs for Invensys, a lower gain on curtailment of employee benefit plans and higher restructuring expenses in 2014 that did offset the positive impact of Invensys consolidation. As a percentage of revenue, EBITA decreased to 12.7% in 2014 compared with 13.9% in 2013, in line with the lower Adjusted EBITA margin and with integration and restructuring costs higher than in 2013.





## EBITA and Adjusted EBITA by business segment

The following table sets out EBITA and adjusted EBITA by business segment:

### Full year 2014

<i>(in millions of euros)</i>	<b>Buildings &amp; Partner</b>	<b>Industry</b>	<b>Infrastructure</b>	<b>IT</b>	<b>Corporate costs</b>	<b>Total</b>
Revenue	10,754	5,551	5,277	3,357	-	24,939
Adjusted EBITA*	1,913	1,023	454	630	(557)	3,463
Adjusted EBITA %	17.8%	18.4%	8.6%	18.8%	-	13.9%
Other operating income and expense	7	(34)	(86)	1	6	(106)
Restructuring costs	(93)	(26)	(76)	(4)	(3)	(202)
EBITA	1,827	963	292	627	(554)	3,155
EBITA %	17.0%	17.3%	5.5%	18.7%	-	12.7%

\* Adjusted EBITA: EBITA before Restructuring costs and before Other operating income and expenses (of which Costs of acquisition, integration and separation).

### Full year 2013\*

<i>(in millions of euros)</i>	<b>Buildings &amp; Partner</b>	<b>Industry</b>	<b>Infrastructure</b>	<b>IT</b>	<b>Corporate costs</b>	<b>Total</b>
Revenue	10,355	3,868	5,727	3,442	-	23,392
Adjusted EBITA**	1,926	744	562	650	(526)	3,356
Adjusted EBITA %	18.6%	19.2%	9.8%	18.9%	-	14.3%
Other operating income and expense	62	33	(17)	(5)	(2)	71
Restructuring costs	(86)	(19)	(59)	(7)	(2)	(173)
EBITA	1,902	758	486	638	(530)	3,254
EBITA %	18.4%	19.6%	8.5%	18.5%	-	13.9%

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

\*\* Adjusted EBITA: EBITA before Restructuring costs and before Other operating income and expenses (of which Costs of acquisition, integration and separation).

**Buildings & Partner business** recorded an adjusted EBITA margin of 17.8% for the year ended December 31, 2014, down 0.8% compared to 18.6% for the year ended December 31, 2013, mainly due to unfavorable foreign exchange effect, unfavorable mix effect of mid market offer and investment in digitization.

**Industry business** recorded an adjusted EBITA margin of 18.4% for the year ended December 31, 2014, down 0.8% compared to 19.2% for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements), mainly due to the dilutive effect of Invensys consolidation, partly offset positive pricing and operational leverage.

**Infrastructure business** recorded an adjusted EBITA margin of 8.6% for the year ended December 31, 2014, down 0.8% compared to 9.8% for the year ended December 31, 2013, mainly due to low volume, negative mix and pressure on project selling price.

**IT business** reported an adjusted EBITA margin of 18.8% for the year ended December 31, 2014, stable with 18.9% margin for the year ended December 31, 2013, showing resilience in a low growth environment.

Corporate costs amounted to EUR557 million for the year ended December 31, 2014 or 2.2% of Group revenues, a similar level as in the year ended December 31, 2013 (2.2% of Group revenues or EUR526 million).

## Operating income (EBIT)

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Operating income (EBIT) decreased from EUR3,039 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements) to 2,896 million for the year ended December 31, 2014. This 4.7%

decrease is explained by both the EBITA decrease and by an increase of the amortization of purchase accounting intangibles by EUR44 million linked to Invensys acquisition (EUR259 million in 2014 versus EUR215 million in 2013).

## Net financial income/loss

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Net financial loss amounted to EUR467 million for the year ended December 31, 2014, compared to EUR484 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements). The decrease of the net financial loss is mainly explained by the decrease of the cost of net

financial debt from EUR325 million for year ended December 31, 2013 to EUR312 million for year ended December 31, 2014 thanks to a lower average interest rate. The other financial incomes and costs are stable from a net expense of EUR159 million for year ended December 31, 2013 to a net expense of EUR155 million for year ended December 31, 2014.

## Tax

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The effective tax rate was 22.7% for the year ended December 31, 2014, decreasing compared to 25.5% for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements). The corresponding tax expense decreased from EUR651 million for the year ended December 31, 2013 to EUR551 million for the year ended

December 31, 2014. The tax expense includes in 2014 a deferred tax profit from the recognition of deferred tax assets on Invensys US tax losses (previously unrecognized) that was made possible after the agreement on sales of Invensys assets negotiated with Invensys Trustee in February 2014, which allowed the tax integration of Invensys US operations with Schneider Electric US operations.

## Discontinued operations

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The net effect of discontinued activities totaled EUR169 million for the year ended December 31, 2014, including profit over six-months from the Appliance activity of Invensys, sold in June 2014, and over nine-months from CST business, sold on

October 1, 2014, as well as the corresponding gain on sale, compared to EUR61 million for the year ended December 31, 2013, including yearly profit from CST business only.

## Share of profit/(losses) of associates

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The share of profit of associates decreased from EUR20 million for the year ended December 31, 2013 to EUR14 million for the year ended December 31, 2014 mainly because 2013 was still including

the first quarter income of Electroshield – TM Samara (fully consolidated from April 1, 2013).

## Non-controlling interests

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Minority interests in net income for the year ended December 31, 2014 totaled EUR120 million, compared to EUR97 million for the year ended December 31, 2013. This represented the share in net

income attributable, in large part, to the minority interests of certain Chinese companies.

## Profit for the period

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Profit for the period attributable to the equity holders of our parent company amounted to EUR1,941 million for the year ended December 31, 2014, that is a 2.8% increase over the EUR1,888 million profit for the year ended December 31, 2013.



## Share of profit for the period attributable to the equity holders of our parent company on continuing operations

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The share of profit for the period attributable to the equity holders of our parent company of continuing operations (profit for the period attributable to the equity holders of our parent company excluding discontinued operations) amounted to EUR1,772 million for the year ended December 31, 2014, compared to

EUR1,827 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements), decreasing by 3.0%.

## Earnings per share

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Earnings per share decreased from EUR3.43 for the year ended December 31, 2013 to EUR3.39 for the year ended December 31, 2014.

## Consolidated cash-flow

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### Operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities reached EUR2,640 million for the year ended December 31, 2014, down 10.6% compared to EUR2,628 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements), and represented 10.6% of revenue in 2014 compared with 11.2% in 2013.

Change in working capital requirement consumed EUR107 million in cash in the year ended December 31, 2014, compared to EUR238 million generated in the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements), mainly due to the decrease of accounts payables, on a high comparison base in 2013.

In all, net cash provided by operating activities decreased 11.6% from EUR2,866 million in the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements) to EUR2,533 million in the year ended December 31, 2014.

### Investing Activities

Net capital expenditure, which included capitalized development projects, increased by 17.4% to EUR829 million for the year ended December 31, 2014, compared to EUR706 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1

of the consolidated financial statements), and represented 3.3% of revenues in 2014 (3.0% in 2013).

Free cash-flow (cash provided by operating activities net of net capital expenditure) amounted to EUR1,704 million in 2014 versus EUR2,160 million in 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements).

Cash conversion rate (free cash-flow over share profit of associates of continuing operations) is 96% in 2014 versus 118% in 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements).

Our acquisitions represented a cash outflow, net of cash acquired, of EUR2,490 million for the year ended December 31, 2014, corresponding mainly to the cash part of Invensys acquisition, compared to EUR294 million in the year ended December 31, 2013 corresponding mainly to Electroshield – TM Samara acquisition.

### Financing Activities

In 2014, the Group reimbursed two bonds for EUR720 million and there was no bond issuance.

The net decrease in other financial debts amount to EUR818 million during the year ended December 31, 2014, compared to an increase of EUR1,073 million during the year ended December 31, 2013. The dividend paid by Schneider Electric was EUR1,095 million the year ended December 31, 2014, compared with EUR1,025 million the year ended December 31, 2013.

## > 3. Review of the parent company financial statements

Schneider Electric SE posted total portfolio revenues of EUR1 million in 2014 compared with EUR10 million the previous year. Schneider Electric Industries SAS, the main subsidiary, did not pay dividends in 2014, nor in 2013. Interest expense net of interest income amounted to EUR119 million versus EUR158 million the previous year.

Current loss amounted to EUR144 million in 2014 compared to a current loss of EUR165 million in 2013.

In 2014, Schneider Electric SE invoiced to Schneider Electric Industries SAS a EUR442 million consideration for the use of Schneider Electric brand, recognized as non-recurring income.

Net profit stood at EUR341 million compared with a net loss of EUR133 million in 2013.

Equity before appropriation of net profit amounted to EUR10,806 million at December 31, 2014 versus EUR10,303 million at the previous year-end, after taking into account 2014 loss, dividend payments of EUR1,069 million and share issues in an amount of EUR1,228 million.

## > 4. Review of subsidiaries

### Schneider Electric Industries SAS

Revenue totaled EUR3.4 billion in 2014 (EUR3.5 billion in 2013).

The subsidiary posted an operating loss of EUR136 million in 2014 compared with an operating loss of EUR233 million in 2013.

Net profit amounted to EUR174 million in 2014 compared with EUR948 of net profit million in 2013.

## > 5. Outlook

The Group expects North America to continue to grow, while Western Europe could show signs of stabilization. New economies will show a mixed picture: India should accelerate while Russia will face a difficult environment. China is expected to have a soft start of the year and should gradually improve during the year. Invensys is expected to continue to contribute to the Group performance. Group performance in Q1 will be impacted by a high base of comparison notably in China and for Invensys which may result in like-for-like decline in revenues in the quarter.

In this context, the Group targets for 2015:

- Low single-digit organic growth in revenues
- Adjusted EBITA margin at 14-14.5% assuming no negative FX impact on margin
- An expected significantly positive FX impact, estimated based on current rate at c.€1.5bn on revenues with no material impact on the adjusted EBITA margin.







# Consolidated financial statements at December 31, 2014

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## > 1. Consolidated statement of income

<i>(in millions of euros except for earnings per share)</i>	Note	Full year 2014	Full year 2013*
<b>Revenue</b>	3	<b>24,939</b>	<b>23,392</b>
Cost of sales		(15,532)	(14,629)
<b>Gross profit</b>		<b>9,407</b>	<b>8,763</b>
Research and development	4	(567)	(516)
Selling, general and administrative expenses		(5,377)	(4,891)
<b>EBITA adjusted**</b>		<b>3,463</b>	<b>3,356</b>
Other operating income and expenses	6	(106)	71
Restructuring costs	7	(202)	(173)
<b>EBITA***</b>		<b>3,155</b>	<b>3,254</b>
Amortization and impairment of purchase accounting intangibles	8	(259)	(215)
<b>Operating income</b>		<b>2,896</b>	<b>3,039</b>
Interest income		28	43
Interest expense		(340)	(368)
<b>Finance costs, net</b>		<b>(312)</b>	<b>(325)</b>
Other financial income and expense	9	(155)	(159)
<b>Net financial income/(loss)</b>		<b>(467)</b>	<b>(484)</b>
<b>Profit from continuing operations before income tax</b>		<b>2,429</b>	<b>2,555</b>
Income tax expense	10	(551)	(651)
Income from discontinued operations, net of income tax		169	61
Share of profit/(loss) of associates		14	20
<b>PROFIT FOR THE PERIOD</b>		<b>2,061</b>	<b>1,985</b>
● attributable to owners of the parent		1,941	1,888
● attributable to non-controlling interests		120	97
Basic earnings (attributable to owners of the parent) per share <i>(in euros per share)</i>	21.3	3.39	3.43
Diluted earnings (attributable to owners of the parent) per share <i>(in euros per share)</i>		3.37	3.40

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

\*\* 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

<i>(in millions of euros)</i>	Full year 2014	Full year 2013*
<b>Profit for the year</b>	<b>2,061</b>	<b>1,985</b>
<b>Other comprehensive income:</b>		
Translation adjustment	1,011	(801)
Cash-flow hedges	14	(16)
Income tax effect of cash-flow hedges	(17)	4
Net gains (losses) on available-for-sale financial assets	1	54
Income tax effect of net gains (losses) on available-for-sale financial assets	-	-
Actuarial gains (losses) on defined benefits plans	(373)	259
Income tax effect of Actuarial gains (losses) on defined benefits plans	155	(89)
<b>Other comprehensive income for the year, net of tax</b>	<b>790</b>	<b>(589)</b>
out of which to be recycled in income statement ultimately	(2)	42
out of which not to be recycled in income statement ultimately	792	(631)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>2,851</b>	<b>1,396</b>
Attributable:		
● to owners of the parent	2,702	1,316
● to non-controlling interests	149	80

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1. The accompanying notes are an integral part of the consolidated financial statements.



## > 2. Consolidated statement of cash flows

<i>(in millions of euros)</i>	Note	Full year 2014	Full year 2013*
Profit for the year		2,061	1,985
Less net result from discontinued operations		(169)	(61)
Share of (profit)/losses of associates, net of dividends received		(14)	(20)
<i>Adjustments to reconcile net profit to net cash flows provided by operating activities:</i>			
Depreciation of property, plant and equipment	13	414	401
Amortization of intangible assets other than goodwill	12	483	408
Impairment losses on non-current assets	5	26	51
Increase/(decrease) in provisions	23	(68)	(101)
Losses/(gains) on disposals of fixed assets		12	2
Difference between tax paid and tax expense		(188)	(112)
Other non-cash adjustments		83	75
<b>Net cash provided by operating activities before changes in current assets and liabilities</b>		<b>2,640</b>	<b>2,628</b>
Decrease/(increase) in accounts receivable		(246)	41
Decrease/(increase) in inventories and work in process		169	(25)
(Decrease)/increase in accounts payable		(85)	262
Change in other current assets and liabilities		55	(40)
<b>Change in working capital requirement</b>		<b>(107)</b>	<b>238</b>
<b>Total I – Cash flows from operating activities</b>		<b>2,533</b>	<b>2,866</b>
Purchases of property, plant and equipment	13	(475)	(465)
Proceeds from disposals of property, plant and equipment		40	92
Purchases of intangible assets	12	(396)	(349)
Proceeds from disposals of intangible assets		2	16
<b>Net cash used by investment in operating assets</b>		<b>(829)</b>	<b>(706)</b>
Net financial investments	2	(2,490)	(294)
Proceeds from sale of financial assets		5	-
Purchases of other long-term investments		108	(115)
Increase in long-term pension assets		(121)	(65)
<b>Sub-total</b>		<b>(2,498)</b>	<b>(474)</b>
<b>Total II – Cash flows from/(used in) investing activities</b>		<b>(3,327)</b>	<b>(1,180)</b>
Issuance of bonds	24	-	600
Repayment of bonds	24	(720)	(587)
Sale/(purchase) of own shares		(371)	26
Increase/(reduction) in other financial debt		(818)	1,073
Proceeds from issuance of shares		237	209
Dividends paid: Schneider Electric SE		(1,095)	(1,025)
Non-controlling interests		(110)	(31)
<b>Total III – Cash flows from/(used in) financing activities</b>		<b>(2,877)</b>	<b>265</b>

**CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2014**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>(in millions of euros)</i>	Note	Full year 2014	Full year 2013*
<b>IV – Net foreign exchange difference:</b>		<b>(61)</b>	<b>(225)</b>
<b>V – Effect of discontinued operations</b>		<b>747</b>	<b>61</b>
<b>Increase/(decrease) in cash and cash equivalents: I +II +III +IV+V</b>		<b>(2,985)</b>	<b>1,787</b>
Cash and cash equivalents at January 1		5,423	3,636
Increase/(decrease) in cash and cash equivalents		(2,985)	1,787
<b>CASH AND CASH EQUIVALENTS AT DECEMBER 31</b>	<b>20</b>	<b>2,438</b>	<b>5,423</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.



## > 3. Consolidated balance sheet

### Assets

<i>(in millions of euros)</i>	Note	Dec. 31, 2014	Dec. 31, 2013*
<b>Non-current assets</b>			
Goodwill, net	11	16,733	13,048
Intangible assets, net	12	5,061	4,280
Property, plant and equipment, net	13	2,751	2,595
Total tangible and intangible assets		7,812	6,875
Investments in associates	14	318	201
Available-for-sale financial assets	15.1	333	164
Other non-current financial assets	15.2	365	127
Non-current financial assets		698	291
Deferred tax assets	16	2,160	1,756
<b>Total non-current assets</b>		<b>27,721</b>	<b>22,171</b>
<b>Current assets</b>			
Inventories and work in progress	17	3,027	3,072
Trade and other operating receivables	18	5,991	5,145
Other receivables and prepaid expenses	19	1,729	1,370
Current financial assets	15.3	40	28
Cash and cash equivalents	20	2,650	5,563
<b>Total current assets</b>		<b>13,437</b>	<b>15,178</b>
<b>TOTAL ASSETS</b>		<b>41,158</b>	<b>37,349</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1. The accompanying notes are an integral part of the consolidated financial statements.

## Liabilities

<i>(in millions of euros)</i>	Note	Dec. 31, 2014	Dec. 31, 2013*
<b>Equity</b>	<b>21</b>		
Share capital		2,339	2,248
Additional paid-in capital		7,898	6,992
Retained earnings		9,347	8,803
Translation reserve		148	(832)
<b>Equity attributable to owners of the parent</b>		<b>19,732</b>	<b>17,211</b>
Non-controlling interests		419	382
<b>Total equity</b>		<b>20,151</b>	<b>17,593</b>
<b>Non-current provisions</b>			
Pensions and other post-employment benefit obligations	22	2,199	1,485
Other non-current provisions	23	1,249	827
Total non-current provisions		3,448	2,312
<b>Non-current financial liabilities</b>			
Bonds	24	4,655	5,322
Other non-current debt	24	372	600
Non-current financial liabilities		5,027	5,922
Deferred tax liabilities	16	1,116	994
Other non-current liabilities	25	184	140
<b>Total non-current liabilities</b>		<b>9,775</b>	<b>9,368</b>
<b>Current liabilities</b>			
Trade and other operating payables		4,106	3,791
Accrued taxes and payroll costs		2,342	1,878
Current provisions	23	977	883
Other current liabilities		1,158	869
Current debt	24	2,645	2,967
<b>Total current liabilities</b>		<b>11,228</b>	<b>10,388</b>
<b>Liabilities of discontinued operations</b>		4	
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>41,158</b>	<b>37,349</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1. The accompanying notes are an integral part of the consolidated financial statements.





## > 4. Consolidated statement of changes in equity

<i>(in millions of euros except for number of shares)</i>	<b>Number of shares (thousands)</b>	<b>Capital</b>	<b>Additional paid-in capital</b>	<b>Treasury shares</b>	<b>Retained earnings</b>	<b>Translation reserve</b>	<b>Equity attributable to owners of the parent</b>	<b>Non-controlling interests</b>	<b>Total</b>
<b>Jan. 1, 2013*</b>	<b>555,417</b>	<b>2,222</b>	<b>6,885</b>	<b>(74)</b>	<b>7,668</b>	<b>(48)</b>	<b>16,653</b>	<b>408</b>	<b>17,061</b>
Profit for the year					1,888		1,888	97	1,985
Other comprehensive income					212	(784)	(572)	(17)	(589)
Comprehensive income for the year					2,100	(784)	1,316	80	1,396
Capital increase	2,752	11	123				134		134
Exercise of stock options	3,789	15	86				101		101
Dividends					(1,058)		(1,058)	(106)	(1,164)
Share-based compensation expense					66		66		66
Other **			(102)		101		(1)		(1)
<b>Dec. 31, 2013***</b>	<b>561,958</b>	<b>2,248</b>	<b>6,992</b>	<b>(74)</b>	<b>8,877</b>	<b>(832)</b>	<b>17,211</b>	<b>382</b>	<b>17,593</b>
Profit for the year					1,941		1,941	120	2,061
Other comprehensive income					(219)	980	761	29	790
Comprehensive income for the year					1,722	980	2,702	149	2,851
Capital increase	20,925	84	1,109				1,193		1,193
Exercise of stock options	1,807	7	29		(4)		32		32
Dividends			(244)		(851)		(1,095)	(112)	(1,207)
Change in treasury shares				(371)			(371)		(371)
Share-based compensation expense					86		86		86
Other			12		(38)		(26)		(26)
<b>Dec. 31, 2014</b>	<b>584,691</b>	<b>2,339</b>	<b>7,898</b>	<b>(445)</b>	<b>9,792</b>	<b>148</b>	<b>19,732</b>	<b>419</b>	<b>20,151</b>

\* The 2012 figures were restated for the application of IAS 19 Revised.

\*\* Reclassification from additional paid-in capital to retained earnings.

\*\*\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1. 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, 2014 were drawn up by the board of directors on February 18, 2015. They will be submitted to shareholders for approval at the Annual General Meeting of April 21, 2015.

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, 2014. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2013.

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, 2014:

- Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities;
- Amendment to IAS 36: Recoverable Amount Disclosures for Non-financial assets;
- Amendment to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting;
- 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;
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12).

Implementation of IFRS 10 and IFRS 11 standards led to some changes in consolidation method with no significant effect on consolidated financial statements.

The Group did not apply the following standards and interpretations that are mandatory at some point subsequent to December 31, 2014:

- standards adopted by the European Union:
  - IFRIC 21 – Levies,
  - Amendments to IAS 19 - Defined Benefit plans: Employees Contributions,
  - Annual Improvements to IFRSs 2010-2012 Cycle (December 2013),
  - Annual Improvements to IFRSs 2011-2013 Cycle (December 2013);
- standards not yet adopted by the European Union:
  - IFRS 9 – *Financial Instruments*,
  - IFRS 14 – Regulatory Deferral Accounts,
  - IFRS 15 – Revenue from Contracts with Customers,
  - Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization,
  - Amendments to IFRS 11- Accounting for Acquisitions in Joint Operations,
  - Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,
  - Annual Improvements to IFRSs 2012-2014 Cycle (September 2014),
  - Amendments to IAS 1 – Disclosure initiative,
  - Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation exception.

There are no differences in practice between the standards applied by Schneider Electric as of December 31, 2014 and the

IFRS issued by the International Accounting Standards board (IASB).

The Group is currently assessing the potential impact on the Group's consolidated financial statements of the standards not yet applicable. At this stage of analysis, the Group does not expect the impact on its consolidated financial statements to be material, except for IFRS 9 due to uncertainties surrounding the adoption process in Europe.

### 1.2 – Discontinued operations

On February 5, 2014, Schneider Electric announced that it has signed an agreement for the sale of the Invensys Appliance division, because this unit is not a core business to Schneider Electric. The consideration for the transaction is GBP150 million and the agreement was completed on June 18, 2014. The Invensys Appliance division is reported as discontinued operations in the Group consolidated financial statements for the full year 2014.

On October 1, 2014 the Group has obtained all required regulatory approvals and subsequently finalized the sale of Custom Sensors & Technologies (CST) to The Carlyle Group (NASDAQ:CG), and PAI partners SAS, based on an enterprise value of USD900m (approximately EUR650m). As part of the transaction, the Group has reinvested approximately USD100 million alongside Carlyle, PAI and CST management to own a shareholding of 30% of CST. CST was reported in the Industry business of Schneider Electric. The CST activity was reclassified as discontinued operations in Group financial statements on full year 2014 (for EUR24 million net income) and on full year 2013 (for EUR443 million of revenues, EUR83 million of profit before tax and EUR22 million of income tax expense thus a net income of EUR61 millions).

### 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 and 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 ».

### 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 7.6% at December 31, 2014, a slight decrease on the 7.8% at December 31, 2013. This rate is based on (i) a long-term interest rate of 2.6%, corresponding to the average interest rate for 10 years OAT treasury bonds over the past few years, (ii) the average premium applied to financing obtained by the Group over the last period, 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 were Partner, Infrastructure, Industry, IT, Buildings and CST CGUs. 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; this led to the merge of Partner and Buildings CGUs. Additionally CST was sold on October 1, 2014. Hence, the cash-generating units in 2014 are *Buildings & Partner*, *Infrastructure*, *Industry* and *IT* 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 (*Buildings & Partner*, *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 8.3% for *Buildings & Partner*, 8.4% for *Industry*, 8.4% for *IT*, or and 8.6% 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's 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 SE shares

Schneider Electric SE 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 SE performance shares;
- Schneider Electric SE stock options (until 2009);
- Stock Appreciation Rights, based on the Schneider Electric SE stock price (until 2013).

Pursuant to the application of IFRS 2 – *Share-based payments*, 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 performance shares 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 1.4% at December 31, 2014 versus 2.3% at December 31, 2013.

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 SchneiderElectric 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.

The Group opted for accounting subsequent fair value changes of put options granted to minority shareholders with counterpart in equity.

### 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, 2014 enclose the financial statements of companies listed in the note 32. The scope of consolidation for the year ended December 31, 2014 can be summarized as follows:

Number of active companies	Dec. 31, 2014	Dec. 31, 2013*
Parent company and fully consolidated subsidiaries	607	544
Companies accounted for by the equity method	8	6
<b>TOTAL</b>	<b>615</b>	<b>550</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

### 2.1 – Follow-up on 2013 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 Electroshield – TM Samara (March 28, 2013) led principally to the recognition of revaluations of tangible assets estimated by independent experts in the amount of EUR10 million, provisions and contingent liabilities. The total amount of acquisitions during the year came to EUR2,490 million, net of cash and cash equivalents acquired.

respectively for a total amount of EUR17 million and EUR102 million. The goodwill is not tax-deductible.

Comparative data in 2013 did not require a change in 2014 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

	Dec. 31, 2014	Dec. 31, 2013
Acquisitions	(2,490)	(330)
Cash and cash equivalents paid*	(3,093)	(336)
Cash and cash equivalents acquired/(paid)	603	6
Disposals	-	36
Other operations	-	-
<b>NET FINANCIAL INVESTMENT</b>	<b>(2,490)</b>	<b>(294)</b>

\* Net of the cash received from the disposal of Appliance.

The cash paid for acquisitions is mainly related to the cash-out paid for Invensys acquisition. The cash and cash equivalents acquired includes GBP103 million received from Invensys pension fund as a consideration for the assets previously kept in the Reservoir Trust.

Schneider Electric completed the acquisition of Invensys on January 17, 2014. In 2014, Invensys is consolidated with full consolidation method mainly in the Industry business, except its Appliance division reported as discontinued operations. In 2013, Invensys revenues without Appliance was EUR1,689 million at the average rate of the period.

The allocation from the acquisition of Invensys led principally to the recognition of intangibles at their fair value for a total amount of EUR501 million (technology, customer relationships and trademarks) and revaluations of tangibles in the amount of EUR(18) million; these assets were valued by independent experts. Provisions and contingent liabilities were recognized respectively for a total amount of EUR75 million and EUR287 million. The goodwill is not tax-deductible.

On December 31, 2014, the main elements of the provisional computation are :

- the contingent liabilities, for the identification of risks are not completed at the closing date.



### Note 3 Segment information

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*.

- **Buildings & Partner** provide low voltage power and building automation products and solutions that address the needs of all end markets from buildings to industries and infrastructure to data centers to help customers improve the energy efficiency of the buildings;
- **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;

- **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.

Expenses 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 2014

(in millions of euros)	<b>Buildings &amp; Partner</b>	<b>Industry</b>	<b>Infrastructure</b>	<b>IT</b>	<b>Corporate costs</b>	<b>Total</b>
Revenue	10,754	5,551	5,277	3,357	-	<b>24,939</b>
Adjusted EBITA*	1,913	1,023	454	630	(557)	<b>3,463</b>
Adjusted EBITA %	17.8%	18.4%	8.6%	18.8%	-	<b>13.9%</b>
Other operating income and expense	7	(34)	(86)	1	6	<b>(106)</b>
Restructuring costs	(93)	(26)	(76)	(4)	(3)	<b>(202)</b>
EBITA	1,827	963	292	627	(554)	<b>3,155</b>
EBITA %	17.0%	17.3%	5.5%	18.7%	-	<b>12.7%</b>

\* 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 43% of total revenue in 2014.

**Full year 2013\***

<i>(in millions of euros)</i>	<b>Buildings &amp; Partner</b>	<b>Industry</b>	<b>Infrastructure</b>	<b>IT</b>	<b>Corporate costs</b>	<b>Total</b>
Revenue	10,355	3,868	5,727	3,442	-	<b>23,392</b>
Adjusted EBITA**	1,926	744	562	650	(526)	<b>3,356</b>
Adjusted EBITA %	18.6%	19.2%	9.8%	18.9%	-	<b>14.3%</b>
Other operating income and expense	62	33	(17)	(5)	(2)	<b>71</b>
Restructuring costs	(86)	(19)	(59)	(7)	(2)	<b>(173)</b>
EBITA	1,902	758	486	638	(530)	<b>3,254</b>
EBITA %	18.4%	19.6%	8.5%	18.5%	-	<b>13.9%</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 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 41% of total revenue in 2013

### 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, 2014**

	<b>Western Europe</b>	<b>of which France</b>	<b>North America</b>	<b>of which USA</b>	<b>Asia-Pacific</b>	<b>of which China</b>	<b>Rest of the world</b>	<b>Total</b>
Revenue by country market	6,758	1,644	6,321	5,239	7,076	3,705	4,784	<b>24,939</b>
Non-current assets	9,848	1,761	8,981	8,748	4,544	1,532	1,172	<b>24,545</b>

**Dec. 31, 2013\***

	<b>Western Europe</b>	<b>of which France</b>	<b>North America</b>	<b>of which USA</b>	<b>Asia-Pacific</b>	<b>of which China</b>	<b>Rest of the world</b>	<b>Total</b>
Revenue by country market	6,434	1,620	5,683	4,651	6,719	3,472	4,556	<b>23,392</b>
Non-current assets	8,094	1,851	6,311	6,091	4,185	1,390	1,333	<b>19,923</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

Moreover, the Group follows the share of new economies in revenue:

	<b>Full year 2014</b>		<b>Full year 2013*</b>	
Revenue – Mature countries	13,994	56%	13,018	56%
Revenue – New economies	10,945	44%	10,374	44%
<b>TOTAL</b>	<b>24,939</b>	<b>100%</b>	<b>23,392</b>	<b>100%</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.





### 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 2014	Full year 2013*
Research and development costs in cost of sales	(290)	(281)
Research and development costs in R&D costs <sup>(1)</sup>	(567)	(516)
Capitalized development costs	(355)	(322)
<b>TOTAL RESEARCH AND DEVELOPMENT COSTS OF THE YEAR</b>	<b>(1,212)</b>	<b>(1,119)</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.  
(1) Of which EUR45 million of research and development tax credit in December 2014, EUR44 million in December 2013.

Amortization of capitalized development costs amounted to EUR180 million for the 2014 financial year, compared with EUR149 million in 2013.

## Note 5 Depreciation and amortization expenses

Depreciation and amortization expenses recognized in operating expenses were as follows:

	Full year 2014	Full year 2013*
<b>Included in cost of sales:</b>		
Depreciation and amortization	(484)	(455)
<b>Included in selling, general and administrative expenses:</b>		
Depreciation and amortization	(141)	(150)
<b>DEPRECIATION AND AMORTIZATION EXPENSES</b>	<b>(625)</b>	<b>(605)</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

Moreover, the net amount of impairment of non-current assets totaled EUR26 million.

## Note 6 Other operating income and expenses

Other operating income and expenses break down as follows:

	Full year 2014	Full year 2013*
Impairment losses on assets	(4)	(11)
Gains on asset disposals	9	39
Losses on asset disposals	(22)	(41)
Costs of acquisitions	(114)	(52)
Pension plan curtailments	95	173
Others	(69)	(37)
<b>OTHER OPERATING INCOME AND EXPENSES</b>	<b>(106)</b>	<b>71</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

The costs of acquisitions are the costs of acquisition, integration and separation related to major acquisitions in 2014 and 2013.

The line « Pension plan curtailments » includes mainly provision releases in the United States, in France and in the United Kingdom.

The line « Others » includes in particular provisions for litigation or claims at December 31, 2014. In 2013, the line « Others » includes mainly provision for litigation or claims as well.

## Note 7 Restructuring costs

Restructuring costs totaled EUR202 million over the period. They mainly relate to industrial and support function reorganizations in Europe.

## Note 8 Amortization and impairment of purchase accounting intangibles

	Full year 2014	Full year 2013*
Amortization of purchase accounting intangibles	(259)	(215)
Impairment of purchase accounting intangibles	-	-
Goodwill impairment	-	-
<b>AMORTIZATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES</b>	<b>(259)</b>	<b>(215)</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

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.

Impairment tests performed on the other Group's CGUs have not led to impairment losses being recognized in 2014. 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.

## Note 9 Other financial income and expense

	Full year 2014	Full year 2013*
Exchange gains and losses, net	(26)	(12)
Financial component of defined benefit plan costs	(73)	(69)
Dividends received	4	7
Net gains/(losses) on disposal of assets available for sale	-	-
Fair value adjustment of assets available for sale	(22)	(50)
Other financial expense, net	(38)	(35)
<b>OTHER FINANCIAL INCOME AND EXPENSE</b>	<b>(155)</b>	<b>(159)</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

NVC Lighting and S21SEC shares (previously named Inversion) were impaired in 2014 for a total amount of EUR13 million and EUR9 million respectively.



## Note 10 Income tax expense

Whenever possible, Group entities file consolidated tax returns. Schneider Electric SE 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 2014	Full year 2013*
<b>Current taxes</b>		
France	(90)	(169)
International	(601)	(562)
<b>Total</b>	<b>(691)</b>	<b>(731)</b>
<b>Deferred taxes</b>		
France	(38)	108
International	178	(28)
<b>Total</b>	<b>140</b>	<b>80</b>
<b>INCOME TAX (EXPENSE)/BENEFIT</b>	<b>(551)</b>	<b>(651)</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

### 10.2 – Tax proof

	Full year 2014	Full year 2013*
<b>Profit attributable to owners of the parent</b>	<b>1,941</b>	<b>1,888</b>
Income of discontinued operations, net of income tax	169	61
Income tax (expense)/benefit	(551)	(651)
Non-controlling interests	(120)	(97)
Share of profit of associates	14	20
<b>Profit before tax</b>	<b>2,429</b>	<b>2,555</b>
Statutory tax rate	34.43%	34.43%
<b>Income tax expense calculated at the statutory rate</b>		
<b>Reconciling items:</b>	<b>(836)</b>	<b>(880)</b>
Difference between French and foreign tax rates	206	168
Tax credits and other tax reductions	132	214
Impact of tax losses	70	(35)
Other permanent differences	(122)	(118)
Income tax (expense)/benefit	(551)	(651)
<b>EFFECTIVE TAX RATE</b>	<b>22.7%</b>	<b>25.5%</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

## Note 11 Goodwill

### 11.1 – Main items of goodwill

Group goodwill is broken down by business as follows:

	Dec. 31, 2014, net	Dec. 31, 2013, net*
Buildings & Partner	5,678	5,296
Industry	5,365	2,139
IT	3,120	2,890
Infrastructure	2,570	2,723
<b>TOTAL</b>	<b>16,733</b>	<b>13,048</b>

\* The 2013 figures were restated from change in consolidation method disclosed in note 1. figures.

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 2014	Full year 2013*
<b>Net goodwill at opening</b>	<b>13,048</b>	<b>13,040</b>
Acquisitions	3,177	607
Disposals	(423)	(12)
Impairment	-	-
Translation adjustment	931	(587)
Reclassifications	-	-
<b>Net goodwill at year end</b>	<b>16,733</b>	<b>13,048</b>
<b>Included cumulative impairment</b>	<b>(280)</b>	<b>(395)</b>

\* The 2013 figures were restated from change in consolidation method disclosed in note 1.

#### Acquisitions

Goodwill generated by acquisitions made during the year totaled EUR3.177 million and corresponds mainly to the Group Invensys. Invensys goodwill has been allocated to Industry CGU. Goodwill generated by acquisitions in 2013 totaled EUR607 million and corresponds mainly to the Russian group Electroshield – TM Samara.

Impairment tests performed on all the Group's CGUs have not led to impairment losses being recognized

#### Other changes

Translation adjustments concern principally goodwill in US dollars.





## Note 12 Intangible assets

### 12.1 – Change in intangible assets

	Trademarks	Software	Development projects (R&D)	Other	Total
<b>GROSS VALUE</b>					
<b>Dec. 31, 2012</b>	<b>2,749</b>	<b>800</b>	<b>1,532</b>	<b>1,892</b>	<b>6,974</b>
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)	34	32
<b>Dec. 31, 2013*</b>	<b>2,606</b>	<b>823</b>	<b>1,763</b>	<b>1,834</b>	<b>7,026</b>
Acquisitions	-	27	355	14	396
Disposals	-	(15)	(3)	(10)	(28)
Translation adjustments	261	19	59	228	567
Reclassification	-	17	(17)	7	7
Changes in scope of consolidation and other	(9)	(2)	(7)	347	329
<b>Dec. 31, 2014</b>	<b>2,858</b>	<b>869</b>	<b>2,149</b>	<b>2,420</b>	<b>8,297</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

	Trademarks	Software	Development projects (R&D)	Other	Total
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT</b>					
<b>Dec. 31, 2012</b>	<b>(316)</b>	<b>(633)</b>	<b>(587)</b>	<b>(919)</b>	<b>(2,455)</b>
Depreciation and impairment	(59)	(55)	(149)	(145)	(408)
Recapture	12	18	4	(13)	21
Translation adjustments	4	13	31	44	92
Reclassification	(1)	2	(11)	12	2
Changes in scope of consolidation and other	-	-	2	-	2
<b>Dec. 31, 2013*</b>	<b>(360)</b>	<b>(655)</b>	<b>(710)</b>	<b>(1,021)</b>	<b>(2,746)</b>
Depreciation and impairment	(65)	(52)	(180)	(189)	(486)
Recapture	4	14	2	(14)	6
Translation adjustments	-	(16)	(22)	(84)	(122)
Reclassification	-	2	(6)	(2)	(6)
Changes in scope of consolidation and other	23	1	6	88	118
<b>Dec. 31, 2014</b>	<b>(398)</b>	<b>(706)</b>	<b>(910)</b>	<b>(1,222)</b>	<b>(3,236)</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

	Trademarks	Software	Development projects (R&D)	Other	Total
<b>NET VALUE</b>					
<b>Dec. 31, 2012</b>	2,433	167	945	974	4,519
<b>Dec. 31, 2013*</b>	2,246	168	1,053	813	4,280
<b>Dec. 31, 2014</b>	2,460	163	1,239	1,198	5,061

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

In 2014, change in Intangible assets mainly related to changes in scope of other intangibles assets including recognized intangibles relating to Invensys acquisition for EUR521 million and to R&D capitalized development costs for EUR355 million.

In 2013, change in Intangible assets mainly related to R&D capitalized development costs for EUR326 million.

The amortization and impairment of intangible assets other than goodwill retreated at statutory cash flow were as follows:

Cash impact	Dec. 31, 2014	Dec. 31, 2013*
Amortization of intangible assets other than goodwill	483	408
Impairment on intangible assets other than goodwill and others	3	-
<b>TOTAL**</b>	<b>486</b>	<b>408</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

\*\* Includes amortization & depreciation of intangibles assets from purchase price allocation for EUR259 million for the year 2014 and EUR218million for the year 2013 (disclosed in note 8).

## 12.2 – Trademarks

At December 31, 2014, the main trademarks recognized were as follows:

	Dec. 31, 2014	Dec. 31, 2013*
APC (IT)	1,515	1,333
PELCO (Buildings & Partner)	410	362
Clipsal (Buildings & Partner)	172	165
MGE (IT)	33	67
TAC (Buildings & Partner)	20	41
Juno (Buildings & Partner)	94	83
Digital (Industry)	38	38
Invensys – Triconex and Foxboro (Industry)	43	-
Other	135	157
<b>NET</b>	<b>2,460</b>	<b>2,246</b>

\* The 2013 figures were restated from change in consolidation method disclosed in note 1.

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 other brands have an indefinite useful life.







## Note 13 Property, plant and equipment

### 13.1 – Change in tangible assets

	Land	Buildings	Machinery and equipment	Other	Total
<b>GROSS VALUE</b>					
<b>Dec. 31, 2012</b>	<b>210</b>	<b>1,782</b>	<b>3,912</b>	<b>942</b>	<b>6,846</b>
Acquisitions	3	65	140	257	465
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	41	135
<b>Dec. 31, 2013*</b>	<b>205</b>	<b>1,745</b>	<b>4,001</b>	<b>257</b>	<b>465</b>
Acquisitions	2	269	134	70	475
Disposals	3	(115)	(171)	(56)	(339)
Translation adjustments	11	62	133	35	241
Reclassification	6	(172)	122	38	(6)
Changes in scope of consolidation and other	(15)	127	79	39	230
<b>Dec. 31, 2014</b>	<b>212</b>	<b>1,916</b>	<b>4,298</b>	<b>1,115</b>	<b>7,541</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

	Land	Buildings	Machinery and equipment	Other	Total
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT</b>					
<b>Dec. 31, 2012</b>	<b>(25)</b>	<b>(834)</b>	<b>(2,865)</b>	<b>(500)</b>	<b>(4,224)</b>
Depreciation and impairment	(1)	(83)	(263)	(54)	(401)
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)	(14)	(40)
<b>Dec. 31, 2013*</b>	<b>(26)</b>	<b>(837)</b>	<b>(2,974)</b>	<b>(508)</b>	<b>(4,345)</b>
Depreciation and impairment	(3)	(87)	(268)	(56)	(414)
Recapture	1	84	169	43	297
Translation adjustments	(1)	(32)	(96)	(28)	(157)
Reclassification	1	24	(7)	(7)	11
Changes in scope of consolidation and other	-	(70)	(60)	(52)	(182)
<b>Dec. 31, 2014</b>	<b>(28)</b>	<b>(918)</b>	<b>(3,236)</b>	<b>(608)</b>	<b>(4,790)</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

	Land	Buildings	Machinery and equipment	Other	Total
<b>NET VALUE</b>					
<b>Dec. 31, 2012</b>	185	948	1,047	442	2,622
<b>Dec. 31, 2013*</b>	179	908	1,027	481	2,595
<b>Dec. 31, 2014</b>	184	998	1,062	507	2,751

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

Reclassifications primarily correspond to assets put into use.

The cash impact of purchase of purchases of property, plant and equipment in 2014 was as follows:

<b>Cash impact of purchases of property, plant and equipment</b>	<b>Dec. 31, 2014</b>	<b>Dec. 31, 2013*</b>
Increase in tangible assets	(475)	(465)
Change in receivables and liabilities on tangible assets		-
<b>TOTAL</b>	<b>(475)</b>	<b>(465)</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

The depreciation and impairment of tangible assets retreated at statutory cash flow were as follows:

<b>Cash impact</b>	<b>Dec. 31, 2014</b>	<b>Dec. 31, 2013*</b>
Depreciation of property, plant and equipment	414	401
Impairment on tangible assets	4	-
<b>TOTAL</b>	<b>418</b>	<b>401</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

### 13.2 – Finance leases

Tangible assets primarily comprise the following finance leases:

	<b>Dec. 31, 2014</b>	<b>Dec. 31, 2013</b>
Land	1	1
Buildings	29	30
Machinery and equipment	32	31
Other tangible assets	2	2
Accumulated depreciation	(40)	(41)
<b>ASSETS UNDER FINANCE LEASE, NET</b>	<b>24</b>	<b>23</b>

Future minimal rental commitments on finance lease properties at December 31, 2013 break down as follows:

	<b>Minimum payments</b>	<b>Discounted minimum payments</b>
Less than one year	3	3
Between one and five years	3	6
Five years and more	-	-
<b>TOTAL COMMITMENTS</b>	<b>6</b>	<b>9</b>
Discounting effect	3	
<b>Discounted minimum payments</b>	<b>9</b>	



### 13.3 – Operating leases

Rental expense breaks down as follows:

	Full year 2014	Full year 2013
Minimum rentals	163	109
Conditional rentals	-	-
Sub-lease rentals	7	3
<b>TOTAL RENTAL EXPENSE</b>	<b>170</b>	<b>112</b>

Operating lease commitments break down as follows at December 31, 2014:

	Minimum payments	Discounted minimum payments
Less than one year	125	124
Between one and five years	298	287
Five years and more	117	105
<b>TOTAL COMMITMENTS</b>	<b>540</b>	<b>516</b>
Discounting effect	(24)	
<b>Discounted minimum payments</b>	<b>516</b>	

### Note 14 Investments in associates

Investments in associates can be analyzed as follows:

	% interest		Share net assets		Share in net profit	
	Dec. 31, 2014	Dec. 31, 2013*	Dec. 31, 2014	Dec. 31, 2013*	Dec. 31, 2014	Dec. 31, 2013*
Delta Dore Finance	20.0%	20.0%	16	15	1	1
Electroshield TM Samara <sup>(1)</sup>	-	-	-	-	-	4
Sunten Electric Equipment	40.0%	40.0%	88	78	6	5
Fuji Electric FA Components & Systems	36.8%	36.8%	91	74	11	12
Telvent DMS, LLC power engineering	57.0%	57.0%	32	30	(2)	(2)
Custom Sensors & Technologies Topco Limited <sup>(2)</sup>	30.0%	-	81	-	(3)	-
Foxboro Malaysia SDN. BHD.	49.0%	-	4	-	1	-
Other	N/A	N/A	6	4	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>318</b>	<b>201</b>	<b>14</b>	<b>20</b>

\* The 2013 figures were restated from the change in consolidation method disclosed in note 1.

(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) On October 1, 2014 the Group has reinvested approximately USD100m alongside Carlyle, PAI and CST management to own a shareholding of 30% of CST.

## Note 15 Financial assets

### 15.1 – Available-for-sale financial assets

Available-for-sale financial assets, primarily comprising investments, are detailed below:

	% interest	Dec. 31, 2014			Dec. 31, 2013
		Gross value	Revaluation/ impairment	Fair value	Fair value
<b>I – Listed available-for-sale financial assets</b>					
NVC Lighting	9.2%	123	(69)	54	60
Gold Peak Industries Holding Ltd	4.4%	6	(3)	3	3
<b>Total listed AFS</b>		<b>129</b>	<b>(72)</b>	<b>57</b>	<b>63</b>
<b>II – Unlisted available-for-sale financial assets</b>					
FCPR SEV1	100%	31	13	44	50
Gunsan Elektrik. <sup>(1)</sup>	100%	112		112	-
InStep Software. <sup>(1)</sup>	100%	41		41	
SE Buildings Energy Efficiency	100%	18		18	16
FCPR Aster II (part A, B and C)	100%	18	(4)	14	11
FCPR Growth	26%	10		10	
S21SEC (previously named Inversion)	35%	10	(9)	1	10
FCPR SESS	100%	12		12	10
Others <sup>(2)</sup>		31	(7)	24	4
<b>Total unlisted AFS</b>		<b>283</b>	<b>(7)</b>	<b>276</b>	<b>101</b>
<b>TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>		<b>412</b>	<b>(79)</b>	<b>333</b>	<b>164</b>

(1) Companies purchased in 2014.

(2) 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 EUR69 million at closing rate was recorded in income statement, as « Other Financial Expense », since the acquisition date.

### 15.2 – Other non-current financial assets

Non Current financial assets total EUR365 million at December 31, 2014.

### 15.3 – Current financial assets

Current financial assets total EUR40 million at December 31, 2014 and include short-term investments.



## Note 16 Deferred taxes by type

Deferred taxes by type can be analyzed as follows:

	Dec. 31, 2014	Dec. 31, 2013*
<b>Deferred tax assets</b>		
Tax credits and tax loss carryforwards	591	450
Provisions for pensions and other post-retirement benefit obligations	590	484
Impairment of receivables and inventory	183	169
Non-deductible provisions for contingencies and accruals	260	48
Other	536	605
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>2,160</b>	<b>1,756</b>
<b>Deferred tax liabilities</b>		
Differences between tax and accounting depreciation	(108)	(113)
Trademarks and other intangible assets	(432)	(276)
Capitalized development costs (R&D)	(90)	(72)
Other	(486)	(533)
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>(1,116)</b>	<b>(994)</b>

\* The 2013 figures were restated from change in consolidation method disclosed in note 1.

Deferred tax assets recorded in respect of tax loss carryforwards at December 31, 2014 essentially concern France (EUR313 million) and the United States (EUR152 million).

## Note 17 Inventories and work in progress

Inventories and work in process changed as follows:

	Dec. 31, 2014	Dec. 31, 2013*
<b>Cost:</b>		
Raw materials	1,391	1,355
Production work in process	291	284
Semi-finished and finished products	1,247	1,340
Goods	416	378
Solution work in process	87	94
<b>INVENTORIES AND WORK IN PROCESS AT COST</b>	<b>3,432</b>	<b>3,451</b>
<b>Impairment:</b>		
Raw materials	(196)	(204)
Production work in process	(7)	(8)
Semi-finished and finished products	(182)	(152)
Goods	(12)	(10)
Solution work in process	(8)	(5)
<b>IMPAIRMENT LOSS</b>	<b>(405)</b>	<b>(379)</b>
<b>Net:</b>		
Raw materials	1,195	1,155
Production work in process	284	276
Semi-finished and finished products	1,065	1,188
Goods	404	368
Solution work in process	79	89
<b>INVENTORIES AND WORK IN PROCESS, NET</b>	<b>3,027</b>	<b>3,072</b>

\* The 2013 figures were restated from change in consolidation method disclosed in note 1.

## Note 18 Trade accounts receivable

	Dec. 31, 2014	Dec. 31, 2013*
Accounts receivable	6,037	5,194
Notes receivable	213	205
Advances to suppliers	119	93
<b>Accounts receivable at cost</b>	<b>6,369</b>	<b>5,492</b>
Impairment	(378)	(347)
<b>Accounts receivable, net</b>	<b>5,991</b>	<b>5,145</b>
Of which:		
On time	5,048	4,297
Less than one month past due	397	340
One to two months past due	199	175
Two to three months past due	105	87
Three to four months past due	70	60
More than four months past due	172	186
<b>ACCOUNTS RECEIVABLE, NET</b>	<b>5,991</b>	<b>5,145</b>

\* The 2013 figures were restated from the change in consolidation method disclosed in note 1.

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 2014	Full year 2013*
<b>Provisions for impairment on January 1</b>	<b>(347)</b>	<b>(306)</b>
Additions	(84)	(58)
Utilizations	57	38
Reversals of surplus provisions	7	11
Translation adjustments	(13)	16
Other	2	(48)
<b>PROVISIONS FOR IMPAIRMENT ON DECEMBER 31</b>	<b>(378)</b>	<b>(347)</b>

\* The 2013 figures were restated from the change in consolidation method disclosed in note 1.

## Note 19 Other receivables and prepaid expenses

	Dec. 31, 2014	Dec. 31, 2013*
Other receivables	347	299
Other tax credits	1,036	686
Derivative instruments	98	191
Prepaid expenses	248	194
<b>TOTAL</b>	<b>1,729</b>	<b>1,370</b>

\* The 2013 figures were restated from the change in consolidation method disclosed in note 1.





## Note 20 Cash and cash equivalents

	Dec. 31, 2014	Dec. 31, 2013*
Marketable securities	714	2,193
Negotiable debt securities and short-term deposits	50	342
Cash and cash equivalents	1,886	3,028
<b>Total cash and cash equivalents</b>	<b>2,650</b>	<b>5,563</b>
Bank overdrafts	(212)	(140)
<b>NET CASH AND CASH EQUIVALENTS</b>	<b>2,438</b>	<b>5,423</b>

\* The 2013 figures were restated from the change in consolidation method disclosed in note 1.

Non-recourse factoring of trade receivables were realized during the second semester of 2014 for a total amount of EUR133 million, compared with EUR132 million during the second semester of 2013.

## Note 21 Equity

### 21.1 – Capital

#### Share capital

The company's share capital at December 31, 2014 amounted to EUR2,338,764,568 represented by 584,691,142 shares with a par value of EUR4, all fully paid up.

At December 31, 2014, a total of 626,439,033 voting rights were attached to the 584,691,142 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, 2012 were as follows:

	Cumulative number of shares	Total (in euros)
<b>Capital at Dec. 31, 2012</b>	<b>555,417,014</b>	<b>2,221,668,056</b>
Exercise of stock options	3,788,938	15,155,752
Employee share issue	2,752,071	11,008,284
<b>Capital at Dec. 31, 2013</b>	<b>561,958,023</b>	<b>2,247,832,092</b>
Exercise of stock options	1,807,827	7,231,308
Employee share issue	3,717,865	14,871,460
Capital increase	17,207,427	68,829,708
<b>CAPITAL AT DEC. 31, 2014</b>	<b>584,691,142</b>	<b>2,338,764,568</b>

The share premium account increased by EUR1,137,078,373 following the exercise of options and the increases in capital.

## 21.2 – Ownership structure

	Dec. 31, 2014				Dec. 31, 2013	
	Capital %	Number of shares	Voting rights %	Number of voting rights	Capital %	Voting rights %
Blackrock, Inc.	5.3	30,788,341	4.9	30,788,341	4.6	4.2
Capital Group Companies <sup>(1)</sup>	4.2	24,332,316	3.9	24,332,316	5.4	5.0
CDC	3.2	18,959,002	6.0	37,413,092	3.4	6.2
Employees	4.0	23,454,997	6.3	39,215,908	4.2	6.5
Own shares <sup>(2)</sup>	0.0	1,058	-	-	0.0	-
Treasury shares	2.3	13,296,614	-	-	1.4	-
Public	81.0	473,858,814	78.9	481,391,704	81.0	78.1
<b>TOTAL</b>	<b>100.0</b>	<b>584,691,142</b>	<b>100.0</b>	<b>626,439,033</b>	<b>100.0</b>	<b>100.0</b>

(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, 2014.

## 21.3 – Earnings per share

### Determination of the share base used in calculation

(in thousands of shares)	Full year 2014		Full year 2013*	
	Basic	Diluted	Basic	Diluted
Common shares*	572,166	572,166	550,682	550,682
Performance shares	-	3,781	-	3,459
Stock options	-	999	-	1,176
<b>Average weighted number of shares</b>	<b>572,166</b>	<b>576,946</b>	<b>550,682</b>	<b>555,316</b>

\* Net of treasury shares and own shares.

### Earnings per share

(in euros)	Full year 2014		Full year 2013*	
	Basic	Diluted	Basic	Diluted
Profit before tax	4.25	4.21	4.64	4.60
<b>EARNINGS PER SHARE</b>	<b>3.39</b>	<b>3.37</b>	<b>3.43</b>	<b>3.40</b>

\* The 2013 figures were restated from the change in consolidation method disclosed in note 1.

## 21.4 – Dividends paid and proposed

In 2014, the Group paid out the 2013 dividend of EUR1.87 per share (with a nominal value of EUR4), for a total of EUR1,069 million.

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.

At the Shareholders' Meeting of April 21, 2015, shareholders will be asked to approve a dividend of EUR1.92 per share (with a nominal value of EUR4) for fiscal year 2014. At December 31, 2014 Schneider Electric SE had distributable reserves in an amount of EUR7,883 million (versus EUR7,965 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 SE 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, 2014:

#### Stock option plans

Plan no.	Date of Board meeting	Type of plan <sup>(1)</sup>	Starting date of exercise period	Expiration date	Price (in euros)	Number of options initially granted	Options cancelled because targets not met
28	12/21/2006	S	12/21/2010	12/20/2016	40.41	2,514,240	-
29	04/23/2007	S	04/23/2011	04/22/2017	48.21	166,300	-
30	12/19/2007	S	12/19/2011	12/18/2017	45.71	1,889,852	980,926
31	01/05/2009	S	01/05/2013	01/04/2019	25.89	1,358,000	-
33	12/21/2009	S	12/21/2013	12/20/2019	37.68	1,652,686	-
<b>TOTAL</b>						<b>7,581,078</b>	<b>980,926</b>

(1) S = Options to subscribe new shares. P = Options to purchase existing shares.

Rules governing the stock option plans are as follows:

- to exercise the option, the grantee must generally be an employee or corporate officer of the Group. Vesting is also conditional on the achievement of performance criteria;
- the options expire after six years;
- the vesting period is three or four years in the United States and four years in the rest of the world.

#### Performance shares

Plan no.	Date of Board meeting	Vesting Date	Expiration Date	Number of shares granted originally	Grants cancelled because targets not met
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 and 13 bis	12/16/2011	12/16/2013	12/16/2015	647,943	-
14 and 14 bis	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	-
17	03/31/2014	03/31/2016	04/02/2018	714,480	-
18	03/31/2014	03/31/2018	04/02/2018	2,177,320	-
17 bis	10/28/2014	10/28/2016	10/29/2018	500	-
18 bis	10/28/2014	10/28/2018	10/29/2018	30,900	-
<b>TOTAL</b>				<b>9,330,500</b>	<b>28,788</b>

Rules governing the stock grant plans are as follows:

- to receive the stock, the grantee must generally 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.

## Outstanding options and grants

### Change in the number of options

Plan no.	Number of options outstanding Dec. 31, 2013	Number of options exercised and/or created in 2014	Number of options cancelled or restated in 2014 <sup>(1)</sup>	Number of options outstanding Dec. 31, 2014
28	867,055	(172,913)	754	693,388
29	70,875	(1,900)	3,577	65,398
30	476,827	(99,239)	(2,990)	380,578
31	557,359	(162,805)	(1,237)	395,791
33	1,336,114	(417,756)	(11,137)	929,495
<b>TOTAL</b>	<b>3,308,230</b>	<b>(854,613)</b>	<b>(11,033)</b>	<b>2,464,650</b>

(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 28 to 33, and the SARs, the grantee must generally 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 SE has created 1,807,827 shares in 2014.

### Change in the number of performance shares

Plan no.	Number of performance shares at Dec. 31, 2013	Number of existing or new shares grants in 2014	Number of shares cancelled in 2014	Number of shares outstanding at Dec. 31, 2014
11	1,037,701	(962,495)	(75,206)	-
11 bis	5,788	-	-	5,788
12	19,850	-	-	19,850
13 and 13 bis	636,243	(633,468)	(2,775)	-
13 ter	625	(625)	-	-
14 and 14 bis	1,292,771	(875)	(76,527)	1,215,369
14 ter	1,500	-	-	1,500
15	639,950	-	(7,200)	632,750
15 bis	4,500	-	-	4,500
16	1,797,480	(800)	(80,575)	1,716,105
16 bis	19,600	-	-	19,600
17	-	714,480	(1,900)	712,580
17 bis	-	500	-	500
18	-	2,177,020	(94,800)	2,082,220
18 bis	-	30,900	(200)	30,700
<b>TOTAL</b>	<b>5,456,008</b>	<b>1,324,637</b>	<b>(339,183)</b>	<b>6,441,462</b>

For performance shares to vest, the grantee must be an employee or corporate officer of the Group. In addition, vesting of some performance shares is conditional on the achievement of annual objectives based on financial indicators.

#### 21.5.1 Valuation of performance shares

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 0.7% and 3.4%, 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 2014	Full year 2013
Plan 9		4
Plan 10		2
Plan 11	7	11
Plan 10 <i>bis</i>	-	-
Plan 11 <i>bis</i>	-	-
Plan 12	-	-
Plan 13 and 13 <i>bis</i>	-	10
Plan 14 and 14 <i>bis</i>	8	9
Plan 15	16	12
Plan 15 <i>bis</i>	-	-
Plan 16	20	15
Plan 16 <i>bis</i>	-	-
Plan 17	15	-
Plan 17 <i>bis</i>	-	-
Plan 18	20	-
Plan 18 <i>bis</i>	-	-
<b>TOTAL</b>	<b>86</b>	<b>63</b>

### 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 (according to the country) 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 (according to the country) 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 9.67 in 2014) 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 2014, Schneider Electric offers to its employees the opportunity to purchase shares at a price of EUR58.33 or EUR54.90 per share, depending on the country, as part of its commitment to employee share ownership, on June 17, 2014. This represented a 15% to 20% discount to the reference price of EUR68.62 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, 3.7 million shares were subscribed, increasing the company's capital by EUR205 million as of July 24, 2014. 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.

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The tables below summarize the main characteristics of the plans, the amounts subscribed, the valuation assumptions and the plans' cost for 2014 and 2013.

<b>Non leveraged plans</b>	<b>Full year 2014</b>		<b>Full year 2013</b>	
	<b>%</b>	<b>Value</b>	<b>%</b>	<b>Value</b>
<b>Plan characteristics</b>				
Maturity (years)		5		5
Reference price (euros)		68.62		59.87
Subscription price (euros):				
between		58.33		50.89
and		54.90		47.90
Discount:				
between	15.0%		15.0%	
and	20.0%		20.0%	
Amount subscribed by employees		122.7		98,0
Total amount subscribed		122.7		98,0
Total number of shares subscribed (millions of shares)		2.2		2.0
<b>Valuation assumptions</b>				
Interest rate available to market participant (bullet loan) <sup>(1)</sup>	4.8%		4.8%	
Five year risk-free interest rate (euro zone)	0.8%		0.8%	
Annual interest rate (repo)	1.0%		1.0%	
<b>(a) Value of discount:</b>				
between	15.0%	7.8	15.0%	8.4
and	20.0%	19.6	20.0%	12.7
<b>(b) Value of the lock-up period for market participant</b>				
	<b>26.4%</b>	<b>39.5</b>	<b>26.3%</b>	<b>31.3</b>
<b>Total expense for the Group (a-b)</b>		<b>0</b>		<b>0</b>
<b>Sensitivity</b>				
● decrease in interest rate for market participant <sup>(2)</sup>	(0.5%)	4.3	(0.5%)	3.4

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.





Leveraged plans	Full year 2014		Full year 2013	
	%	Value	%	Value
<b>Plan characteristics</b>				
Maturity (years)		5		5
Reference price (euros)		68.62		59.87
Subscription price (euros):				
between		58.33		50.89
and		54.90		47.90
Discount:				
between	15.0%		15.0%	
and	20.0%		20.0%	
Amount subscribed by employees		8.2		3.5
Total amount subscribed		82.4		35.4
Total number of shares subscribed (millions of shares)		1.5		0.7
<b>Valuation assumptions</b>				
Interest rate available to market participant (bullet loan) <sup>(1)</sup>	4.8%		4.8%	
Five year risk-free interest rate (euro zone)	0.8%		0.8%	
Annual dividend rate	3.4%		3.0%	
Annual interest rate (repo)	1.0%		1.0%	
Retail/institutional volatility spread	5.0%		5.0%	
<b>(a) Value of discount:</b>				
between	15.0%	0.0	15.0%	0.0
and	20.0%	20.6	20.0%	8.9
<b>(b) Value of the lock-up period for market participant</b>				
	<b>26.4%</b>	<b>27.1</b>	<b>26.3%</b>	<b>11.7</b>
<b>(c) Value of the opportunity gain <sup>(2)</sup></b>				
	<b>4.1%</b>	<b>4.2</b>	<b>3.3%</b>	<b>1.5</b>
<b>Total expense for the Group (a-b+c)</b>		<b>0</b>		<b>0</b>
<b>Sensitivity</b>				
● decrease in interest rate for market participant <sup>(3)</sup>	(0.5%)	3.0	(0.5%)	1.3

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 SE shares

At December 31, 2014, the Group held 13,296,614 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 EUR445 million as of December 31, 2014 and can be analyzed as follows:

	Dec. 31, 2014	Dec. 31, 2013*	Change in tax
Cash-flow hedges	75	93	(18)
Available-for-sale financial assets	(8)	(8)	-
Actuarial gains (losses) on defined benefits	379	225	154
Other	(1)	(1)	-
<b>TOTAL</b>	<b>445</b>	<b>309</b>	<b>136</b>

\* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

## 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 and in China.

### 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, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Discount rate	3.47%	4.10%	3.95%	4.70%
Rate of compensation increases	3.00%	2.40%	N/A	N/A
Interest income <sup>(1)</sup>	4.46%	3.60%	4.75%	3.75%

(1) Under IAS 19R, the rate applied in the calculation of the interest income (previously expected return on plan assets) is the discount rate at the beginning 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 1.60% for 10 years duration and 1.90% for 15 years duration in the euro zone, 3.95% in the United States and 3.60% in the United Kingdom.

A 0.5 point increase in the discount rate would reduce pension and termination benefit obligations by around EUR686 million and the service cost by EUR3 million. A 0.5 point decrease would increase pension and termination benefit obligations by EUR769 million and the service cost by EUR3 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 EUR28 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 EUR25 million and the sum of the service cost and interest cost by EUR1 million.

In 2014, the rate of healthcare cost increases in the United States is based on a decreasing trend from 8.67% in 2015 to 4.5% in 2028 for pre 65 retirees and from 6.67% in 2015 to 4.5% in 2022 for post 65 retirees. The rate of healthcare cost increases in the United States was based on a decreasing trend from 7.33% in 2014 to 4.5% in 2023 at December 31, 2013 for all retirees. The rate in France was estimated at 4% in 2014 and in 2013.



### **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 13.5 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 98% of the Group's total commitment or EUR10,663 million at December 31, 2014, 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 10%), bonds (around 74%), real estate (around 2%) and cash and others assets (around 14%).

Main contributions are primarily for the North American plans and amount to EUR47 million in 2014. They are estimated at EUR41 million for 2015, EUR54 million for 2016 and EUR58 million for 2017.

At December 31, 2014, provisions for pensions and termination benefits total EUR1,459 million, compared with EUR1,061 million in 2013. 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 EUR83 million in 2014, compared with EUR62 million in 2013.

### **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 11.4 years. These post-employment benefit obligations are unfunded.

Healthcare coverage for North American employees represents 73% of this obligation.

The main benefits paid in 2014 are primarily for the North American plans and amount to EUR17 million. They are estimated at EUR20 million in 2015 and EUR21 million for each of the next 2 years.

Other long-term benefit obligations include healthcare coverage plans in Europe, for EUR106 million, and long-service awards due by subsidiaries in France, for EUR13 million.

At December 31, 2014, provisions for these benefit obligations total EUR512 million, compared with EUR424 million at December 31, 2013. 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
<b>Dec. 31, 2012</b>	<b>1,489</b>	<b>491</b>	<b>470</b>	<b>314</b>	<b>1,959</b>
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
<b>Dec. 31, 2013</b>	<b>1,061</b>	<b>274</b>	<b>424</b>	<b>261</b>	<b>1,485</b>
Net cost recognized in the statement of income	46	16	41	13	87
Benefits paid	(46)	0	(37)	(13)	(83)
Plan participants' contributions	(10)	(47)	-	-	(10)
Actuarial items recognized in equity	337	126	39	21	376
Translation adjustment	62	47	44	38	106
Changes in the scope of consolidation	10	-	1	-	11
Other changes	(1)	(3)	-	-	(1)
<b>Dec. 31, 2014</b>	<b>1,459</b>	<b>413</b>	<b>512</b>	<b>320</b>	<b>1,971</b>
<b>Surplus of plans recognized as assets</b>	<b>(228)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(228)</b>
<b>Provisions recognized as liabilities</b>	<b>1,687</b>	<b>-</b>	<b>512</b>	<b>-</b>	<b>2,199</b>

The net effect of Invensys acquisition on the balance sheet provision is EUR11 million, because obligations are totally covered by plan assets.

Following the agreement reached with the Trustee of the Invensys Pension scheme in the UK on February 2014, Schneider Electric

SE guaranteed all obligations of the Invensys subsidiaries which participate in the Scheme, up to a maximum amount of GBP1.75 billion. At December 31, 2014, plan assets exceed the value of obligations subject to this guarantee and thus this guarantee cannot be called.



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
<b>Dec. 31, 2012</b>	<b>961</b>	<b>(7)</b>	<b>954</b>
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	-	-	-
<b>Dec. 31, 2013</b>	<b>699</b>	<b>(1)</b>	<b>698</b>
Actuarial (gains)/losses on projected benefit obligation arising from demographic assumptions	117	6	123
Actuarial (gains)/losses on projected benefit obligation arising from financial assumptions	908	52	960
Actuarial (gains)/losses on projected benefit obligation from experience effects	49	(19)	30
Actuarial (gains)/losses on plan assets	(706)	-	(706)
Effect of the asset ceiling	(31)	-	(31)
<b>Dec. 31, 2014</b>	<b>1,036</b>	<b>38</b>	<b>1,074</b>

## 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, 2014		Dec.31, 2013	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
<b>1. Reconciliation of balance sheet items</b>				
Pension assets	-	-	-	-
Provisions for pensions and other post-employment benefit	(1,459)	(413)	(1,061)	(274)
<b>NET ASSET/(LIABILITY) RECOGNIZED IN THE BALANCE SHEET</b>	<b>(1,459)</b>	<b>(413)</b>	<b>(1,061)</b>	<b>(274)</b>

	Full year 2014		Full year 2013	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
<b>2. Components of net cost recognized in the statement of income</b>				
Service cost	49	3	52	3
Past service cost	1	0	(132)	-
Curtailments and settlements	(61)	(4)	(6)	-
Interest cost (effect of discounting on obligation and plan assets )	408	54	103	49
Interest income	(351)	(37)	(50)	(27)
<b>NET COST RECOGNIZED IN THE STATEMENT OF INCOME</b>	<b>46</b>	<b>16</b>	<b>(33)</b>	<b>25</b>

The 2014 net cost recognized in the statement of income related to Invensys integration is EUR19 million.

	Full year 2014		Full year 2013	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
<b>3. Change in projected benefit obligation</b>				
Projected benefit obligation at beginning of year	2,658	1,136	3,061	1,344
Service cost	49	3	52	3
Past service cost/Curtailments and Settlements	(110)	(49)	(160)	-
Interest cost (effect of discounting)	403	54	103	49
Plan participants' contributions	4	-	4	-
Benefits paid	(524)	(56)	(126)	(54)
Changes in the scope of consolidation	6,593	-	3	3
Actuarial (gains)/losses recognized in equity	1,074	176	(188)	(157)
Translation adjustments	786	166	(95)	(52)
Other	(8)	(3)	4	-
<b>PROJECTED BENEFIT OBLIGATION AT END OF YEAR</b>	<b>10,925</b>	<b>1,427</b>	<b>2,658</b>	<b>1,136</b>

Plans changes occurred in United-Kingdom and United States.

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, 2014, actuarial losses resulting from changes in financial assumptions on pension and termination benefit obligations total EUR908 million for the Group compared to

EUR198 million of gains at December 31, 2013. At December 31, 2014, the losses resulting from changes in demographic assumptions on pension and termination benefit obligations total EUR117 million for the Group compared to EUR1 million of gains at December 31, 2013.

At December 31, 2014, actuarial losses relative to the effects of experience on pension and termination benefit obligations total EUR49 million for the Group compared to EUR11 million at December 31, 2013.





	Full year 2014		Full year 2013	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
<b>4. Change in fair value of plan assets</b>				
Fair value of plan assets at beginning of year	1,597	862	1,572	853
Interest income	351	37	50	27
Plan participants' contribution	3	-	4	-
Employer contributions	10	47	64	35
Benefits paid	(478)	(56)	(82)	(54)
Actuarial gains/(losses) recognized in equity	706	50	74	39
Changes in the scope of consolidation	6,721	-	0	-
Translation adjustments	739	119	(63)	(38)
Curtailments and settlements	(50)	(45)	(22)	-
Other	(10)	-	-	-
<b>FAIR VALUE OF PLAN ASSETS AT END OF YEAR</b>	<b>9,589</b>	<b>1,014</b>	<b>1,597</b>	<b>862</b>

At December 31, 2014, the actual return on plan assets was EUR1,057 million compared with EUR124 million at December 31, 2013. Actuarial gains and losses have been fully recognized in other reserves.

	Full year 2014		Full year 2013	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
<b>5. Funded status</b>				
Projected benefit obligation	(10,925)	(1,427)	(2,658)	(1,136)
Fair value on plan assets	9,589	1,014	1,597	862
Surplus/(Deficit)	(1,336)	(413)	(1,061)	(274)
Effect of the asset ceiling	(123)	-	-	-
Deferred items:				
Unrecognized past service cost	-	-	-	-
<b>(LIABILITIES)/NET ASSET RECOGNIZED IN THE BALANCE SHEET</b>	<b>(1,459)</b>	<b>(413)</b>	<b>(1,061)</b>	<b>(274)</b>

## 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 2014	Full year 2013
<b>1. Components of net cost recognized in the statement of income</b>		
Service cost	27	20
Interest cost (effect of discounting)	16	15
Interest income	-	-
Past service cost	(2)	-
Curtailments and settlements	-	(34)
Amortization of actuarial gains & losses	-	(2)
<b>NET COST RECOGNIZED IN THE STATEMENT OF INCOME</b>	<b>41</b>	<b>(1)</b>

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 2014	Full year 2013
<b>2. Change in projected benefit obligation</b>		
Projected benefit obligation at beginning of year	424	470
Service cost	27	20
Interest cost (effect of discounting)	16	15
Plan participants' contribution	-	2
Benefits paid	(37)	(32)
Actuarial (gains)/losses recognized in equity	39	6
Past service cost	(2)	(34)
Changes in the scope of consolidation	1	0
Translation adjustments	44	(18)
Other (including curtailments and settlements)	-	(5)
<b>PROJECTED BENEFIT OBLIGATION AT END OF YEAR</b>	<b>512</b>	<b>424</b>

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, 2014, actuarial gains relative to the effects of experience on healthcare costs, life insurance and other post-employment benefits total EUR19 million for the Group compared to EUR32 million of losses at December 31, 2013.

	Dec. 31, 2014	Dec. 31, 2013
<b>3. Funded status</b>		
Projected benefit obligation	(512)	(424)
Deferred items:		
Unrecognized past service cost	-	-
<b>PROVISION RECOGNIZED IN BALANCE SHEET</b>	<b>(512)</b>	<b>(424)</b>



## Note 23 Provisions

	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
<b>Dec. 31, 2012</b>	<b>703</b>	<b>96</b>	<b>411</b>	<b>70</b>	<b>132</b>	<b>307</b>	<b>1,720</b>
<i>Long-term portion</i>	430	44	93	55	12	151	785
Additions	99	25	116	4	103	135	482
Utilizations	(70)	(23)	(94)	(13)	(83)	(116)	(399)
Reversals of surplus provisions	(117)	(11)	(29)	(1)	(12)	(14)	(184)
Translation adjustments	(39)	(7)	(20)	(4)	(1)	(18)	(89)
Changes in the scope of consolidation and other	92	18	46	5	(4)	24	181
<b>Dec. 31, 2013*</b>	<b>668</b>	<b>98</b>	<b>430</b>	<b>61</b>	<b>135</b>	<b>318</b>	<b>1,710</b>
<i>Long-term portion</i>	439	43	131	45	9	160	827
Additions	65	20	110	10	83	133	421
Discounting effect	-	-	-	2	-	-	2
Utilizations	(38)	(15)	(102)	(20)	(94)	(153)	(422)
Reversals of surplus provisions	(52)	(5)	(37)	(7)	(8)	(20)	(129)
Translation adjustments	12	2	10	29	2	39	94
Changes in the scope of consolidation and other	56	(13)	35	233	9	230	550
<b>Dec. 31, 2014</b>	<b>711</b>	<b>87</b>	<b>446</b>	<b>308</b>	<b>127</b>	<b>547</b>	<b>2,226</b>
<i>Long-term portion</i>	450	60	149	283	19	288	1,249

\* The 2013 figures were restated from the change in consolidation method disclosed in note 1.

### (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 EUR87 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.

**(e) Reconciliation with cash flow statement**

The increase and decrease in provisions retreated at statutory cash flow were as follows:

	Dec. 31, 2014	Dec. 31, 2013*
Increase of provision	421	482
Utilization of provision	(422)	(399)
Reversal of surplus provision	(129)	(184)
<b>Provision variance including tax provisions but excluding employee benefit obligation</b>	<b>(130)</b>	<b>(101)</b>
(Tax provisions net variance)	(4)	77
<b>Provision variance excluding tax provisions and pension benefit obligation</b>	<b>(134)</b>	<b>(24)</b>
Employee benefit obligation net variance excluding contribution to plan assets	66	(77)
<b>Increase/(decrease) in provisions in cash-flow statement</b>	<b>(68)</b>	<b>(101)</b>

\* The 2013 figures were restated from the change in consolidation method disclosed in note 1.

**Note 24 Total (current and non-current) financial liabilities**

Non-current financial liabilities break down as follows:

	Dec. 31, 2014	Dec. 31, 2013*
Bonds	5,405	6,039
Bank and other borrowings	707	942
Lease liabilities	6	10
Employees profit sharing	9	11
Short-term portion of convertible and non-convertible bonds	(750)	(717)
Short-term portion of long-term debt	(350)	(363)
<b>NON-CURRENT FINANCIAL LIABILITIES</b>	<b>5,027</b>	<b>5,922</b>

\* The 2013 figures were restated from the change in consolidation method disclosed in note 1.

Current financial liabilities break down as follows:

	Dec. 31, 2014	Dec. 31, 2013*
Commercial paper	760	1,205
Accrued interest	112	147
Other short-term borrowings	461	395
Drawdown of funds from lines of credit	-	-
Bank overdrafts	212	140
Short-term portion of convertible and non-convertible bonds	750	717
Short-term portion of long-term debt	350	363
Short-term debt	2,645	2,967
<b>TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES</b>	<b>7,672</b>	<b>8,889</b>
<b>CASH AND CASH EQUIVALENTS (SEE NOTE 20)</b>	<b>(2,650)</b>	<b>(5,563)</b>
<b>NET DEBT</b>	<b>5,022</b>	<b>3,326</b>

\* The 2013 figures were restated from the change in consolidation method disclosed in note 1.





### 24.1 – Breakdown by maturity

	Dec. 31, 2014			Dec. 31, 2013*
	Nominal	Interests	Swaps	Nominal
2014				2,967
2015	2,645	169	2	1,071
2016	838	157	-	758
2017	1,173	127	-	1,158
2018	774	85	-	772
2019	498	54	-	496
2020 and beyond	1,744	89	-	1,667
<b>TOTAL</b>	<b>7,672</b>	<b>681</b>	<b>2</b>	<b>8,889</b>

### 24.2 – Breakdown by currency

	Dec. 31, 2014	Dec. 31, 2013*
Euro	5,841	6,756
US Dollar	1,201	1,166
Brazilian Real	8	264
Japanese Yen	239	239
Australian Dollar	21	101
Russian Rouble	76	49
Indian Rupee	63	112
Chinese Yuan	33	60
Indonesian Rupiah	28	36
Other	162	106
<b>TOTAL</b>	<b>7,672</b>	<b>8,889</b>

\* The 2013 figures were restated from the change in consolidation method disclosed in note 1.

### 24.3 – Bonds

	Dec. 31, 2014	Dec. 31, 2013	Effective interest rate	Maturity
Schneider Electric SE 2014		717	Libor USD +0.490% variable and 4.500% fixed	January and July 2014
Schneider Electric SE 2015	750	750	5.375% fixed	January 2015
Schneider Electric SE 2016	656	661	Euribor + 0.600% variable and 0.849%, 0.846%, 2.875% fixed	July, November, December 2016
Schneider Electric SE 2017	1,008	1,001	4.000% fixed	August 2017
Schneider Electric SE 2018	746	745	3.750% fixed	July 2018
Schneider Electric SE 2019	497	496	3.500% fixed	January 2019
Schneider Electric SE 2020	496	496	3.625% fixed	July 2020
Schneider Electric SE 2021	597	597	2.500% fixed	September 2021
Schneider Electric SE 2022	655	576	2.950% fixed	September 2022
<b>TOTAL</b>	<b>5,405</b>	<b>6,039</b>		

Schneider Electric SE 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, 2014 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,
  - 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,

- EUR3 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,
- 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, 2014 Schneider Electric had confirmed credit lines of EUR2,650 million, all unused.

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, 2014	Dec. 31, 2013
Debt related to acquisitions	15	15
Debt on Luminous valuation	130	92
Other	39	33
<b>OTHER NON-CURRENT LIABILITIES</b>	<b>184</b>	<b>140</b>

\* The 2013 figures were restated from the change in consolidation method disclosed in note 1.

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, 2014			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
<b>ASSETS</b>						
Available-for-sale financial assets	333	-	-	333	-	-
Other non-current financial assets	365	-	-	-	365	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>698</b>	<b>-</b>	<b>-</b>	<b>333</b>	<b>365</b>	<b>-</b>
Trade accounts receivable	5,991	-	-	-	5,991	-
Other receivables						
Current financial assets	49	49	-	-	-	-
Marketable securities	714	714	-	-	-	-
Derivative instrument – foreign currencies	70	70	-	-	-	-
Derivative instrument – interest rates	-	-	-	-	-	-
Derivative instrument – commodities	-	-	-	-	-	-
Derivative instrument – shares	28	32	(4)	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>6,852</b>	<b>865</b>	<b>(4)</b>	<b>-</b>	<b>5,991</b>	<b>-</b>
<b>LIABILITIES</b>						
Long-term portion of bonds <sup>(1)</sup>	(5,118)	-	-	-	-	(5,118)
Other long-term debt	(372)	-	-	-	-	(372)
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>(5,490)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,490)</b>
Short-term portion of bonds <sup>(1)</sup>	(751)	-	-	-	-	(751)
Short-term debt	(1,895)	-	-	-	-	(1,895)
Trade accounts payable	(4,106)	-	-	-	-	(4,106)
Other	(32)	-	-	-	-	(32)
Derivative instrument – foreign currencies	(151)	(124)	(27)	-	-	-
Derivative instrument – interest rates	(2)	-	(2)	-	-	-
Derivative instrument – commodities	(11)	-	(11)	-	-	-
Derivative instrument – shares	-	-	-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>(6,948)</b>	<b>(124)</b>	<b>(40)</b>	<b>-</b>	<b>-</b>	<b>(6,784)</b>

(1) 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 EUR5,869 million compared to EUR5,405 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;
- 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.

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	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
<b>ASSETS</b>						
Available-for-sale financial assets	164	-	-	164	-	-
Other non-current financial assets	127	-	-	-	127	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>291</b>	<b>-</b>	<b>-</b>	<b>164</b>	<b>127</b>	<b>-</b>
Trade accounts receivable	5,145	-	-	-	5,145	-
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	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>7,557</b>	<b>2,369</b>	<b>43</b>	<b>-</b>	<b>5,145</b>	<b>-</b>
<b>LIABILITIES</b>						
Long-term portion of bonds <sup>(1)</sup>	(5,704)	-	-	-	-	(5,704)
Other long-term debt	(600)	-	-	-	-	(600)
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>(6,304)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,304)</b>
Short-term portion of bonds <sup>(1)</sup>	(718)	-	-	-	-	(718)
Short-term debt	(2,250)	-	-	-	-	(2,250)
Trade accounts payable	(3,791)	-	-	-	-	(3,791)
Other	(36)	-	-	-	-	(36)
Derivative instrument – foreign currencies	(11)	(11)	-	-	-	-
Derivative instrument – interest rates	(8)	-	(8)	-	-	-
Derivative instrument – commodities	(3)	-	(3)	-	-	-
Derivative instrument – shares	-	-	-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>(6,817)</b>	<b>(11)</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>(6,795)</b>

<sup>(1)</sup> 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 2013 figures were restated from the change in consolidation method disclosed in note 1.





**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, 2014				
	Carrying Amount	Fair value	Level 1	Level 2	Level 3
<b>ASSETS</b>					
Available-for-sale financial assets	333	333	57	-	276 <sup>(1)</sup>
Marketable securities	714	714	714	-	-
Derivative instruments	98	98	-	98	-
<b>LIABILITIES</b>					
Bonds	(5,405)	(5,869)	(5,869)	-	-
Other long-term debt	(372)	(372)	-	-	(372)
Other current liabilities	(6,033)	(6,033)	-	-	(6,033)
Derivative instruments	(164)	(164)	-	(164)	-

(1) Unlisted available-for-sale financial assets are tested once a year and impaired when necessary.

	Dec. 31, 2013*				
	Carrying Amount	Fair value	Level 1	Level 2	Level 3
<b>ASSETS</b>					
Available-for-sale financial assets	164	164	63	-	101 <sup>(1)</sup>
Marketable securities	2,193	2,193	2,193	-	-
Derivative instruments	191	191	-	191	-
<b>LIABILITIES</b>					
Bonds	(6,039)	(6,422)	(6,422)	-	-
Other long-term debt	(600)	(600)	-	-	(600)
Other current liabilities	(6,077)	(6,077)	-	-	(6,077)
Derivative instruments	(22)	(22)	-	(22)	-

(1) Unlisted available-for-sale financial assets are tested once a year and impaired when necessary.

\* The 2013 figures were restated from the change in consolidation method disclosed in note 1.

## 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.

<b>Dec. 31, 2014</b>	<b>Carrying amount</b>	<b>Nominal amount</b>	
		Sale	Purchase
Cash flow hedges	(33)	16	1,043
Net investment hedges	(33)	1,091	-
Fair value hedges	-	-	-
Trading	(15)	4,671	2,293
	<b>(81)</b>	<b>5,778</b>	<b>3,336</b>

<b>Dec. 31, 2013</b>	<b>Carrying amount</b>	<b>Nominal amount</b>	
		Sale	Purchase
Cash flow hedges	119	-	(3,206)
Net investment hedges	2	961	(199)
Fair value hedges	-	-	-
Trading	13	2,797	(1,620)
	<b>134</b>	<b>3,758</b>	<b>(5,025)</b>

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.

In 2014, the Net Investment Hedge has been recycled from Other Comprehensive Income to Profit and & Loss for EUR23 million.



Positions of futures hedges of balance sheet items and net investment by currency:

	Dec. 31, 2014		
	Sales	Purchases	Net
GBP	664	(399)	265
USD	3,236	(828)	2,408
SGD	715	(156)	559
CNY	213	(673)	(460)
AUD	159	(490)	(331)
HKD	248	(42)	206
NOK	76	(3)	73
AED	150	(22)	128
SEK	3	(122)	(119)
BRL	49	(291)	(242)
DKK	4	(86)	(82)
SAR	53	(7)	46
RUB	37	-	37
PLN	1	(17)	(16)
CHF	12	(51)	(39)
MXN	48	(39)	9
JPY	6	(31)	(25)
Others	104	(79)	25
<b>TOTAL</b>	<b>5,778</b>	<b>(3,336)</b>	<b>2,442</b>

These forward currency hedging positions include EUR1,813 million in hedges of loans and borrowings of a financial nature (net sales) and EUR629 million in hedges of operating cash flows (net sales).

### 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, 2014, 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, 2014		Dec. 31, 2013	
	Fixed rate	Variable rate	Fixed rate	Variable rate
<b>Net position before hedging</b>	<b>(5,912)</b>	<b>(1,760)</b>	<b>(6,578)</b>	<b>(2,281)</b>
Cash flow hedges	(129)	129	(346)	346
Fair value hedges	-	-	-	-
<b>Net position after hedging</b>	<b>(6,041)</b>	<b>(1,631)</b>	<b>(6,924)</b>	<b>(1,935)</b>

### 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, 2014	Dec. 31, 2013
Carrying amount	(11)	(2)
Nominal amount	(271)	(166)

### 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, 2014	Dec. 31, 2013
Outstanding shares	1,277,326	1,843,846
Carrying amount	28	46
Nominal amount	(57)	(84)

## 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, 2014	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	1,615	1,517	98	25	73
Financial liabilities	(1,869)	(1,517)	(352)	(25)	(327)

	(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)





## Note 27 Employees

### 27.1 – Employees

The average number of permanent and temporary employees was as follows in 2013 and 2014:

<i>(number of employees)</i>	<b>Dec. 31, 2014</b>	<b>Dec. 31, 2013</b>
Production	95,213	81,712
Administration	90,752	81,321
<b>TOTAL AVERAGE NUMBER OF EMPLOYEES</b>	<b>185,965</b>	<b>163,033</b>
By region:		
EMEAS*	85,415	78,695
North America	34,940	30,980
Asia-Pacific	65,610	53,358

\* Europe, Middle-East, Africa, South America.

The increase in the average number of employees is primarily linked to the 2014 acquisitions.

### 27.2 – Employee benefits expense

	<b>Full year 2014</b>	<b>Full year 2013</b>
Payroll costs	(6,203)	(5,976)
Profit-sharing and incentive bonuses	(57)	(64)
Stock options	(86)	(66)
WESOP	-	-
<b>EMPLOYEE BENEFITS EXPENSE</b>	<b>(6,346)</b>	<b>(6,106)</b>

### 27.3 – Benefits granted to senior executives

In 2014, the Group paid EUR1.26 million in attendance fees to the members of its board of directors. The total amount of gross remuneration, including benefits in kind, paid in 2014 by the Group to the members of Senior Management, excluding executive directors, totaled EUR15.5 million, of which EUR5.8 million corresponded to the variable portion.

During the last three periods, 473.000 performance shares have been allocated to members of Senior Management, excluding executive officers. No stock option has been granted to members of Senior Management during the last three periods. Performance

shares were allocated due to the 2014 the long term incentive plan. Since December 16, 2011, 100% of performance shares 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 EUR36 million at December 31, 2014 versus EUR21 million at December 31, 2013.

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 2014.

### 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, 2014	Dec. 31, 2013
Market counter guarantees <sup>(1)</sup>	3,548	1,214
Pledges, mortgages and sureties <sup>(2)</sup>	188	47
Endorsements and guarantees		
Other commitments given <sup>(3)</sup>	368	164
<b>GUARANTEES GIVEN</b>	<b>4,104</b>	<b>1,425</b>
Endorsements and guarantees received	90	83
<b>GUARANTEES RECEIVED</b>	<b>90</b>	<b>83</b>

(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, 2014, there is one material put related to the 26% interests in Luminous that was valued for an amount of EUR130 million as other non-current liabilities.

### 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, 2014, rights accrued but not used by employees of French entities of the Group corresponded to around 1,651,781 hours.

## Note 30 Subsequent events

At the date of financial statements approval by the board of directors, there is no material subsequent event.



## Note 31 Statutory auditors' fees

Fees paid by the Group to the statutory auditors and their networks:

<i>(in thousands of euros)</i>	Full year 2014				
	Ernst & Young	%	Mazars	%	Total
<b>Audit</b>					
Statutory auditing	14,804	82%	7,772	97%	22,576
<i>o/w Schneider Electric SE</i>	100		100		
<i>o/w subsidiaries</i>	14,704		7,672		
Related services	633	4%	240	3%	873
<i>o/w Schneider Electric SE</i>	-		-		
<i>o/w subsidiaries</i>	633		240		
<b>Audit sub-total</b>	<b>15,437</b>	<b>86%</b>	<b>8,012</b>	<b>100%</b>	<b>23,449</b>
Other services Legal, tax	2,636	14%	27		2,663
<b>TOTAL FEES</b>	<b>18,073</b>	<b>100%</b>	<b>8,039</b>	<b>100%</b>	<b>26,112</b>

<i>(in thousands of euros)</i>	Full year 2013				
	Ernst & Young	%	Mazars	%	Total
<b>Audit</b>					
Statutory auditing	9,452	85%	8,059	93%	17,511
<i>o/w Schneider Electric SE</i>	100		100		
<i>o/w subsidiaries</i>	9,352		7,959		
Related services	1,348	12%	552	7%	1,900
<i>o/w Schneider Electric SE</i>	237		121		
<i>o/w subsidiaries</i>	1,111		431		
<b>Audit sub-total</b>	<b>10,800</b>	<b>97%</b>	<b>8,611</b>	<b>100%</b>	<b>19,411</b>
Other services Legal, tax	363	3%	32	-	395
<b>TOTAL FEES</b>	<b>11,163</b>	<b>100%</b>	<b>8,643</b>	<b>100%</b>	<b>19,806</b>

## Note 32 Consolidated companies

The main companies included in the Schneider Electric Group scope of consolidation are listed below.

		% Interest Dec. 31, 2014	% Interest Dec. 31, 2013
<b>Europe</b>			
<i>Fully consolidated</i>			
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
Eurotherm GmbH	Austria	100.0	-
Invensys Systems GmbH	Austria	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
Eurotherm SA/NV	Belgium	100.0	-
Invensys Systems NV/SA	Belgium	100.0	-
Schneider Electric Bulgaria EOOD	Bulgaria	100.0	100.0
Schneider Electric d.o.o	Croatia	100.0	100.0
Schneider Electric AS	Czech Republic	98.3	98.3
Schneider Electric CZ s.r.o.	Czech Republic	100.0	100.0
Invensys Systems s.r.o.	Czech Republic	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 AS	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
Foxboro OY	Finland	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
Boissière Finance SNC	France	100.0	100.0
Construction Electrique du Vivarais 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





		<b>% Interest Dec. 31, 2014</b>	<b>% Interest Dec. 31, 2013</b>
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
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 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 SE (Holding Company)	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 SAS	France	100.0	100.0
Eckardt	France	100.0	-
Eurotherm Automation SASU	France	100.0	-
Invensys Systems France SASU	France	100.0	-
Elso 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 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
Eberle Controls GmbH	Germany	100.0	-
Foxboro-Eckardt GmbH	Germany	100.0	-
Invensys Systems GmbH (Germany)	Germany	100.0	-
Siebe Metallwerke GmbH	Germany	100.0	-
Indusoft Germany GmbH	Germany	100.0	-
Schneider Electric AEBE	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 Villamossagi ZRT	Hungary	100.0	100.0
APC (EMEA) Ltd	Ireland	100.0	100.0
Schneider Electric Ireland	Ireland	100.0	100.0
Schneider Electric IT Logistics Europe Ltd	Ireland	100.0	100.0
Validation technologies (Europe) Ltd	Ireland	100.0	-

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		<b>% Interest Dec. 31, 2014</b>	<b>% Interest Dec. 31, 2013</b>
Schneider Electric Industrie Italia SpA	Italy	100.0	100.0
Schneider Electric SpA	Italy	100.0	100.0
Uniflair SpA	Italy	100.0	100.0
Foxboro Scada S.r.l.	Italy	100.0	-
Eliwell Controls S.r.l.	Italy	100.0	-
Eurotherm S.r.l.	Italy	100.0	-
Invensys Systems Italia SpA	Italy	100.0	-
Wonderware Italia SpA	Italy	100.0	-
Lexel Fabrika SIA	Latvia	100.0	100.0
Schneider Electric Baltic Distribution Center	Latvia	100.0	100.0
Schneider Electric Latvija SIA	Latvia	100.0	100.0
UAB Schneider Electric Lietuva	Lituania	100.0	100.0
Industrielle de Réassurance SA	Luxembourg	100.0	100.0
American Power Conversion Corp (APC) 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 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 AS	Norway	100.0	100.0
Lexel Holding Norgue AS	Norway	100.0	100.0
Schneider Electric Norge AS	Norway	100.0	100.0
Eurotherm AS	Norway	100.0	-
Elda Eltra Elektrotechnika 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
Invensys Eurotherm Sp. Z.o.o.	Poland	100.0	-
Invensys Systems Sp. Z.o.o.	Poland	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
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	100.0
Schneider Electric URAL LLC	Russia	100.0	-
Invensys Process Systems LLC	Russia	100.0	-
Schneider Electric Srbija d.o.o. Beograd	Serbia	100.0	100.0
Schneider Electric Slovakia Spol s.r.o.	Slovakia	100.0	100.0
Invensys Systems (Slovakia) s.r.o.	Slovakia	100.0	-
Schneider Electric d.o.o.	Slovenia	100.0	100.0
Manufacturas Electricas SA	Spain	100.0	100.0





		<b>% Interest Dec. 31, 2014</b>	<b>% Interest Dec. 31, 2013</b>
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 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
AST Modular, SL	Spain	100.0	-
Invensys Operations Management Espana SLU	Spain	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
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
Eurotherm AB	Sweden	100.0	-
Wonderware Scandinavia AB	Sweden	100.0	-
Invensys Property Company AB	Sweden	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
Eurotherm-Produkte (Schweiz) AG	Switzerland	100.0	-
Schneider Electric Ukraine	Ukraine	100.0	100.0
Andromeda Telematics Ltd	United Kingdom	100.0	100.0
Schneider Electric EMS UK Ltd	United Kingdom	100.0	100.0
CBS Group 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	100.0
BTR International Ltd	United Kingdom	100.0	-
BTR Property Holdings Ltd	United Kingdom	100.0	-
Imserv Europe Ltd	United Kingdom	100.0	-
Invensys Controls UK Ltd	United Kingdom	100.0	-
Invensys Holdings Ltd	United Kingdom	100.0	-
Invensys Systems (UK) Ltd	United Kingdom	100.0	-
<i>Accounted for by equity method</i>			
Aveltys	France	51.0	51.0
Delta Dore Finance SA (sub-group)	France	20.0	20.0
Møre Electric Group A/S	Norway	34.0	34.0



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		<b>% Interest Dec. 31, 2014</b>	<b>% Interest Dec. 31, 2013</b>
Schneider Electric DMS NS	Serbia	57.0	57.0
Custom Sensors & Technologies Topco Limited	United Kingdom	30.0	-
<b>North America</b>			
<i>Fully consolidated</i>			
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
Invensys Systems Canada Inc.	Canada	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 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
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
Electronica Reynosa S de R.L. de C.V.	Mexico	100.0	-
Invensys Group Services Mexico	Mexico	100.0	-
Invensys Systems Mexico SA	Mexico	100.0	-
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
Juno Lighting LLC	USA	100.0	100.0
Juno Manufacturing Inc.	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
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





		% Interest Dec. 31, 2014	% Interest Dec. 31, 2013
AST North America, LLC	USA	100.0	-
Invensys LLC	USA	100.0	-
Invensys Systems Inc.	USA	100.0	-
Siebe Inc.	USA	100.0	-
Stewart Warner Corp.	USA	100.0	-
Foxboro Controles SA	USA	100.0	-
Indusoft, Inc.	USA	100.0	-
Instep Software, LLC	USA	100.0	-
Schneider Electric Software, LLC	USA	100.0	-
<b>Asia-Pacific</b>			
<i>Fully consolidated</i>			
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
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
Invensys Process Systems (Australia) Pty. Limited	Australia	100.0	-
Schneider Electric IT (Xiamen) 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
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

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		<b>% Interest Dec. 31, 2014</b>	<b>% Interest Dec. 31, 2013</b>
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
Schneider Electric Manufacturing (Wuhan) Co. Ltd	China	100.0	100.0
Delixi Electric Ltd (sub-group)	China	50.0	50.0
Invensys Automation & Controls Systems (Shanghai) Co., Ltd	China	100.0	-
Shanghai Foxboro Co., Ltd	China	100.0	-
Shanghai Invensys Process System Co., Ltd	China	100.0	-
Clipsal Asia Holdings Limited	Hong Kong	100.0	100.0
Clipsal Asia 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
Cimac Software Systems Private Ltd	India	85.0	85.0
Luminous Power Technologies Private Ltd	India	74.0	74.0
Luminous Renewable Energy Solutions Private Ltd	India	74.0	74.0
Schneider Electric India Private Ltd	India	100.0	100.0
Schneider Electric Infrastructure Limited	India	75.0	78.1
Eruotherm India Private, Ltd	India	100.0	-
Invensys Development Centre India Private, Ltd	India	100.0	-
Invensys India Private, Ltd	India	100.0	-
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
PT. Invensys Indonesia	Indonesia	95.0	-
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
Invensys Process Systems Japan Inc.	Japan	100.0	-
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
Invensys Process Systems (Malaysia) Sdn Bhd	Malaysia	100.0	-
Schneider Electric (NZ) Ltd	New-Zealand	100.0	100.0
Invensys Process Systems New Zealand Ltd	New-Zealand	100.0	-
American Power Conversion Land Holdings Inc.	Philippines	100.0	100.0
Clipsal Philippines	Philippines	100.0	100.0





		% Interest Dec. 31, 2014	% Interest Dec. 31, 2013
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 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
Invensys Process Systems (S) Pte Ltd	Singapore	100.0	-
Wonderware of Singapore Pte Ltd	Singapore	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
Eurotherm Korea Ltd	South Korea	100.0	-
Invensys Korea Ltd	South Korea	100.0	-
Wonderware Korea Co., Ltd	South Korea	100.0	-
Schneider Electric Lanka (Private) Limited	Sri Lanka	100.0	100.0
Schneider Electric Taiwan Co Ltd	Taiwan	100.0	100.0
Invensys Process Systems Taiwan Corp.	Taiwan	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
Invensys Process Systems (Thailand) Co., Ltd	Thailand	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
Invensys Vietnam Ltd	Vietnam	100.0	-
<i>Accounted for by equity method</i>			
Sunten Electric Equipment	China	40.0	40.0
Fuji Electric FA Components & Systems Co., Ltd (sub-group)	Japan	37.0	37.0
Foxboro (Malaysia) Sdn Bhd	Malaysia	49.0	-
<b>Rest of the world</b>			
<i>Fully consolidated</i>			
Himel Algerie	Algeria	100.0	100.0
Schneider Electric Algerie	Algeria	100.0	100.0
Invensys Systems Algérie EURL	Algeria	100.0	-
Schneider Electric Argentina SA	Argentina	100.0	100.0
Telvent Argentina SA	Argentina	100.0	100.0
Invensys Process Systems Argentina SA	Argentina	100.0	-
Clipsal Middle East FZC	Bahrain	80.0	80.0
APC 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
Eurotherm SA/NV	Brazil	100.0	-

**CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2014**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		<b>% Interest Dec. 31, 2014</b>	<b>% Interest Dec. 31, 2013</b>
Invensys Systems Brasil LTDA	Brazil	100.0	-
Indusoft Desenvolvimento de Software LTDA	Brazil	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
Invensys Systems Chile LTDA	Chile	100.0	-
Dexson Electric SAS	Colombia	100.0	100.0
Schneider Electric de Colombia SA	Colombia	80.0	80.0
Invensys Process Systems Colombia LTDA	Colombia	100.0	-
Schneider Electric Centroamerica Ltda	Costa Rica	100.0	100.0
Schneider Electric Distribution Company	Egypt	87.4	87.4
Schneider Electric Egypt SAE	Egypt	91.0	91.0
Invensys Engineering & Service SAE	Egypt	51.0	-
Invensys Process Systems Egypt Co., Ltd	Egypt	60.0	-
Schneider Electric LLP	Kazakhstan	100.0	100.0
Invensys Systems Kazakhstan LLP	Kazakhstan	100.0	-
Schneider Electric Services Kuwait	Kuweit	49.0	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
Invensys Systems Nigeria Ltd	Nigeria	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
Invensys Process Systems del Peru SA	Peru	100.0	-
Cimac Electrical and Automation LLC	Qatar	49.0	49.0
EPS Electrical Power Distribution Boards & 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
Invensys Saudi Arabia Co., Ltd	Saudi Arabia	100.0	-
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
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
Invensys Middle East FZE	United Arab Emirates	100.0	-
Schneider Electric Venezuela SA	Venezuela	93.6	93.6
Invensys Systems Venezuela, SA	Venezuela	100.0	-



## > 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, 2014, on:

- the audit of the accompanying consolidated financial statements of Schneider Electric SE;
- 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, 2014 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.

### 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 2014. We verified that, based on currently available information, these costs concern restructuring measures initiated or announced before December 31, 2014, 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 18, 2015

The statutory auditors

*French original signed by*

**ERNST & YOUNG et Autre**

Yvon Salaün

**MAZARS**

David Chaudat









## Company financial statements

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## > 1. Balance sheet

### Assets

<i>(in thousands of euros)</i>	Notes	Gross	A. & D. or Prov.	Dec. 31, 2014 Net	Dec. 31, 2013 Net
<b>Non-current assets:</b>					
<i>Intangible assets</i>					
Intangible rights	1.1	27,474	(27,474)	-	-
<i>Property, plant and equipment</i>					
Land	1.2	2,932	-	2,932	2,934
Buildings		48	(48)	-	-
Other		1,469	(243)	1,226	1,226
		31,923	(27,765)	4,158	4,160
<i>Investments</i>					
Shares in subsidiaries and affiliates	2.1	5,599,974	(114,270)	5,485,704	4,487,732
Other investment securities	2.2	419,324	(77)	419,247	48,832
Advances to subsidiaries and affiliates	2.3	3,958,484	-	3,958,484	4,099,920
Other		-	-	-	-
		9,977,782	(114,347)	9,863,435	8,636,484
<b>Total non-current assets</b>		<b>10,009,705</b>	<b>(142,112)</b>	<b>9,867,593</b>	<b>8,640,644</b>
<b>Current assets:</b>					
<i>Accounts receivable</i>					
Accounts receivable – trade		204	-	204	68
Other	3	116,695	(226)	116,469	43,574
		116,899	(226)	116,673	43,642
<i>Cash and cash equivalents</i>					
Marketable securities	4	162,626	-	162,626	1,630,996
Advances to the Group cash pool	5	7,483,127	-	7,483,127	7,773,657
Other		613	-	613	1,189
		7,646,366	-	7,646,366	9,405,842
<b>Total current assets</b>		<b>7,763,265</b>	<b>(226)</b>	<b>7,763,039</b>	<b>9,449,484</b>
<b>Accruals and other assets:</b>					
Prepaid expenses	6.1	1,355	-	1,355	18,117
Deferred charges	6.2	9,423	-	9,423	12,193
Call premiums	6.3	30,907	-	30,907	39,239
Translation losses		99,123	-	99,123	112,846
<b>TOTAL ASSETS</b>		<b>17,913,778</b>	<b>(142,338)</b>	<b>17,771,440</b>	<b>18,272,523</b>

The notes form an integral part of these Company financial statements.

## Equity and liabilities

<i>(in thousands of euros)</i>	Note	Dec. 31, 2014	Dec. 31, 2013
<b>Equity:</b>	7		
Share capital	7.1	2,338,765	2,247,832
Additional paid-in capital	7.2	7,898,005	6,991,724
<i>Reserves and retained earnings</i>			
Legal reserve		243,027	222,167
Retained earnings	7.3	(15,004)	973,551
Net income for the financial year		341,124	(132,771)
Untaxed provisions		2	2
<b>Total equity</b>		<b>10,805,918</b>	<b>10,302,505</b>
<b>Provisions for contingencies and pension accruals:</b>	8		
Provisions for contingencies		45	45
Provisions for pension accruals		-	-
<b>Total provisions for contingencies and pension accruals</b>		<b>45</b>	<b>45</b>
<b>Non-current liabilities:</b>			
Bonds	9	5,594,095	6,260,659
Other borrowings	10	295,738	317,014
Amounts payable to subsidiaries and affiliates		13	13
Borrowings and financial liabilities	11	760,014	1,205,375
		6,649,861	7,783,061
<b>Current liabilities:</b>			
Accounts payable – trade		436	441
Accrued taxes and payroll costs		199,770	54,571
Other		15,837	18,225
		216,043	73,237
<b>Total non-current and current liabilities</b>		<b>6,865,904</b>	<b>7,856,298</b>
Deferred income	12	450	829
Translation gains		99,123	112,846
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,771,440</b>	<b>18,272,523</b>

The notes form an integral part of these Company financial statements.



## > 2. Statement of income

<i>(in thousands of euros)</i>	Note	2014	2013
Sales of services and other		643	5,998
Reversals of provisions, depreciation and amortization and expense transfers			-
<b>Operating revenues</b>		<b>643</b>	<b>5,998</b>
Purchases and external expenses		7,363	13,228
Taxes other than on income		2,878	2,258
Payroll expenses		2,017	1,023
Depreciation and provision expense		318	1,300
Other operating expenses and joint-venture losses		2,529	1,404
<b>Operating expenses</b>		<b>15,104</b>	<b>19,212</b>
<b>Operating profit/loss</b>		<b>(14,461)</b>	<b>(13,214)</b>
Dividend income		784	10,378
Interest income		104,179	125,487
Reversals of impairment provisions for long-term receivables and other		-	-
<b>Financial income</b>		<b>104,963</b>	<b>135,866</b>
Interest expense		223,087	283,290
Provision expense		12,581	4,146
<b>Financial expenses</b>		<b>235,668</b>	<b>287,436</b>
<b>Net financial income/(loss)</b>	14	<b>(130,705)</b>	<b>(151,571)</b>
Proceeds from fixed asset disposals		1,443,112	3,089
Provision reversals and expense transfers		1,104	64,058
Other		8,677	-
<b>Non-recurring income</b>		<b>1,452,893</b>	<b>67,147</b>
Carrying amount of fixed asset disposals		1,004,341	6,486
Provisions, depreciation and amortization		1,100	72,420
Other		-	371
<b>Non-recurring expenses</b>		<b>1,005,441</b>	<b>79,276</b>
<b>Net non-recurring income/(expense)</b>	15	<b>447,452</b>	<b>(12,130)</b>
<b>Net income tax benefit</b>	16	<b>38,838</b>	<b>44,143</b>
<b>NET INCOME</b>		<b>341,124</b>	<b>(132,771)</b>

*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 SE carried out EUR1,228 million capital increases, as follows:

- the employee share issuance carried out on July 24, 2014 as part of the worldwide Employee Stock Purchase Plan, for EUR206 million;
- the capital increase related to Invensys acquisition for EUR999 million, net of acquisition costs deducted by EUR12 million;
- the exercise of performance shares, for EUR35 million.

The company reimbursed two bonds for EUR707 million as well as the USD300 million loan from Boissière Finance.

On January 17, 2014, Schneider Electric SE acquired 26% of Invensys plc through the issuance of 17,207,427 new shares Schneider Electric. The remaining 74% of Invensys were acquired by the company SAMOS, subsidiary of Schneider Electric SE.

On January 31, 2014, market funds acquired in 2013 were disposed for EUR1,452 million.

On April 25, 2014, Schneider Electric SE contributed its Invensys shares to the company SAMOS then its company SAMOS shares for EUR999 million to Schneider Electric Industries SAS through capital increase.

On May 19, 2014, 2013 dividend was paid for EUR1,069 million.

Two promissory notes were issued to BNP for EUR600 million with maturity date October 21, 2014 and November 21, 2014.

Since August 2014, the company proceeded to its own shares buyback for 5,989,578 shares and EUR370 million.

On December 17, 2014, the company invoiced to Schneider Electric Industries SAS a EUR442 million consideration for the use of Schneider Electric brand, in accordance with an agreement signed on December 15, 2011.

The company issued commercial paper in 2014 and the corresponding EUR760 million balance will mature within 2015.

### Accounting principles

As in the prior financial year, the financial statements for the financial year ended December 31, 2014 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 recognized.

#### 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.



As part of the first application of the recommendation of the ANC No. 2013-02, the company has decided to account for all of these plans, all the unrecognized actuarial gains and losses and unrecognized past service costs as of the opening date of the year of change, that is to say January 1, 2014, directly through the retained earnings account.

Impacts and explanations on how to calculate this provision are given in note 8.2 – Liabilities related to pensions.

### 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, 2013	Additions	Disposals	Dec. 31, 2014
Cost	4,450	-	(2)	4,448
Depreciation	(290)	-	-	(290)
<b>NET</b>	<b>4,160</b>	<b>-</b>	<b>(2)</b>	<b>4,158</b>

## Note 2 Investments

### 2.1 – Shares in subsidiaries and affiliates

(in thousands of euros)

Shares in subsidiaries and affiliates	Dec. 31, 2013	Additions	Disposals	Dec. 31, 2014
Cost	4,601,996	1,998,135	(1,000,157)	5,599,974
Provisions	(114,264)	(1,100)	1,094	(114,270)
<b>NET</b>	<b>4,487,732</b>	<b>1,997,035</b>	<b>(999,063)</b>	<b>5,485,704</b>

The main changes over the financial year are mainly related to:

- contribution of Invensys shares, acquired through capital increase of Schneider Electric SE, to its subsidiary Samos for EUR999 million;
- contribution of the company Samos shares, for its book value of EUR999 million, to Schneider Electric Industries SAS, through capital increase.

The main investments at December 31, 2014 were as follows:

Shares in subsidiaries and affiliates	Carrying value
Schneider Electric Industries SAS	5,343,544
Cofimines	139,073
Schneider Electric Japan Holding	2,049
Other (less than EUR5 million)	1,038
<b>TOTAL</b>	<b>5,485,704</b>



## 2.2 – Other investment securities

(in thousands of euros)

Other investment securities	Dec. 31, 2013	Increases	Decreases	Dec. 31, 2014
Schneider Electric SE shares	48,778	370,415	-	419,193
Other	131	-	-	131
Provisions for other shares	(77)	-	-	(77)
<b>NET</b>	<b>48,832</b>	<b>370,415</b>	<b>-</b>	<b>419,247</b>

Other investment securities primarily include Schneider Electric SE shares acquired for allocation on the exercise of certain stock options. Schneider Electric SE 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.

Since August 2014, in compliance with the resolution adopted by the General Shareholders' Meeting dated May 6, 2014, the company proceeded to the share buyback of 5,989,578 shares for a total amount of EUR370 million. These Schneider Electric SE shares were not allocated to performance shares plans and thus were accounted for as other investment securities.

## 2.3 – Advances to subsidiaries and affiliates

(in thousands of euros)

Advances to subsidiaries and affiliates	Dec. 31, 2013	Increases	Decreases	Dec. 31, 2014
Cost	4,099,920	232,288	(373,724)	3,958,484
Provisions	-	-	-	-
<b>NET</b>	<b>4,099,920</b>	<b>232,288</b>	<b>(373,724)</b>	<b>3,958,484</b>

At December 31, 2014, this item mainly consisted of two loans totaling EUR3,100 million granted to Schneider Electric Industries SAS, out of which EUR600 million with maturity date 2015 and EUR2,500 million with maturity date 2017, of three

loans granted in 2011 and 2012 to Boissière Finance for a total amount of EUR814 million with maturity date 2016 and 2022 and of accrued interest of EUR44 million.

## Note 3 Other receivables

(in thousands of euros)

Other receivables	Dec. 31, 2014	Dec. 31, 2013
Cost	116,695	43,800
Provisions	(226)	(226)
<b>NET</b>	<b>116,469</b>	<b>43,574</b>

At December 31, 2014, « Other receivables » main changes related to the Group income tax payable for EUR58 million and research tax credit for EUR17 million.



## Note 4 Marketable securities

<i>(in thousands of euros)</i>	Dec. 31, 2013		Aquisitions	Disposals	Dec. 31, 2014	
	Number of shares	Value	Value	Value	Value	Number of shares
<b>Treasury shares</b>						
Gross	5,946,975	181,011	18,385	(36,770)	162,626	5,312,882
Provisions	-	-	-	-	-	-
Net	-	181,011	18,385	(36,770)	162,626	-
<b>Market Fund</b>						
Gross	-	1,449,985	-	(1,449,985)	-	-
Provisions	-	-	-	-	-	-
Net	-	1,449,985	-	(1,449,985)	-	-
<b>TOTAL NET</b>	<b>-</b>	<b>1,630,996</b>	<b>18,385</b>	<b>(1,486,755)</b>	<b>162,626</b>	<b>-</b>

Marketable securities primarily represent own shares held by the company for allocation to coming performance shares plans and, if appropriate, of stock-options.

## Note 5 Advances to the Group cash pool

This item consists of interest-bearing advances by Schneider Electric SE to the Group cash pool (Boissière Finance) that are recoverable on demand.

## Note 6 Accruals and other assets

### 6.1 – Prepaid expenses

This EUR1 million item consists mainly on prepaid expenses on insurance fees and issuance costs on promissory notes as mentioned in note 18.

## 6.2 – Bond issue expenses

(in thousands of euros)

Bond issue expenses	Dec. 31, 2013	Increases	Decreases	Dec. 31, 2014
Aug. 11, 2005 due 2017 (EUR600 million)	509	-	(134)	375
July 17, 2006 due 2014 (EUR500 million)	1	-	(1)	-
Oct. 8, 2007 due 2015 (EUR600 million)	218	-	(213)	5
Feb. 16, 2007 due 2014 (EUR4,500 million) (bridge loan)	538	-	(526)	12
May 21, 2008 due 2015 (EUR55 million)	44	-	(34)	10
May 21, 2008 due 2015 (EUR129 million)	96	-	(69)	27
July 25, 2008 due 2016 (EUR177 million)	41	-	(29)	12
Mar. 20, 2009 due 2018 (EUR250 million)	55	-	(14)	41
Apr. 30, 2009 due 2014 (EUR150 million)	45	-	(44)	1
July 20, 2010 due 2016 (EUR300 million)	362	-	(139)	223
July 20, 2010 due 2016 (EUR200 million)	236	-	(91)	145
July 20, 2010 due 2020 (EUR500 million)	1,071	-	(145)	926
July 1, 2011 due 2014 (USD300 million)	36	-	(36)	-
July 12, 2011 due 2018 (EUR750 million)	1,748	-	(386)	1,362
Sep. 22, 2011 due 2019 (EUR500 million)	1,158	-	(229)	929
Nov. 18, 2011 due 2016 (JPY12 billion)	186	-	(45)	141
Dec. 8, 2011 due 2016 (JPY10 billion)	156	-	(37)	119
Sep. 27, 2012 due 2022 (USD800 million)	3,286	-	(323)	2,963
Sep. 6, 2013 due 2021 (EUR600 million)	2,408	10	(286)	2,132
	<b>12,193</b>	<b>10</b>	<b>(2,781)</b>	<b>9,422</b>

## 6.3 – Redemption premiums

(in thousands of euros)

Redemption premiums	Dec. 31, 2013	Increases	Decreases	Dec. 31, 2014
Aug. 11, 2005 due 2017 (EUR600 million)	1,647	-	(432)	1,215
July 17, 2006 due Jan. 2014 (EUR500 million)	23	-	(23)	-
Oct. 8, 2007 due 2015 (EUR600 million)	72	-	(70)	2
Apr. 11, 2008 due 2018 (EUR55 million)	3,315	-	(849)	2,466
Apr. 11, 2008 due 2018 (EUR125 million)	7,746	-	(1,983)	5,763
Mar. 20, 2009 due 2018 (EUR250 million)	16,106	-	(4,107)	11,999
Apr. 30, 2009 due 2014 (EUR150 million)	(839)	-	821	(18)
July 20, 2010 due 2016 (EUR300 million)	909	-	(348)	561
July 20, 2010 due 2016 (EUR200 million)	(1,698)	-	659	(1,039)
July 20, 2010 due 2020 (EUR500 million)	3,196	-	(432)	2,764
July 1, 2011 due 2014 (USD300 million)	33	-	(33)	-
July 12, 2011 due 2018 (EUR750 million)	3,135	-	(692)	2,443
Sep. 22, 2011 due 2019 (EUR500 million)	2,667	-	(527)	2,140
Sep. 27, 2012 due 2022 (USD800 million)	1,477	-	(144)	1,333
Sep. 6, 2013 due 2021 (EUR600 million)	1,452	-	(172)	1,280
	<b>39,239</b>	<b>-</b>	<b>(8,332)</b>	<b>30,907</b>



## Note 7 Shareholders' equity and retained earnings

<i>(in millions of euros)</i>	Share capital	Additional paid-in capital	Reserves and retained earnings	Net income for the year	Untaxed provisions	Total
<b>December 31, 2012 before allocation of net income for the year</b>	<b>2,222</b>	<b>6,784</b>	<b>1,999</b>	<b>225</b>	<b>-</b>	<b>11,229</b>
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)
<b>December 31, 2013 before allocation of net income for the year</b>	<b>2,248</b>	<b>6,992</b>	<b>1,196</b>	<b>(132)</b>	<b>-</b>	<b>10,303</b>
Change in share capital	91	1,137	-	-	-	1,228
Allocation of 2013 net income	-	-	(132)	132	-	-
2013 dividend	-	(231)	(838)	-	-	(1,069)
Other changes during the period	-	-	2	-	-	2
2014 net income	-	-	-	341	-	341
<b>DECEMBER 31, 2014 BEFORE ALLOCATION OF NET INCOME FOR THE YEAR</b>	<b>2,339</b>	<b>7,898</b>	<b>228</b>	<b>341</b>	<b>-</b>	<b>10,806</b>

### 7.1 – Capital

#### Share capital

The company's share capital at December 31, 2014 amounted to EUR2,338,764,568, consisting of 584,691,142 shares with a par value of EUR4, all fully paid up.

#### Changes in share capital

During the financial year, the EUR91 million increase in share capital, is detailed as follows:

- EUR69 million share capital increase related to Invensys acquisition with an issuance of 17,207,427 new shares;
- EUR15 million share capital increase as part of the worldwide Employee Stock Purchase Plan with an issuance of 3,717,865 new shares;
- EUR7 million share capital increase for the exercise of performance shares with an issuance of 1,807,827 new shares.

#### Own shares

The total number of own shares held at the reporting date stood at 13,296,614, representing a net amount of EUR582 million.

### 7.2 – Additional paid-in capital

Additional paid-in capital rose by EUR906 million over the financial year, including EUR191 million from the worldwide Employee Stock Purchase Plan, EUR918 million related to Invensys acquisition, EUR28 million from the exercise of stock options and EUR231 million deducted from paid-in capital for dividend payment.

### 7.3 – Retained earnings

Pursuant to the third resolution of the Annual and Extraordinary Shareholders' Meeting of May 6, 2014, EUR132 million 2013 loss was allocated to retained earnings and EUR838 million deducted from retained earnings for dividend payment.

## Note 8 Provisions for contingencies and pension accruals

(in thousands of euros)

	Dec. 31, 2013	Increases	Decreases	Dec. 31, 2014
<b>Provisions for contingencies</b>				
Disputes	15	-	-	15
Other	30	-	-	30
	45	-	-	45
<b>Provisions for pension accruals</b>	-	-	-	-
Pension accruals	-	-	-	-
	<b>45</b>	-	-	<b>45</b>

### 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 then to AXA France Vie.

Actuarial gains and losses recognized in this valuation are treated according to the corridor method (see accounting principles and methods).

As part of the first application of the recommendation of the ANC No. 2013-02, the company has decided to account for all the unrecognized actuarial gains and losses and past service costs as of the opening date of the year of the change, that is to say January 1, 2014, directly through the retained earnings account in compensation of AXA pension debt account.

In accordance with the recommendation of the ANC No. 2013-02, the impacts of the first application were as follows:

- Recognition as of January 1st, 2014 of all the unrecognized actuarial gains and losses and unrecognized past service costs directly through the retained earnings account. This has generated an increase in the balance sheet amount of € 11.2 million (recognized in equity through retained earnings).
- Impact on the 2014 P&L: increase of € 0.4 million on the operating result (no amortization of actuarial gains and losses as of 31/12/2013 using the corridor method).



## Note 9 Bonds

(in thousands of euros)	Share capital		Interest rate	Maturity
	Dec. 31, 2014	Dec. 31, 2013		
Schneider Electric SE 2017	600,000	600,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SE 2014	-	500,000	4.50% Fixed	Jan. 17, 2014
Schneider Electric SE 2015	600,000	600,000	5.375% Fixed	Jan. 08, 2015
Schneider Electric SE 2017	125,000	125,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SE 2017	55,000	55,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SE 2016	150,244	177,565	Euribor + 0.60% Floating	July 25, 2016
Schneider Electric SE 2015	150,000	150,000	5.375% Fixed	Jan. 08, 2015
Schneider Electric SE 2017	250,000	250,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SE 2016	300,000	300,000	2.875% Fixed	July 20, 2016
Schneider Electric SE 2016	200,000	200,000	2.875% Fixed	July 20, 2016
Schneider Electric SE 2020	500,000	500,000	3.625% Fixed	July 20, 2020
Schneider Electric SE 2014	-	217,533	Libor + 0.49% Floating	July 1, 2014
Schneider Electric SE 2018	750,000	750,000	3.75% Fixed	July 12, 2018
Schneider Electric SE 2019	500,000	500,000	3.50% Fixed	Jan. 22, 2019
Schneider Electric SE 2016	86,070	86,374	0.849% Fixed	Nov. 18, 2016
Schneider Electric SE 2016	68,856	69,099	0.84625% Fixed	Dec. 8, 2016
Schneider Electric SE 2022	658,424	580,088	2.95% Fixed	Sep. 27, 2022
Schneider Electric SE 2021	600,000	600,000	2.50% Fixed	Sep. 6, 2021
	<b>5,594,095</b>	<b>6,260,659</b>		

Fixed: fixed rate.

Floating: floating rate.

Schneider Electric SE has issued bonds during past years 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. Bonds that were not yet due as of December 31, 2014 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,
  - 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, decreased to EUR150 million through the repayment in June 2014 of EUR27 million,
  - 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.

During the year, the EUR500 million worth of bonds issued in July 2006 was repaid at its maturity on January 17, 2014 and the EUR300 million worth of bonds issued in July 2011 was repaid at its maturity on July 1, 2014.

The issue premiums and issuance costs are amortized in line with the effective interest method.

## Note 10 Other borrowings

Other borrowings at December 31, 2014 included accrued interest on bonds and other debt issued by the company. Accrued interest amounted to EUR112 million, compared to EUR133 million at end of 2013.

## Note 11 Interest-bearing liabilities

*(in thousands of euros)*

Interest-bearing liabilities	Dec. 31, 2013	Increase	Decrease	Dec. 31, 2014
Commercial paper	1,205,000	6,007,800	(6,452,800)	760,000
Overdrafts	375	-	(361)	14
Other	-	600,000	(600,000)	-
<b>Net</b>	<b>1,205,375</b>	<b>6,607,800</b>	<b>(7,053,161)</b>	<b>760,014</b>

In 2014, two promissory notes were issued to BNP for EUR600 million with maturity date October 21, 2014 and November 21, 2014. All commercial papers are redeemable in 2015.

## 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
<b>Non-current assets</b>				
Advances to subsidiaries and affiliates	3,958,484	644,633	2,654,927	658,924
Other investment	-	-	-	-
<b>Current assets</b>				
Accounts receivable – trade	204	204	-	-
Other receivables	116,695	89,879	25,692	1,124
Marketable securities	162,626	-	162,626	-
Prepaid expenses	1,355	1,355	-	-
<b>Debt</b>				
Bonds	5,594,095	750,000	3,085,171	1,758,924
Bank loans	184,000	-	184,000	-
Other borrowings	111,738	111,738	-	-
Amounts payable to subsidiaries and affiliates	13	-	13	-
Interest-bearing liabilities	760,014	760,014	-	-
Accounts payable – trade	436	436	-	-
Accrued taxes and payroll costs	199,770	199,770	-	-
Other	15,837	5,812	-	10,025
Deferred income	450	450	-	-





## Note 13 Related-party transactions (minimum 10% interest)

<i>(in thousands of euros)</i>	<b>Gross</b>	<b>Net</b>
Shares in subsidiaries and affiliates	5,599,974	5,485,704
Advances to subsidiaries and affiliates	3,958,036	3,958,036
Accounts receivable	1,038	809
Cash and cash equivalents	7,483,127	7,483,127
Interest-bearing liabilities	-	-
Accounts payable	-	-
Expenses:		
● rebilled fees		-
Revenues:		
● rebilled stock grants		14,218
● consideration for Schneider Electric trademark		442,000
● dividends		784
● interests		67,509

## Note 14 Net financial income

<i>(in thousands of euros)</i>	<b>Dec. 31, 2014</b>	<b>Dec. 31, 2013</b>
Dividends	784	10,378
Net interest income (expense)	(127,240)	(157,803)
Other	(4,249)	(4,146)
<b>NET FINANCIAL INCOME</b>	<b>(130,705)</b>	<b>151,571</b>

The 2014 dividends received by Schneider Electric SE were paid by its subsidiary Muller.

## Note 15 Net non-recurring income/(expense)

<i>(in thousands of euros)</i>	<b>Dec. 31, 2014</b>	<b>Dec. 31, 2013</b>
Net gains/(losses) on fixed asset disposals	438,771	(3,397)
Provisions net of reversals	4	(8,362)
Other non-recurring income/(expense)	8,677	(371)
<b>NET NON-RECURRING INCOME/(EXPENSE)</b>	<b>447,452</b>	<b>(12,130)</b>

In 2014, the EUR442 million gain on fixed assets disposal corresponds to the consideration invoiced for the use of Schneider Electric trademark to Schneider Electric Industries SAS.

On December 31, 2014 a EUR18 million loss was booked on marketable securities on treasury shares of plans n°26 and n°27.

## 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 SE, net of 2014 income tax due, for EUR83 million, EUR4 million less than last year.

Schneider Electric SE 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 EUR908 million at December 31, 2014.

## Note 17 Off-balance sheet commitments

### 17.1 – Partnership obligations

The share of liabilities of « SC » non-trading companies attributable to Schneider Electric SE as partner is not material.

The share of liabilities of « SNC » flow-through entities attributable to Schneider Electric SE as partner is not material.

### 17.2 – Guarantees given and received

#### Commitments given

Counter-guarantees of bank guarantees: None

Other guarantees given: EUR2,553 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 SE. Nevertheless, Schneider Electric SE 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)			
	Face value	Maturity	Impact on net financial income	Market value
Schuldschein	EUR129,000,000	May 21, 2015	(5,680)	(1,966)
<b>TOTAL</b>			<b>(5,680)</b>	<b>(1,966)</b>

## Note 18 Other information

### 18.1 – Workforce

At December 31, 2014, the company had two employees.

### 18.3 – Subsequent events

At the date of financial statements approval by the board of directors, there is no material subsequent event.

### 18.2 – Consolidated financial statements

Schneider Electric SE is the parent company of the Group and accordingly publishes the consolidated financial statements of the Schneider Electric Group.



## 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, 2014 on:

- the audit of the accompanying financial statements of Schneider Electric SE;
- 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, 2014 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion expressed above, we draw your attention to notes « Accounting principles » and « Note 8.2 – Pension accruals » to the financial statements which set out the consequences resulting from the change of accounting method relating to recognition of pension commitments.

### **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.

Paris-La Défense and Courbevoie, March 13, 2015,

The statutory auditors

*French original signed by*

**ERNST & YOUNG et Autres**

Yvon Salaün

**MAZARS**

David Chaudat



## > 5. List of securities held at December 31, 2014

Number amount <i>(in thousands of euros)</i>	Company	Carrying of securities
<b>A. Major investments</b>		
<i>(Carrying amounts over EUR5 million)</i>		
58,018,657	Schneider Electric Industries SAS	5,343,544
7,983,732	Schneider Electric SE own shares	419,194
		<b>5,762,738</b>
<b>B. Other investments</b>		
<i>(Carrying amounts under EUR5 million)</i>		
		1,092
<b>C. Investments in real estate companies</b>		
		-
<b>D. Investments in foreign companies</b>		
		<b>141,121</b>
<b>Total</b>		<b>5,904,951</b>
<b>Marketable securities</b>		
5,312,882	Schneider Electric SE own shares	162,626
<b>TOTAL</b>		<b>162,626</b>

## > 6. Subsidiaries and affiliates

Company <i>(in thousands of euros)</i>	Capital	Reserves and retained earnings & retained earnings prior to appropriation of earnings*	Share interest held (%)
<b>I. Detailed information on subsidiaries and affiliates with a carrying amount of over 1% of the share capital of Schneider Electric SE</b>			
<b>A. Subsidiaries (at least 50% owned)</b>			
Schneider Electric Industries SAS 35, rue Joseph-Monier 92500 Rueil-Malmaison, France	928,299	7,585,915	100.00
Cofimines Place du Champs-de-Mars, 5 Tour Bastion 1050 Brussels	96,884	42,339	99.84
<b>B. Affiliates (10 to 50%-owned)</b>			
<b>II. Other subsidiaries and affiliates</b>			
<b>A. Subsidiaries not included in Section I: (+50%)</b>			
a) French subsidiaries (aggregate)			
b) Foreign subsidiaries (aggregate)			
<b>B. Affiliates not included in Section I: (0-50%)</b>			
a) French companies (aggregate)			
b) Foreign companies (aggregate)			
	17,965	25,418	4.8

\* Including income or loss in prior financial year.



Gross	Net	Loans and advances provided by the company and still outstanding	Amount of guarantees given by the company	2014 Revenues (ex. VAT)	2014 Profit or loss (-)	Dividends received by the company during 2014
5,343,544	5,343,544	3,138,990	-	3,365,739	173,915	-
219,893	139,073	-	-	Holding company	126	-
15,288	1,038	-	-	-	-	784
-	-	-	-	-	-	-
130	53	-	-	-	-	-
21,249	2,049	-	-	-	-2,177	-



## > 7. The company's financial results over the last five years

Description	2014	2013	2012	2011	2010
<b>Financial position at December 31</b>					
Share capital <i>(in thousands of euros)</i>	2,338,765	2,247,832	2,221,668	2,195,772	2,175,672
Number of shares in issue	584,691,142	561,958,023	555,417,014	548,943,024	271,959,091
Number of convertible bonds in issue <i>(in thousands)</i>					
Maximum number of shares to be created <i>(in thousands)</i> :					
● through conversion of bonds					
● through exercise of rights	8,906	8,794	11,313	15,556	7,478
<b>Results of operations</b> <i>(in thousands of euros)</i>					
Sales (ex. VAT)	182	2,194	695	215	2,225
Investment revenue, interest income and other revenue	104,963	135,866	533,420	1,652,422	833,865
Earnings before tax, depreciation, amortization and provisions	(134,722)	(154,000)	170,417	1,345,453	506,204
Income tax	(181,865)	91,443	42,875	168,347	9,922
Earnings after tax, depreciation, amortization and provisions	341,124	(132,771)	225,115	2,603,738	702,982
Dividends paid <sup>(1)</sup> excluding tax credit and with holdings	1,122,607 <sup>(2)</sup>	1,050,862	1,038,630	933,203	870,269
<b>Results of operations per share</b> <i>(in euros)</i>					
Earnings before depreciation, amortization and provisions	0.61	(0.28)	0.50	4.79	2.61
Earnings after tax, depreciation, amortization and provisions	0.58	(0.24)	0.41	4.74	2.58
Net dividend per share	1.92 <sup>(2)</sup>	1.87	1.87	1.70	3.20
<b>Employees</b>					
Average number of employees during the financial year	2	2	2	2	2
Total payroll for the financial year <i>(in thousands of euros)</i>	1,039	996	1,641	4,549	4,262
Total of employee benefits paid over the financial year (Social security, other benefits, etc.) <i>(in thousands of euros)</i>	653	459	1,963	1,170	3,936

(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 April 21, 2015.





**COMPANY FINANCIAL STATEMENTS**

THE COMPANY'S FINANCIAL RESULTS OVER THE LAST FIVE YEARS



# 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 a specific mention.

## > 1. General information on the Company

As a European Company (Societas Europaea) with a board of directors (since June 18, 2014), domiciled in France, Schneider Electric SE is 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 SE Regulation are governed by the provisions of the French Commercial Code applicable to limited-liability companies ("*société anonyme*"), as well as by their articles of association. The provisions of the French Commercial Code regarding the management and governance of limited-liability companies are applicable to the Schneider Electric SE.

The share capital of the Company is EUR2,338,764,568. Its head office is located at 35, rue Joseph-Monier, 92500 Rueil-Malmaison, France, telephone: +33 01 41 29 70 00.

Schneider Electric SE is registered with the commercial court registry 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 before becoming Schneider Electric SE.

As stated in article 2 of its articles of association, the Company has the following corporate purpose, 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 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 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 purpose, or that promote its expansion or development.

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 (office of the secretary to 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](http://www.schneider-electric.com)).

## 2. Shareholders' rights and obligations

### General Meetings (article 19 of the articles of association)

*This section is included in the Chairman's report to the board of directors.*

General Meetings are called and run in conformity with the conditions prescribed by law.

Meetings are held at the Company's head office or at any other place specified in the notice of meeting. The board of directors 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 meetings, 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 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 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 (paragraph 2 of article 1316 of the French civil code) and consisting of a username and password.

Proxies or votes so 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 Paris time two days before the meeting date), the Company will cancel or amend, as appropriate, any related proxy or electronic votes submitted before the General 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, who is not required to be a shareholder.

As required by law, a register of attendance is kept.

Copies or extracts of the meeting's minutes are certified either by the Chairman or Vice-Chairman of the board of directors, or the General Meeting's secretary.

### Voting rights

*This section is included in the Chairman's report to the board of directors.*

#### **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 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. 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 capital increase by capitalizing reserves, earnings or additional issue premiums, the right to a double vote is conferred, as soon as they are issued, on

registered shares allocated freely by virtue of existing shares held to which this right is attached.

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 Annual Shareholders' Meeting after ratification by a Special Annual 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, in person or through a proxy, 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 opened;
- 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 Extraordinary Shareholders' 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 or exchange offer for all the Company's shares. The board of directors takes note of this nullity and undertakes the formalities necessary to amend the articles of association. 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 Shareholders' 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.

Dividends not claimed within five years from the date of payment are forfeited and paid to the government, in accordance with the law.

## Holding 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)

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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)

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Shares in the Company are freely negotiable and transferable.

# > 3. Capital

## Share capital and voting rights

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The Company's share capital at December 31, 2014 amounted to EUR2,338,764,568, consisting of 584,691,142 shares with a par value of EUR4, all fully paid up. 626,439,033 voting rights were

attached to the 584,691,142 outstanding shares as at December 31, 2014.

## Potential capital

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At December 31, 2014, the potential capital consisted of:

- 2,464,650 shares under the stock option plans (plans 28 to 33);
- 6,441,462 shares under the free shares or performance shares (plans 11 *bis* to 18 *bis*) relating to shares to be issued and to existing shares or shares to be issued whose type will be determined later;

together, these plans represent a total of 8,906,112 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 1.52% of share capital at December 31, 2014.







## Authorizations to issue shares

The Combined Annual and Extraordinary Shareholders' Meetings of April 25, 2013 authorized the board of directors:

- 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 (*i.e.*, 200 million shares) by issuing shares or share equivalents with a ceiling of:
  - in the case of an issue with preferential subscription rights, the ceiling stands at a nominal value of EUR800 million (*i.e.*, 200 million shares),
  - in the case of an issue without preferential subscription rights, the ceiling stands at a nominal value of EUR220 million (*i.e.*, 55 million shares) with the possibility of:
    - (i) proceeding to issue by private placements of shares subject to a ceiling of EUR110 million (*i.e.*, 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;

In addition, the following authorizations were given to the board of directors at the General Meeting of May 6, 2014:

- 1) 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.
- 2) 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 May 6, 2014 to be applied to the ceiling for the authorization given in 1 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.

On December 16, 2014, the board of directors authorized the issue of new shares to employees, within a limit of 0.46% of the capital. This capital increase reserved for employees, who are part of the ESPP or not, under a non-leveraged and leveraged stock ownership plan, will take place in June 2015; the subscription prices will be set on that date.

The General Meeting to be held on April 21, 2015, (see pages 302 to 304) will be asked to renew all of the authorizations for the issuance of new shares as well as issuance of shares reserved to employees.

	Maximum aggregate par value of authorized share issues	Number of shares (in millions)	Authorization date/authorization expires	Amount used at 12/31/2014
<b>I – Issues with preferential subscription rights</b>				
shares, warrants and other securities, giving access immediately or in the future to the capital	800 million <sup>(1)</sup>	200	04/25/2013 06/24/2015	— <sup>(3), (4)</sup>
<b>II – Issues without preferential subscription rights</b>				
a) for the issue, in cash or in compensation of listed securities, of shares, warrants and other securities giving access immediately or in the future to the capital	220 million <sup>(1)</sup>	55	04/25/2013 06/24/2015	— <sup>(3), (4)</sup>
b) to make private placements of shares	110 million <sup>(1) (2)</sup>	27,5	04/25/2013 06/24/2015	
c) to issue new shares as consideration for the shares of unlisted companies	9.9% of the capital <sup>(1) (2)</sup>	57,4	04/25/2013 06/24/2015	3.09% <sup>(3)</sup>
<b>III – Employee share issues</b>				
Share issues restricted to employees (ESPP)	2% of the capital <sup>(7)</sup>	11,6	05/06/2014 07/05/2016	— <sup>(4)</sup>
Share issues to promote stock ownership among employees in foreign companies of the Group	1% of the capital <sup>(5) (7)</sup>	5,8	05/06/2014 11/05/2015	— <sup>(4)</sup>
Stock options	0.5% of the capital <sup>(7)</sup>	2,8	04/25/2013 06/24/2016	—
Free shares or performance shares	1.8% of the capital <sup>(7)</sup>	10	04/25/2013 06/24/2016	0.52% <sup>(6)</sup>

(1) The overall ceiling for issues 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 16, 2014, the board of directors authorized the issue of new shares to employees, within a limit of 0.46% of the capital. These new shares issued to employees, part of the Company saving plan or not, under a non-leveraged stock ownership plan, will take place in June 2015; the subscription prices will be set on that date. The capital increase restricted to employees (ESPP) will be deducted from the amount of the authorizations referred to in I and II a). In addition, new shares to employees issued in 2014 are counted partially towards these amounts, and resulted in the issue of 3.7 million shares.

(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 March 31, 2014, allocated 2.9 million shares as part of the long-term incentive plan for 2014. The board of directors of December 16, 2014 decided to grant performance shares at the end of March 2015 within the limit of 2.9 million shares (0.49% of the capital) as part of the long-term incentive plan for 2015.

(7) On the date of the 2014 Annual Shareholder's Meeting, i.e., a capital of EUR2,318 million.





## Three-year summary of changes in capital

The following table shows changes in Schneider Electric SE's share capital and additional paid-in-capital since December 31, 2011 through share issues and the exercise of stock options:

	Number of shares issued or cancelled	Cumulative number of shares	Total capital
Employee share issue	3,855,632		
Exercise of stock options and performance shares issued	1,169,210		
<b>Capital at 12/31/2011<sup>(1)</sup></b>		<b>548,943,024</b>	<b>EUR2,195,772,096</b>
Employee share issue	3,521,812		
Exercise of stock options and performance shares issued	2,952,178		
<b>Capital at 12/31/2012<sup>(2)</sup></b>		<b>555,417,014</b>	<b>EUR2,221,668,056</b>
Employee share issue	2,752,071		
Exercise of stock options and performance shares issued	3,788,938		
<b>Capital at 12/31/2013<sup>(3)</sup></b>		<b>561,958,023</b>	<b>EUR2,247,832,092</b>
Employee share issue	3,717,865		
Exercise of stock options and warrants, and performance shares issued	19,015,254		
<b>CAPITAL AT 12/31/2014<sup>(4)</sup></b>		<b>584,691,142</b>	<b>EUR2,338,764,568</b>

(1) Increase in share capital (EUR20.1 million), increase in additional paid-in-capital (EUR194.7 million).

(2) Increase in share capital (EUR25.9 million), increase in additional paid-in-capital (EUR195.5 million).

(3) Increase in share capital (EUR26.1 million), increase in additional paid-in-capital (EUR208.5 million).

(4) Increase in share capital (EUR90.9 million), increase in additional paid-in-capital (EUR1,137.1 million).

## Share buybacks

The General Meeting of April 25, 2013 authorized the Company to buy back shares. This authorization was renewed at the General Meeting of May 6, 2014.

Pursuant to these authorizations, the Company bought back 5,989,578 of its own shares during the year.

Details of the share buyback program submitted for approval at the General Meeting of April 21, 2015 are as follows:

- number of shares and percentage of share capital held directly and indirectly by Schneider Electric SE (as of February 27, 2015):
  - own shares: 13,296,614 shares, or 2.17% of the share capital,
  - treasury stock: 1,058 shares,
  - total: 13,297,672 shares, or 2.3% of the share capital;
- overview of purposes for which shares have been held:
  - the 13,296,614 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 27, 2015, a total of 58,479,552 Schneider Electric SE shares with a nominal value of EUR4,
  - taking into account treasury stock and own shares at February 27, 2015 (13,297,672 shares), the number of shares that could be bought back under the authorization is 45,181,880 or 7.7% of the capital as at February 27, 2015;
- maximum purchase price and maximum aggregate amount of share purchases the fund may enter into:
  - the maximum purchase price is set at EUR90 per share,
  - EUR5,262,220,260
- duration of the buyback program:
  - 18 months maximum, expiring on October 20, 2016;
- transactions carried out pursuant to the program authorized by the General Meeting 2013 and renewed by the General Meeting 2014 between January 1, 2014 and February 27, 2015:
  - transactions carried out by the Company:
    - number of shares acquired: 5,989,578,
    - number of shares transferred since the beginning of the program: 634,093

## > 4. Ownership structure

### Three-years summary of changes in capital <sup>(1)</sup>

	Dec.31, 2014				Dec.31, 2013		Dec.31,2012	
	Capital	Number of shares	Voting rights	Number of voting rights	Capital	Voting rights	Capital	Voting rights
	%		%		%	%	%	%
Blackrock, Inc.	5.27	30,788,341	4.91	30,788,341	4.57	4.22	4.02	3.72
Capital Group Companies	4.16	24,332,316	3.88	24,332,316	5.44	5.01	7.50	6.93
Group CDC	3.24	18,959,002	5.97	37,413,092	3.42	6.18	3.66	6.46
Employees	4.01	23,454,997	6.26	39,215,908	4.19	6.52	4.44	6.77
Own shares	0.00	1,058	-	-	0.00	-	0.00	-
Treasury shares	2.27	13,296,614	-	-	1.41	-	1.54	-
Public	81.04	473,858,814	76.85	481,391,704	85.54	80.99	82.86	78.40
<b>TOTAL</b>	<b>100.00</b>	<b>584,691,142</b>	<b>100.00</b>	<b>626,439,033<sup>(2)</sup></b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

(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 deprived of voting rights.

#### Disclosure thresholds

To the best of the company's knowledge, no shareholders other than Blackrock Inc., 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 (%)
December 3, 2014	BlackRock	4.98	4.66
October 22, 2014	Capital Group Companies	4.98	4.66
September 19, 2014	Capital Group Companies	5.32	4.98
July 28, 2014	Capital Group Companies	5.36	5.01
May 21, 2014	Capital Group Companies	5.38	4.97
May 19, 2014	Capital Group Companies	5.43	5.01
March 19, 2014	Capital Group Companies	5.41	4.99
March 6, 2014	Capital Group Companies	5.42	5.00

#### Pledges on Schneider Electric SE shares

29,384 shares are pledged.

#### Pledges on subsidiaries' share

Schneider Electric SE 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:

<i>(in millions of euros)</i>	2014	2013	2012	2011	2010
Profit-based incentive plans and profit-sharing plans	63.5	76.7	50.9	59.9	56.5

In 2014, almost 55% of the total from incentives and profit-sharing was invested in the Schneider Electric shareholder fund and nearly 21% was cashed out 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 2014. This resulted in a subscription of 3.6 million shares.

At December 31, 2014, Group employees held a total of 23.4 million Schneider Electric SE shares through the corporate mutual funds (FCPE) or directly, representing 4.01% of the capital

and 6.26% 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: 38% in France, 8% in the United States and 54% internationally. More than 30% of employees are shareholders of the Group. They are spread among nearly 60 countries.

#### Profit sharing bonus

In 2014, employees of French entities received a EUR50 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 U.S. citizens or residents, stock appreciation rights (SARs) have been granted. No stock options have been granted since 2009.

These plans are established by the board of directors, which makes decisions based on the report from the 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 2,846 beneficiaries in the framework of the 2013 long-term incentive plan and 3,222 in the framework of the 2014 long-term incentive plan.

Allocations to Group Senior Management, including executive directors, represented 14% of the total attributions in the framework of the 2009 plan. They are of 11.8% in the framework of the 2014 long-term incentive plan.

### Description of the shares allocated

For the French plans (plans 13, 13*bis*, 13*ter*, 15, 15*bis*, 17 and 17*bis*), the vesting and lock-up periods for stock allocations are at least two years each.

For international plans (plans 11, 11*bis*, 12, 14, 14*bis*, 14*ter*, 16, 16*bis*, 18 and 18*bis*), the vesting period for share allocations is four years. There is no lock-up period.

Performance 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 pages 287 and 288).

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, U.S. 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 since January 2009.





### 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.

### Lock-up period applicable to executive directors

The board of directors 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 SE 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 board of directors 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 SE 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, 2014, Mr Jean-Pascal Tricoire's situation with regard to stock options and performance shares grants was as follows:

- (i) 359,081 options may be exercised under plans 28, 30, 31, 33;
- (ii) 110,000 shares are being acquired and are subject to performance conditions under plans 15, 16, 17, 18;
- (iii) 98,400 performance shares, of which 50,000 are vested under plan 13 and will become available as of March 18, 2016 and 48,400 are vested and under plan 10 and will become available as of March 19, 2015;
- (iv) 64,838 performance shares are vested and are available under plans 1, 3, 5 and 8.

#### Mr Emmanuel Babeau

As of December 31, 2014, Mr Emmanuel Babeau's situation with regard to stock options and performance shares grants was as follows:

- (i) 30,190 options may be exercised under plan 33;
- (ii) 50,000 shares are being acquired and are subject to performance conditions under plans 15 and 17 and;
- (iii) 41,360 performance shares, of which 22,000 are vested under plan 13 and will become available as of March 18, 2016 and 19,360 shares are vested under plan 10 and will be available as of March 19, 2015.



## Past stock option plans \*

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 <sup>(1)</sup>	Options outstanding at December 31, 2014 <sup>(2)</sup>
28	12/21/2006	489	2,514,240	224,000	40.41	50% of options – 2007 and 2008 operating margin and revenue	100	-	693,388
29	04/23/2007	43	166,300	-	48.21	50% of options – 2007 and 2008 operating margin and revenue	100	-	65,398
30	12/19/2007	542	1,889,852	176,400	45.71	50% of options – 2008 and 2009 operating margin and revenue	-	887,952	380,578
31	01/05/2009	328	1,358,000	137,000	25.89	50% of options/100% for the management board – 2011 operating margin <sup>(4)</sup> and 2009 to 2011 EPS compared to a benchmark selection <sup>(3)</sup>	80	133,760	395,791
33	12/21/2009	391	1,652,686	130,000	37.68	50% of options/100% for the management board – 2010 and 2011 operating margin <sup>(2)</sup> and 2011 share of revenue generated in the new economies	100	-	929,495
		<b>7,581,078</b>	<b>667,400</b>				<b>-</b>	<b>1,021,712</b>	<b>2,464,650</b>

(\*) The data above are adjusted of the two-for-one share split, effective September 2, 2011 and the adjustment made in May 2014.

(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 (2014)\*

Plan	Plan date	Type of plan <sup>(1)</sup>	Expiration date	Exercise price (in euros) <sup>(2)</sup>	Plans as at December 31, 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, 2014
28	12/21/2006	S	12/20/2016	40.41	867,055	162,595	172,913	754	693,388
29	04/23/2007	S	04/22/2017	48.21	70,875	-	1,900	3,577	65,398
30	12/19/2007	S	12/18/2017	45.71	476,827	43,399	99,239	2,990	380,578
31	01/05/2009	S	01/04/2019	25.89	557,359	72,455	162,805	1,237	395,791
33	12/21/2009	S	12/20/2019	37.68	1,336,144	130,822	417,756	11,137	929,495
					<b>3,308,230</b>	<b>409,271</b>	<b>854,613</b>	<b>11,033</b>	<b>2,464,650</b>

(\*) The data above are adjusted for the two-for-one share split, effective September 2, 2011 and for the adjustment carried out in May 2014.

(1) S = Subscription stock option plan.

(2) Average of the 20 quotations preceding the grant, with no discount or premium.

## Situation of executive directors <sup>(1)</sup>, broken down by plan (at December 31, 2014)\*

28	Jean-Pascal Tricoire	162,595
30	Jean-Pascal Tricoire	23,399
31	Jean-Pascal Tricoire	72,455
33	Jean-Pascal Tricoire	100,632
33	Emmanuel Babeau	30,190

(\*) The data above are adjusted for the two-for-one split, effective September 2, 2011, and for the adjustment carried out in May 2014.

(1) In the role as executive director at the date of attribution.

Past share plans (at December 31, 2014)\*

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 <sup>(1)</sup>	Executive directors <sup>(2)</sup>	Number of shares definitively granted in 2014	Total rights cancelled since the grant <sup>(5)</sup>	Rights outstanding at December 31, 2014
11	12/17/2010	1,702	1,161,696	4 years	-	50% of the shares/100% for the management board and Executive Committee – 2012 and 2013 <sup>(3)</sup> operating margin and change in the Planet & Society barometer at the end of 2013	96.8	17,237	-	962,495	199,201	-
11 bis	06/26/2011	1	5,882	4 years	-	As plan 11	96.8	94	-	-	94	5,788
12	06/26/2011	1	19,850	4 years	-	with no performance conditions	-	-	-	-	-	19,850
13 and 13 bis <sup>(4)</sup>	12/16/2011	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 <sup>(3)</sup> operating margin and change in the Planet & Society barometer at the end of 2013	100	-	72,000	633,468	14,475	-
13 ter	07/27/2012	1	625	2 years	2 years	As plan 13	100	-	-	625	-	-
14 et 14 bis	12/16/2011	2,029	1,386,800	4 years	-	As plan 13	100	-	-	875	170,556	1,215,369
14 ter	07/27/2012	1	1,500	4 years	-	As plan 13	100	-	-	-	-	1,500
15	03/28/2013	639	645,550	2 years	2 years	50% of the shares/100% for the management board and Executive Committee – 2013 and 2014 <sup>(3)</sup> operating margin and change in the Planet & Society barometer at the end of 2014	100	-	39,000	-	12,800	632,750
15 bis	10/24/2013	3	4,500	2 years	2 years	As plan 15	100	-	-	-	-	4,500
16	03/28/2013	2,207	1,844,830	4 years	-	As plan 15	100	-	35,000	800	127,925	1,716,105
16 bis	10/24/2013	15	19,600	4 years	-	As plan 15	100	-	-	-	-	19,600
17	03/31/2014	719	714,480	2 years	2 years	50% of the shares/100% for the management board and Executive Committee – 2014 and 2015 <sup>(3)</sup> operating margin, average ROCE for the years 2014 and 2015 and change in the Planet & Society barometer at the end of 2015	-	-	44,000	-	1,900	712,580

\* The data below are adjusted for the two-for-one share split, effective September 2, 2011.





**INFORMATION ON THE COMPANY AND ITS CAPITAL**  
**PERFORMANCE SHARES AND STOCK OPTION PLANS**

<b>Plan</b>	<b>Plan date</b>	<b>Number of beneficiaries at inception</b>	<b>Number of shares at inception</b>	<b>Acquisition/delivery period</b>	<b>Lock-up period</b>	<b>Performance criteria</b>	<b>% of targets reached</b>	<b>Rights cancelled<sup>(1)</sup></b>	<b>Executive directors<sup>(2)</sup></b>	<b>Number of shares definitively granted in 2014</b>	<b>Total rights cancelled since the grant<sup>(5)</sup></b>	<b>Rights outstanding at December 31, 2014</b>
17 bis	10/28/2014	1	500	2 years	2 years	<i>Idem</i> plan 17	-	-	-	-	-	500
18	03/31/2014	2,504	2,177,320	4 years	-	<i>Idem</i> plan 17	-	-	42,000	300	94,800	2,082,220
18 bis	10/28/2014	15	30,900	4 years		<i>Idem</i> plan 17	-	-	-	-	200	30,700
			<b>8,661,976</b>					<b>17,331</b>	<b>232,000</b>	<b>1,598,563</b>	<b>621,951</b>	<b>6,441,462</b>

- (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) Excluding rights created upon death and invalidity.

## Situation of executive directors<sup>(1)</sup>, broken down by option plan (at December 31, 2014)

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	10,588 <sup>(2)</sup>
3	Jean-Pascal Tricoire	6,750 <sup>(2)</sup>
5	Jean-Pascal Tricoire	22,500 <sup>(2)</sup>
8	Jean-Pascal Tricoire	25,000 <sup>(2)</sup>
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
17	Jean-Pascal Tricoire	18,000
17	Emmanuel Babeau	26,000
18	Jean-Pascal Tricoire	42,000

(1) In the role as executive director at the date of attribution.

(2) Shares availability dates: December 20, 2011 for plan 1, December 18, 2012 for plan 3, February 22, 2014 for plan 5, August 20, 2014 for plan 7 and February 22, 2014 for plan 8.

## 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 2014 of which the number of shares bought or subscribed is the highest	163,249	EUR37,66	28-30-31-33

### Shares awarded to the ten most highly paid employees (non-executive directors)

	Number	Plan
2014 Performance Shares grant (annual allocation on March 31, 2014)	212,500	18





## > 7. Disclosure of information required in accordance with article L.225-100-3 of the French Commercial Code

*This section is included in the Chairman's report to the board of directors.*

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; information on certain loans with change of control clauses (see page 40);
- statutory restrictions in the articles of association on the exercise of voting rights (see page 276) relating to the non-application of the ceiling on voting rights when a public tender offer is successfully completed.

## > 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 SE 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)	Value (in millions of euros)	High <sup>(1)</sup>	Low <sup>(1)</sup>	Number of trading sessions
2013	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	63.70	57.89	20
2014	January	38,412	2,401	65.92	58.68	22
	February	34,311	2,157	66.13	58.50	20
	March	39,978	2,552	66.10	60.27	21
	April	28,479	1,872	69.00	62.84	20
	May	30,875	2,095	70.65	65.41	21
	June	28,755	2,011	72.22	68.30	21
	July	34,010	2,274	69.70	63.03	23
	August	32,422	2,039	65.47	60.28	21
	September	33,626	2,115	66.00	59.56	22
	October	53,082	3,074	63.14	52.59	23
	November	30,672	1,937	66.42	60.97	20
	December	41,823	2,553	66.20	56.05	21
<b>TOTAL 2014</b>		<b>426,445</b>	<b>27,080</b>	<b>72.22</b>	<b>52.59</b>	<b>255</b>
2015	January	51,163	3,242	69.00	56.52	21
	February	32,167	2,232	72.20	66.32	20

(1) The data corresponds to trading volumes on NYSE Euronext.

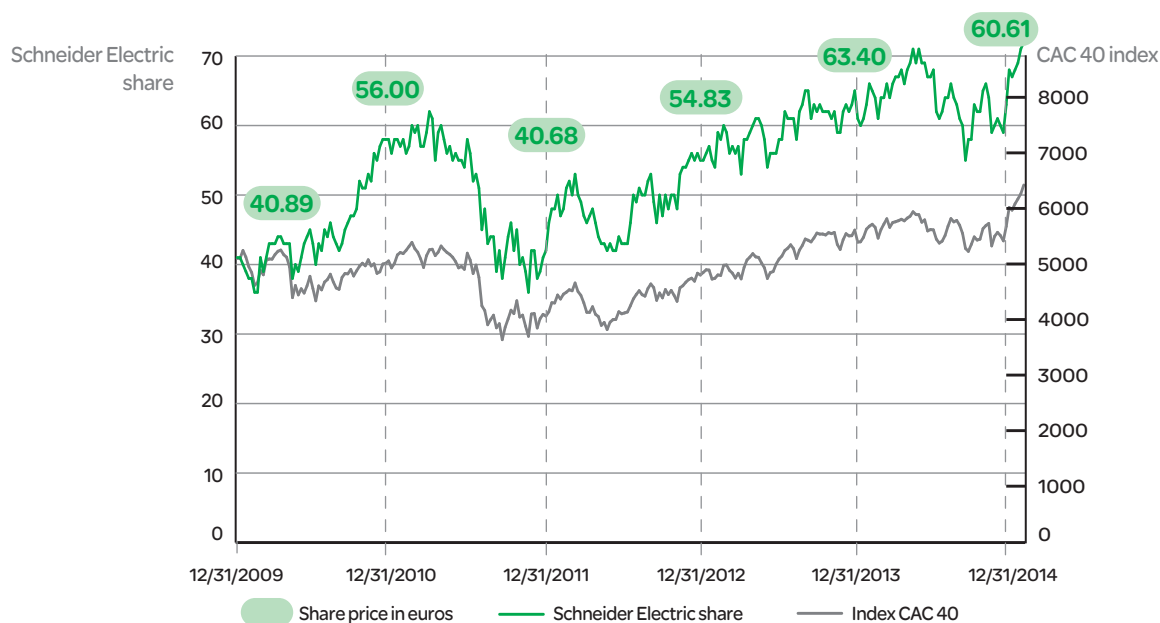
(2) During the trading session.

## Five-year trading summary

	2014	2013	2012	2011	2010
Average daily trading volume on the Paris stock exchanges (NYSE Euronext):					
• Number of shares (in thousands)	1,672.33	1,439.54	1,886.81	2,316.01	2,462.57
• in million of euros	106.20	84.70	89.36	115.78	108.23
High and low share prices (in euros)					
• high	72.22	66.99	56.37	61.83	60.00
• low	52.59	52.49	39.40	35.00	36.00
Year-End closing price (in euros)	60.61	63.40	54.83	40.68	56.00
Yield (%)	3.09	2.95	3.41	4.18	2.86

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 SE share results versus the CAC 40 index over five years



## MONEP

Schneider Electric SE shares have been traded on the MONEP market since December 20, 1996.

## Ordinary bonds

The information is disclosed in note 9 of the company financial statements (pages 262 and 263).







## > 9. Investor relations

### Person responsible for financial information

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Emmanuel Babeau  
Deputy CEO, in charge of Finance and Legal Affairs  
35, rue Joseph Monier – CS30323  
92506 Rueil-Malmaison Cedex - France  
Tel: +33 (0)1 41 29 71 19

### Contacts

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Any information or document may be requested from:  
Anthony Song – Vice-President Financial Communication and Investor Relations  
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' Advisory Committee

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The committee is the voice of Schneider Electric's private shareholders. The committee's geographic and professional diversity matches the company's shareholder base and consists of up to eight independent volunteers appointed by Schneider Electric.

The Advisory Committee meets three to four times a year to discuss various topics with a strong emphasis on the company's strategy towards individual shareholders (enhancing communication material and defining dedicated events). The committee also plays a role in the Annual Shareholders Meeting as one of its members opens up the Q&A session with the Chairman and CEO.

#### Shareholder documents

The company provides the following documents to its shareholders:

- the annual report and its shortened version;
- a shareholder's guide;
- letters to shareholders;
- information on financial results, corporate governance and strategic updates through specific press releases available in a dedicated section on the corporate website: [www.schneider-electric.com/finance/](http://www.schneider-electric.com/finance/)



# Shareholders' Meeting

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# > 1. Report of the board of directors to the combined ordinary and Extraordinary Shareholders' Meeting

## Ordinary Meeting

### Approval of the parent company financial statements – First Resolution

We request that you approve the transactions and financial statements for the year 2014, as presented, which show a net income of EUR341.12 million.

### Approval of the consolidated financial statements – Second Resolution

We request that you approve the transactions and consolidated financial statements for the year 2014, as presented, which show net income for the Group of EUR1,941 million.

### Distribution: Appropriation of income, withholding on share premiums and setting of a dividend of EUR1.92 per share – Third Resolution

We recommend a distribution of **EUR1.92 per EUR4 par value share**. This dividend represents a distribution rate of 56.4% of the Group's net income. It will be paid on May 5, 2015 on 584,691,142 shares with dividend rights on January 1, 2014, that made up the capital on December 31, 2014. No dividend will be paid on shares held in treasury by the company on the payment date.

This dividend will be paid out of distributable earnings, consisting of:

- (i) net income for the year of EUR341,123,875.33; and
- (ii) the allocation of negative retained earnings of EUR15,003,792.00, which will be reset to zero; amounting to EUR326,120,083.33.

The total distribution amount will be EUR1,122,606,992.64 through a withholding of EUR796,486,909.31 on share premiums relating to the Legrand share contribution, in particular due to the fact that your Company has decided in 2014 to pursue its policy to strengthen the equity of Schneider Electric Industries SAS.

The dividend will be paid on May 5, 2015, according to the following schedule:

Dividend ex-date	Thursday, April 30, 2015
Record date	Monday, May 4, 2015
Dividend payment date	Tuesday, May 5, 2015

For individual shareholders resident for tax purposes in France, the distribution of EUR1.92 per share is subject to two separate tax regimes:

- (i) up to EUR0.56, the dividend constitutes distributed income. As such, a social security tax of 15.5% will be charged on the gross amount. It is required to be subject to the progressive income tax rate. After applying a 40% (uncapped) allowance, only 60% of its amount will be included in taxable income, less any deductible charges and expenses. It will be 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 2016 for income earned in 2015. 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 income, 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.
- (ii) in the amount of EUR1.36, the distribution constitutes a capital repayment. As such, it is not subject to income tax pursuant to article 112-1 of the French Tax Code, as all profits and reserves other than the legal reserve have been previously distributed.

Shareholders are invited to contact their usual advisors for more information on the applicable tax regime.

The dividends paid by Schneider Electric SA, for the last three years were as follows:

	2011	2012	2013
Net dividend paid per share	1.70	1.87	1.87

### Agreements regulated by articles L.225-38 and L.225-42-1– Fourth to Sixth Resolutions

We request that you approve the regulated agreements and commitments presented in the Statutory Auditor's report drawn up pursuant to article L.225-40. These agreements relate in particular to the compensation of the Lead Director, to an amendment in the status of Jean-Pascal Tricoire and to the renewal of that of Emmanuel Babeau due to his resignation from of the employment contract which associates him to Schneider Electric Industries SAS (SEISAS)

In the **Fourth Resolution**, we request that you approve the agreement setting Léo Apotheker's annual compensation as Vice-Chairman Lead Director at EUR250,000, with the understanding that as a company Director, Mr. Apotheker also receives attendance fees, which in 2014 totaled EUR109,000. Moreover, it is understood that Mr. Apotheker may, in performing his duties, use the resources of the senior management and is therefore entitled to enlist the services of an assistant, use an office at the Company headquarters, and the car and driver services of the Group's Senior Management.

Under this same resolution, we also request that you note the continuance of the conventions and agreements governing the status of Jean Pascal Tricoire and Emmanuel Babeau in 2014. Jean-Pascal Tricoire's status was renewed and amended by the board of directors at its April 25, June 18 & 19, and October 24, 2013 meetings to make it compliant with the new recommendations of the AFEP/MEDEF corporate governance guidelines. It was approved by the Annual Shareholders' Meeting of May 6, 2014. Emmanuel Babeau's status was adopted by the board of directors at its June 18 & 19 and October 24, 2013 meetings, and then approved by the Annual Shareholders' Meeting on May 6, 2014.

Under their respective agreements, presented in detail in pages 158 and 159, Jean Pascal Tricoire and Emmanuel Babeau:

- are entitled to the benefits plans applicable to employees of Schneider Electric SE and of SEISAS covering sickness, incapacity, disability, and death, and, subject to performance conditions, supplemental coverage for sickness, incapacity, disability, and death available to senior executives of Schneider Electric, as well as the Group's individual accident insurance;
- are bound by a one-year non-compete agreement if they leave the Group, under which Mr. Tricoire would receive 60% of his target compensation (fixed and target variable), and Mr. Babeau would receive 50% of his annual paid compensation (fixed and variable), increased to 60% in the event of dismissal;
- are entitled, subject to performance conditions, to a severance payment in case of involuntary termination, 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 described above and provided that such departure follows a material change in Schneider Electric's shareholder structure or a re-orientation of the strategy pursued and promoted by them. Mr. Babeau, who has a work contract, is entitled in the event of termination to termination indemnities, pursuant to the industry collective bargaining agreement, or to statutory termination

indemnities, which, if applicable, could be counted towards the involuntary termination benefits mentioned above;

- in case of involuntary departure, and subject to performance criteria, shall retain all unvested stock options, stock grants and performance shares; and
- are entitled to old and new supplementary defined-benefit pension plans (article 39) applicable to Group senior executives introduced in 1995 and 2012 respectively, and for Mr. Babeau, the supplementary defined-contribution pension plans applicable to Group senior executives.

Nonetheless, your board of directors, in accordance with the new provisions of the French Commercial Code, has reviewed the above-mentioned regulatory agreements and commitments entered into in previous financial years. The board noted, in this regard, that the price of supplementary defined-benefit pension plans (article 39) or "top hat pension plans" had become extremely high due to the French legislator's decision to increase their cost significantly. Accordingly, it was noted that, according to the firm Towers Watson, an independent expert consulted by the Governance & remuneration committee, following recent provisions of the social security financing law for 2015, which increased mandatory levies on article 39 plans, the pensions of the two executive officers would account for, on the date of entitlement to their pension (assuming that this date is that of their 62<sup>nd</sup> birthday), a charge of around EUR44 million in the Company accounts, EUR18 million of which relates to mandatory levies. As a result, the board of directors has decided to suppress this benefit granted to the two executive officers. This decision will result in a provision reversal of EUR17 million into the 2015 accounts. For other French executives who are entitled to such pension plan the Group's senior management has been asked to consider the arrangements for the provision's reform or cancellation.

However, in the event of death, the 1995 and 2012 article 39 plans provide for the payment of a pension to the surviving spouse starting from the date of death, and in the event of disability, the payment of an income starting from the age of 60. The board of directors has decided to uphold these benefits. As a result, it has been made:

- that in the event of death of concerned parties before their retirement, or if they have left the company, due to disability or removal from office after the age of 55 without pursuing any professional activity, the surviving spouse will be entitled to a life annuity equal to 60% of 25% of the average remuneration paid for the three years prior to the date of death, with the deduction made of the theoretical income which could have been obtained from any supplementary compensation which would have been paid;
- that in the event of disability of concerned parties, involving the termination of all professional activity, they will be entitled to an annuity (transferable to the surviving spouse up to 60%) starting from their retirement and equal to 25% of the average remuneration paid for the three years prior to the date of disability, less 1.25% per missing quarter to obtain a pension at the full rate and deduction made of the theoretical income which could have been obtained under insurance terms and conditions at the time of disability.



Consequently by the **Fifth Resolution**, we request that you approve the status amendments for Jean-Pascal Tricoire, as discussed above, amendments which provide that Mr. Tricoire:

- (i) loses his entitlement to old and new defined-benefit pension plans (article 39) for French executives of the Group;
- (ii) retains his entitlement to an income for his surviving spouse in the event of death and a disability annuity, as outlined above, in the event that these risks should occur before his retirement;
- (iii) that moreover, the supplementary benefit plans for sickness, incapacity, disability and death which Mr. Tricoire may be entitled to will be calculated on the basis of his overall remuneration (fixed/variable and annual supplement).

In accordance with the provisions of the French Commercial Code, the rights relating to benefits are dependent on the fulfillment of one or other of the following two criteria: the average net income for the last five financial years prior to the event is positive or the average free cash flow amount for the five financial years prior to the event is positive.

The **Sixth Resolution** relates to the status of Mr. Emmanuel Babeau.

Emmanuel Babeau was entitled to the article 39 plans under his employment contract with SEISAS. He therefore agreed to resign from this employment contract to give effect to the board of directors decision of February 18, 2015 to remove executive officers' entitlement to the article 39 plan. Consequently, the board of directors decided to reiterate the other elements of his status (benefits plan, involuntary severance pay and non-compete compensation), which he had from his employment contract with SEISAS, which were at the expense of SEISAS, and are now at the expense of Schneider Electric SE, subject to the above-mentioned adjustments.

Consequently, we request that you approve the amended status of Mr. Babeau which provides that he:

- 1) is entitled to the benefits plans applicable to employees of Schneider Electric SE covering sickness, incapacity, disability and death, and supplementary coverage for sickness, incapacity, disability and death available to French senior executives of the Group, as well as the Group's individual accident insurance. He is also entitled to an annuity for his surviving spouse in the event of death and a disability annuity, as outlined above, in the event that these risks occur before his retirement. It is specified that these supplementary benefits will be calculated based on his overall remuneration (fixed, variable and annual supplement). These rights and risk coverage or supplementary coverage benefits are subject to performance conditions. They are dependent on the fulfillment of one or other of the following two criteria: the average net income for the five financial years prior to the event is positive or the average free cash flow for the five financial years prior to the event is positive;
- 2) is entitled to involuntary severance pay which may not exceed, taking into account the non-compete compensation described below which may be paid to him, twice the arithmetical average of the actual annual compensation (fixed and variable) paid over the last three years (hereinafter "Maximum Amount").

This right to compensation is available only in the following cases:

- (i) dismissal, non-renewal, or resignation from his office as Deputy Chief Executive Officer occurring within six months

of a major capital change likely to give rise to a change in the composition of the board of directors,

- (ii) dismissal, non-renewal, or resignation from his office as Deputy Chief Executive Officer in the event of a change in the strategy adopted and upheld up until then by him, regardless of whether this results from an above-mentioned capital change,
- (iii) dismissal, non-renewal, or requested resignation from his office as Deputy Chief Executive Officer while the arithmetical average of the achievement rate of the Group objectives, which determines the variable portion of his compensation, for the last four full financial years on the day of his departure is two-thirds achieved. The latter case in fact corresponds to an assumption of involuntary departure resulting from a change in strategy.

Moreover, Involuntary Severance Pay is subject to performance conditions. It is in fact dependent on and its amount adjusted based on the arithmetical average of the achievement rate of the Group objectives, which determine the variable portion of the target compensation of Mr. Babeau, for the last three full financial years on the date when the board acts.

Accordingly, if the Group objective is:

- less than two thirds achieved: no compensation will be paid;
- two thirds achieved: 75% of the Maximum Amount will be received;
- at least 100% achieved: 100% of the Maximum Amount will be received;
- achieved between 66% and 100%: between 75% and 100% of the Maximum Amount will be received calculated in a linear way based on the rate of achievement.

It is also understood that the Involuntary Severance Pay will not be due if the requested dismissal or resignation of Mr. Babeau is the result of misconduct which may be classified as serious or gross with regard to the criteria adopted by the case-law;

- 3) is subject to a non-compete agreement, it being specified that the non-competition commitment binding Mr. Babeau and the company is limited to 1 year and is compensated up to a maximum of 60% of the authorized target compensation. The board will decide on the application or not of the agreement at the time of termination of the concerned party, provided that this termination is not the result of a voluntary resignation (excluding Involuntary Termination) and provided that the concerned party:
  - has met the performance conditions on which payment of Involuntary Severance Pay is dependent, and
  - is not or will not be entitled or in a position to accumulate the non-compete compensation with the payment of a pension.

In all other cases (Involuntary Termination, resignation not meeting the conditions above, etc.), the board will decide, within no longer than eight days of the termination of the concerned party, on the application or not of the non-compete clause.

We would further remind you that Mr. Babeau is entitled – pursuant to a decision approved by the Annual Shareholders' Meeting of May 6, 2014 - to the right to retain, subject to a performance condition and only in the case of involuntary termination not resulting from serious or gross misconduct, all of his share options and free or performance shares allocated or which will be allocated to him.

With regard to his former status, besides the loss of entitlement to article 39, Mr. Babeau primarily loses his entitlement to future

supplementary contribution-defined pension plans (article 83), entitlement to conventional or legal termination benefits and rights to unemployment insurance.

We would remind you that to take into account the fact that now, the executives officers must arrange their supplementary pension on their own, your board of directors has decided, on a complementary compensation which comprises two components: an annual component and an exceptional component which represents a starting capital to help them build up their own supplementary pension. It is specified that Mr. Tricoire and Mr. Babeau are both committed to invest this complementary cash remuneration into long-term investment instruments dedicated to the financing of their supplementary pension:

- for Mr. Tricoire, the annual complement comprises a fixed portion of EUR182,000 and a target variable portion of 130% (which may vary from 0 to 260% of the fixed portion), which will be paid for the 2015 financial year. The exceptional complementary compensation amounts to EUR2.15 million and 39,000 free shares, the vesting of which will be spread over a period from 2017 to 2019 inclusive and which will be unavailable until 2020. These shares represent a value in IFRS of EUR2.15 million.
- for Mr. Babeau, the annual complement comprises a fixed portion of EUR124,000 and a target variable portion of 100% (which may vary from 0 to 200% of the fixed portion), which will be paid for the 2015 financial year. The exceptional complementary remuneration amounts to EUR870,000 and 7,750 free shares, the vesting of which will be spread over a period from 2017 to 2018 inclusive and which will be unavailable until 2020. These shares represent a value in IFRS of EUR430,000.

In the definition of this complementary compensation, your board of directors has ensured its alignment with the shareholders'

interests. The starting capital is paid, for the most part, in company shares subject to an acquisition/retention period of 5 years and thus comprises a retention element for executives. Moreover, the annual supplementary compensation is subject to performance criteria, as it comprises a variable portion defined according to the Group objectives and the personal objectives chosen to determine the annual variable compensation of executive officers.

For executive officers, the decision of the board of directors to suppress the benefit of article 39 top-hat pension plans and to authorize a complementary remuneration results in a 52% reduction of the gross value of the benefits they would have received from such regime, had it been maintained.

By leaving it up to the executive officers to establish their own supplementary pension, Schneider Electric is aligning with a common approach used by multinational groups of Anglo-Saxon origin.

### Consultation of shareholders on the individual Group compensation of corporate officers – Seventh to Eighth Resolutions

In accordance with the provisions of the AFEP/MEDEF corporate governance guidelines, you are asked to issue a favorable opinion on the compensation elements due or awarded to your company's corporate officers in the 2014 fiscal year. These elements are presented in the tables below, and are further detailed in Section 3.7 of the registration document.

By the **Seventh Resolution**, you are asked to issue a favorable opinion on the elements of Jean-Pascal Tricoire's 2014 compensation and, by the **Eighth Resolution**, on the elements of Emmanuel Babeau's 2014 compensation.





## Jean-Pascal Tricoire, Chairman and Chief Executive Officer

## I – Elements of compensation due or awarded for the year

	Amounts submitted to the vote	Description
1) Fixed portion	EUR950,000	Gross annual fixed compensation of EUR950,000 from January 1, 2014 to December 31, 2014 set by the board of directors on February 19, 2014.
2) Annual variable portion	EUR1,500,000	<p>The target variable portion is 120% of the fixed compensation. The variable portion of the compensation of Mr. Tricoire may vary from 0 to 240% depending on the achievement of objectives. The target variable portion was 110% in 2013 and has thus increased to strengthen:</p> <ul style="list-style-type: none"><li>• the variability of the total compensation of Mr. Tricoire in relation to the company's performance, in particular following the significant extension of the Schneider Electric perimeter with the acquisition of Invensys; and</li><li>• the positioning of Mr. Tricoire in relation to the market of senior executives in companies of the CAC40, in addition to the market of senior executives of international companies (American and European) in the Group's sector of activity defined by a panel.</li></ul> <p>The board of directors, on February 18, 2015, set the 2014 variable portion paid in March 2015 at 157.9% of the fixed portion.</p> <p>This achievement is broken down as follows:</p> <p>1) in connection with Group criteria (70%), the variable portion amounted to 94.4% of the fixed portion;</p> <p>The Group criteria included:</p> <ul style="list-style-type: none"><li>• a Group economic criteria component. These criteria are based on organic sales growth (15%), adjusted EBITA (15%) and cash generation targets (15%);</li><li>• a component comprising criteria that are in line with the <i>Connect</i> company program and corporate social responsibility (25%), evaluated among other things through customer satisfaction, solutions development, the succession plan for key talent, and trends in the Planet &amp; Society Barometer;</li></ul> <p>2) with respect to individual objectives (30%), which are specific objectives and, where possible, quantified, the board set the variable portion at 63.5% of the fixed portion after verifying that the objectives had been achieved and surpassed.</p>
3) Performance shares	EUR1,002,780 for 18,000 performance shares according to the IFRS valuation EUR2,167,200 for 42,000 performance shares according to the IFRS valuation	<ul style="list-style-type: none"><li>• These 18,000 performance shares were granted under the France plan to Jean-Pascal Tricoire, in his capacity as Chairman of the board of directors of Schneider Electric SE.</li><li>• These 42,000 performance shares were granted under the International plan to Jean-Pascal Tricoire in his capacity as Executive Director of Schneider Electric Asia Pacific.</li></ul>



Amounts submitted to the vote	Description
	<p>100% of these performance shares are subject to performance criteria:</p> <ul style="list-style-type: none"> <li>70% of the shares are contingent on the level of achievement of an adjusted EBITA operational margin objective at constant scope (scope of consolidation on January 1, 2014) for the 2014 and 2015 fiscal 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, as part of the Connect Program.</li> </ul> <p>The operating margin objective being based on an average over the 2014-2015 period, it is not disclosed to avoid interfering with the annual guidance communicated to the market;</p> <ul style="list-style-type: none"> <li>15% of the shares are conditioned upon achieving results on ROCE in line with the objective to return, within two years, to a ROCE level comparable to the ROCE level prior to the acquisition of Invensys. ROCE is defined as the ratio of adjusted EBITA after tax and the average capital employed.</li> <li>15% of the shares are contingent on the progress of the "Planet &amp; Society Barometer" index at the end of 2015 as follows: 0% if the index is lower or equal to 8, 100% if the index is higher or equal to 9, with a linear progression between the two points.</li> </ul> <p>25% of the shares vested are subject to a holding requirement until such time as Mr. Tricoire ceases his duties. Furthermore, in the event vested shares are sold, Mr. Tricoire is required to reinvest 10% of the sale price in Schneider Electric shares (net of taxes and contributions).</p> <p>These obligations are suspended insofar as Mr. Tricoire holds Schneider Electric shares with a value representing three times his annual fixed compensation.</p> <p>The percentage of capital represented by Mr. Tricoire's share allocation is 0.01%.</p> <p>Date of authorization by the Annual Shareholders' Meeting: April 25, 2013 Resolution number: 16<sup>th</sup> Date of the award decision by the board of directors: March 31, 2014.</p>
4) Attendance fees      EURO	Mr. Tricoire has waived his attendance fees.
5) Other benefits      EUR1,404	<p>This related to the employer matching contribution paid to subscribers to the capital increase reserved for employees.</p> <p>Date of approval by the board: February 19, 2014.</p>

**II – Other elements of compensation which were or are subject to the approval of the Annual Shareholders' Meeting pursuant to regulated agreements**

Amounts submitted to the vote	Description
Termination benefits      EURO	<p>Jean-Pascal Tricoire is entitled to involuntary termination benefits 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 Section 3-7 of the 2014 registration document).</p> <p>Board decision of June 18-19, 2013</p> <p>Date of approval by the Annual Shareholders' Meeting: May 6, 2014 (5<sup>th</sup> Resolution)</p>
Non-compete compensation      EURO	<p>Mr. Tricoire may receive non-compete compensation for a period of one year capped at 6/10<sup>ths</sup> of his average gross compensation (monthly average of total gross compensation (fixed and target variable) over the last 12 months of service). (See Section. 3-7 of the 2014 registration document).</p> <p>Board decisions of 2009, 2012, and June 18-19, 2013</p> <p>Date of approval by the Annual Shareholders' Meeting: 2009, 2012, and May 6, 2014 (4<sup>th</sup> Resolution)</p>
Supplementary pension plan      EURO	<p>Mr. Tricoire is covered by the supplementary defined-benefit pension plan (article 39) for the Group's senior executives under the French social security system.</p> <p>See Section 3-7 of the 2014 registration document</p> <p>Board decisions of 2009, 2012, and June 18-19, 2013</p> <p>Date of approval by the Annual Shareholders' Meeting: 2009, 2012, and May 6, 2014 (4<sup>th</sup> Resolution)</p>





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

I – Elements of compensation due or awarded for the year

	Amounts submitted to the vote	Description
1) Fixed portion	EUR550,000	Gross annual fixed compensation of EUR550,000 from January 1, 2014 to December 31, 2014 set by the board of directors on February 19, 2014.
2) Annual variable portion	EUR726,000	<p>The target variable portion is 100% of the fixed compensation. This portion may vary from 0 to 200% depending on the achievement of objectives. The target variable portion of Mr. Babeau was increased by 90% for 2013 to 100% for 2014 to strengthen:</p> <ul style="list-style-type: none"> <li>the variability of the compensation in relation to the company's performance, in particular following the significant extension of the Schneider Electric perimeter with the acquisition of Invensys; and</li> <li>his positioning in relation to the market of senior executives in companies of the CAC40, in addition to the market of senior executives of international companies (American and European) in the Group's sector of activity defined by a panel.</li> </ul> <p>The board of directors, on February 18, 2015, set the 2014 variable portion of the compensation of Mr. Babeau, paid in March 2015, at 132% of the fixed compensation.</p> <p>This achievement is broken down as follows:</p> <p>1) in connection with Group criteria (70%), the variable portion amounted to 78% of the fixed portion;</p> <p>The Group criteria included:</p> <ul style="list-style-type: none"> <li>a Group economic criteria component. These criteria are based on organic sales growth (15%), adjusted EBITA (15%) and cash generation targets (15%);</li> <li>a component comprising criteria that are in line with the Connect company program and corporate social responsibility (25%), evaluated among other things through customer satisfaction, solutions development, the succession plan for key talent, and trends in the Planet &amp; Society Barometer;</li> </ul> <p>2) with respect to individual objectives (30%), which are specific objectives, and where possible, quantified, the board set the variable portion at 54% of the fixed portion after verifying that the objectives had been achieved and surpassed.</p>
3) Performance shares	EUR1,448,460 for 26,000 performance shares according to the IFRS valuation	<p>These 26,000 performance shares were allocated to Emmanuel Babeau as part of the France plan.</p> <p>100% of these performance shares are subject to performance criteria:</p> <ul style="list-style-type: none"> <li>70% of the shares are contingent on the level of achievement of an adjusted EBITA operational margin objective at constant scope (scope of consolidation on January 1, 2014) for the 2014 and 2015 fiscal 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, as part of the Connect Program.</li> </ul> <p>The operating margin objective being based on an average over the 2014-2015 period, it is not disclosed to avoid interfering with the annual guidance communicated to the market;</p> <ul style="list-style-type: none"> <li>15% of the shares are conditioned upon achieving results on ROCE in line with the objective to return, within two years, to a ROCE level comparable to the ROCE level prior to the acquisition of Invensys. ROCE is defined as the ratio of adjusted EBITA after tax and the average capital employed.</li> <li>15% of the shares are contingent on the progress of the "Planet &amp; Society Barometer" index at the end of 2015 as follows: 0% if the index is lower or equal to 8, 100% if the index is higher or equal to 9, with a linear progression between the two points.</li> </ul> <p>15% of the shares vested are subject to a holding requirement until such time as Mr. Babeau ceases his duties. Furthermore, in the event vested shares are sold, Mr. Babeau is required to reinvest 10% of the sale price in Schneider Electric shares (net of taxes and contributions).</p> <p>These obligations are suspended insofar as Mr. Babeau holds Schneider Electric shares with a value representing twice his annual fixed compensation.</p> <p>The percentage of capital represented by Mr. Babeau's share allocation is 0.004%.</p> <p>Date of authorization by the Annual Shareholders' Meeting: April 25, 2013 Resolution number: 16<sup>th</sup></p> <p>Date of the award decision by the board of directors: March 31, 2014.</p>

	Amounts submitted to the vote	Description
4°) Attendance fees	N/A	
5°) Other benefits	EUR1,404	Mr. Babeau received the employer matching contribution paid to subscribers to the capital increase reserved for employees.
	EUR7,771	Mr. Babeau benefited from the profit-sharing and profit-based incentive plans.
	EUR8,745	Mr. Babeau benefited from a company car. Board authorizations: February 19, 2014

**II – Other elements of compensation which were or are subject to the approval of the Annual Shareholders' Meeting pursuant to regulated agreements**

	Amounts submitted to the vote	Description
Termination benefits	EURO	Emmanuel 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 Section 3-7 of the 2014 registration document). Board decision of June 18-19, 2013 Date of approval by the Annual Shareholders' Meeting: May 6, 2014 (6 <sup>th</sup> Resolution)
Non-compete compensation	EURO	Mr. Babeau may receive monthly non-compete compensation equal to 5/10 <sup>ths</sup> of his gross compensation (monthly average of total gross compensation [fixed and target variable] over the last 12 months of service) increased to 6/10 <sup>ths</sup> in case of lay-off. (See Section. 3-7 of the 2014 registration document). Date of board decision: June 18-19, 2013 Date of approval by the Annual Shareholders' Meeting: May 6, 2014 (4 <sup>th</sup> Resolution)
Supplementary pension plan	EURO	Mr. Babeau is entitled to the supplementary defined-benefit pension plan (article 39) for the Group's senior executives subject to the French social security system, in addition to the defined-contributions plan (article 83) set up for Group senior executives under French contract and managed by Cardif and, for all Group employees, managed by Malakoff-Médéric until July 1, 2014 and by Cardif since that date. See Section 3-7 of the 2014 registration document. board decisions: 2009, 2012, and June 18-19, 2013 Date of approval by the Annual Shareholders' Meeting: 2010, 2012, and May 6, 2014 (4 <sup>th</sup> Resolution)

**Composition of the board of directors – Ninth to Twelfth Resolutions**

We remind you that the appointments of Betsy Atkins, Jeong Kim, and Gérard de la Martinière will expire at the end of the Annual Shareholders' Meeting.

Your board is working towards its "regeneration" with the objective of increasing its share of non-French and female directors, as well as adding new competencies (including digital technologies and marketing), which will also rejuvenate its composition with the aim of a narrower format. Three terms will expire in 2015 and seven terms in 2016. This year, your board asks you to approve the addition of a new director in the person of Mr. Gregory Spierkel, who will bring to the board his international experience, his supply chain expertise in a digital environment, and his deep knowledge of information technology. Your board also proposes to renew the terms of Ms. Betsy Atkins and Mr. Jeong Kim, for four years, and of Mr. Gérard de La Martinière, in accordance with statutory provisions, for two years.

Mr. Gregory Spierkel was appointed by the board of directors as a non-voting member on October 28, 2014. Mr. Spierkel, 58 years

old and a Canadian citizen, is the former CEO of Ingram Micro Inc., based in the U.S.. Director of MGM Resorts International (member of the audit and compensation committees), he is also a Director of PACCAR Inc. (Chairman of the compensation committee and member of the Audit committee). He is also a member of the Advisory board of the Merage School of Business at the University of California (Irvine).

After starting his career at Bell Canada (business and product development), followed by Nortel Inc. (market research), Mr. Spierkel joined the Mitel Telecom Group and later the Mitel Corp where he served as President of North America, and President of Sales and Marketing. He joined Ingram Micro in 1997 as Senior Vice President and President of Ingram Micro Asia Pacific. He then became Executive Vice-President and President of Ingram Micro Europe before being named President of Ingram Micro Inc. in 2004. In 2005, he was named CEO of Ingram Micro Inc., a position he held alongside his duties as a company Director until his departure in 2012. Since then, Mr. Spierkel has been a consultant to private equity firms investing in the IT sector.





Gregory Spierkel holds a Bachelor of Commerce degree from the University of Carleton (Ottawa), an MBA from Georgetown University, and has completed the Advanced Manufacturing Program at INSEAD.

Mr. Spierkel will be an Independent Director, holding 1,000 Schneider Electric SE shares.

Ms. Betsy Atkins and Mr. Jeong Kim are Independent Directors. Mr. Gérard de La Martinière is not an independent director within the meaning of the AFEP/MEDEF corporate governance guidelines for listed companies because he has more than 12 years of service on the board. You can find their biographies on pages 126 to 133 of the registration document.

If you approve these proposals, the board of directors will include 31% women directors, 50% directors of non-French origin or nationality, and 71% independent directors.

Your board of directors considers that in addition to Jean-Pascal Tricoire, Henri Lachmann and Magali Herbaut, who represents employee shareholders, Willy Kissling and Gérard de La Martinière do not qualify as independent directors. Furthermore, under the AFEP/MEDEF guidelines. They have lost that status due to their long years of service on the board. The other board members are or will be independent directors.

### Share buybacks– Thirteenth Resolution

We request that you renew the authorization given to the Company by the Annual Shareholders' Meeting of May 6, 2014 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 canceled as part of the authorization adopted by this Annual Shareholders' Meeting (Twenty-second Resolution).

We remind you that under the authorization given by the Annual Shareholders' Meeting of May 6, 2014, Schneider Electric has repurchased 5.99 million shares in order to offset the dilution resulting from capital increases reserved for employees performance share plans and the exercise of stock options.

Schneider Electric has announced that it will buy-back its own shares in an amount of EUR1 to EUR1.5 billion over the period 2015-2016.

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 (indicatively, 58,469,114 shares based on the issued capital as of December 31, 2014). The maximum purchase price is set at EUR90. We remind you that this authorization may not be used during public offer periods.

## Extraordinary Meeting

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### Authorization of the board of directors to carry out a capital increase with or without preferential subscription rights of shareholders – Fourteenth to Nineteenth Resolutions

We hereby submit to you resolutions to renew existing authorizations to increase the Company's capital.

You have previously authorized the board of directors to issue shares, shares with equity warrants, convertible bonds, stand-alone equity warrants and other share equivalents, with or without preferential subscription rights.

We remind you that the board of directors used the authorization given by the Annual Shareholders' Meeting of April 25, 2013 in its Fourteenth Resolution to compensate the Invensys securities

contributed to the Company as part of a "scheme of arrangement" under British law. The scheme of arrangement became effective on January 17, 2014, raising the Company's share capital as of January 20, 2014 from EUR2,241,377,048 to EUR2,316,847,784 through the issue of 17,332,758 new shares with a EUR4 par value, representing approximately 3.1% of the Company's share capital. These shares were admitted upon issuance to trading on compartment A of Euronext Paris.

These authorizations expire in June 2015. The board of directors also proposes, in accordance with the French Commercial Code (article L.225-129-2), to renew these authorizations to undertake capital increases with or without preferential subscription rights for the same amounts and for the same period of 26 months. The total amount of the issues authorized remains unchanged at 200 million shares, *i.e.*, 34% of the share capital.

The board of directors may not, without prior authorization of the Annual Shareholders' Meeting, make use of any of these authorizations during a public offering.

In the **Fourteenth Resolution**, you are asked to authorize the board of directors to issue, in France or abroad, common shares or securities giving access to capital, such as convertible bonds redeemable in shares, bonds with redeemable share subscription warrants, in all cases with preferential subscription rights.

In the **Fifteenth Resolution**, you are also asked to authorize the board of directors to increase the capital by capitalizing reserves, earnings or additional paid-in capital.

The issued share capital may be increased with preferential subscription rights maintained during the period by a maximum aggregate amount of EUR800 million or 200 million shares (**34% of the capital**). This ceiling does not include the par value of any shares to be issued to prevent dilution of the rights of holders of share equivalents. The maximum nominal amount of capital increases resulting from the incorporation of reserves, profits or premiums will be deducted from the overall ceiling for capital increases of EUR800 million.

In the **Sixteenth Resolution**, you are asked to authorize the board of directors to issue, in France or abroad, the shares and share equivalents mentioned in the Fourteenth Resolution without preferential subscription rights for existing shareholders. In addition, under the Fourteenth and Sixteenth Resolutions, the board of directors may issue shares that confer rights to securities convertible into shares that will be issued, in agreement with the board of directors, by Schneider Electric SE's direct or indirect subsidiaries.

The issued share capital may be increased with preferential subscription rights suppressed during the period by a maximum aggregate amount of EUR230 million or 57.5 million shares (**9.8% of the capital**). This amount will be deducted from the nominal EUR800 million ceiling mentioned in the Fourteenth Resolution. However, it will not include the par value of any shares to be issued to prevent dilution of the rights of holders of share equivalents.

The authorization to issue shares and share equivalents without preferential subscription rights is designed to allow the board of directors to carry out issues quickly, in order to take immediate advantage of opportunities, and to expand the shareholder base by placing the issues on foreign or international markets.

To protect shareholders' rights in this type of transaction:

- the board would grant shareholders a **mandatory priority subscription right** for a minimum of three days;
- in accordance with the French Commercial Code, the share issues would be carried out at a price at least equal to the weighted average price for the Company's shares over the three trading days preceding the date on which the share or share equivalent issues were decided by the management board. They may be issued with a maximum discount of 5%.

The board of directors may also use this authorization to issue payment for securities tendered in a public exchange offer initiated by the Company, within the limits and conditions laid down in article L.225-148 of the French Commercial Code.

**Seventeenth Resolution** is intended to allow the board of directors to increase, as needed, the size of an issue to be decided under the Fourteenth or Sixteenth Resolutions, in case of oversubscription. The supplementary capital increase that may be made within 30 days after the initial subscription period closes may not exceed 15% of the original increase and must be carried out at

the same price. It also remains subject to the applicable ceilings mentioned above.

**Eighteenth Resolution** authorizes the board of directors to issue shares or share equivalents, within the limit of 9.8% of the share capital, *i.e.*, 230 million shares as set by Sixteenth Resolution, to remunerate contributions in kind consisting of shares or share equivalents of other companies where the provisions of article L.225-148 of the French Commercial Code are not applicable.

**Nineteenth Resolution** authorizes the board of directors to issue through **private placement**, in France and/or abroad, shares and/or securities convertible into shares of the Company or any of its subsidiaries, without pre-emptive subscription rights, for up to a nominal amount of EUR115 million, or 28.75 million shares with a par value of EUR4 (**4.9% of the capital**). We remind you that the French Monetary and Financial Code has made it possible for companies to carry out capital increases through private placements with the goal of optimizing access to capital markets and obtaining the best possible market conditions. The private placements are issues without preferential subscription rights that would exclusively concern (i) individuals or entities providing portfolio management services and (ii) qualified investors or a restricted group of investors, provided that these investors are acting on their own behalf. Under the terms of the Nineteenth Resolution, provision has been made that in the case of issue through private placement, the issue price pursuant to this authorization will, at the choice of the board of directors be at least equal to:

- the weighted average price quoted for the shares on the Euronext Paris stock exchange over a maximum period of six months preceding the issue pricing date; or
- the average price weighted by volumes on the regulated market of the Euronext in Paris on the day before the issue price is set; or possibly less, and in both cases, with a maximum discount of 5%.

Any issues carried out pursuant to this authorization will be deducted from the EUR230 million ceiling set in the Sixteenth Resolution.

The purpose of these financial authorizations is to give the board of directors the necessary flexibility when it comes to selecting the type of issues to be carried out, depending on demand and the conditions prevailing in the French, foreign or international financial markets.

### Capital increases reserved for employees with cancellation of preferential subscription rights of shareholders – Twentieth and Twenty-first Resolutions

Schneider Electric is convinced of the importance of developing employee shareholders and issues new shares to employees each year. As of December 31, 2014, employees held 4.01% of the share capital.

We remind you that the Twentieth and the Twenty-first Resolutions of the Annual Shareholders' Meeting of May 6, 2014, authorized the board of directors to issue shares reserved for employees participating in the Employee Stock Purchase Plan within the limit of 2% of the share capital, and to issue shares reserved for employees of foreign Group companies or entities set up on their behalf, within the limit of 1% of the share capital.

Under these authorizations, at its meeting on December 16, 2014, the board of directors decided to renew the annual employee







shareholder plan in 2015 within a limit of 2.7 million shares (approximately 0.46% of the capital). This plan, which will not include a leveraged offer, will be offered in 37 countries representing more than 80% of the Group's employees.

Your Company carried out capital increases reserved for Group employees in 2014 (WESOP 2014). These transactions are presented in page 282 of this registration document.

In order to create a new international employee share ownership plan in 2016, you are asked to renew these authorizations under the same terms. Such is the purpose of the **Twentieth and Twenty-first Resolutions**.

By the **Twentieth Resolution**, you are asked to grant the board of directors full competency to issue shares reserved for employees enrolled in the Employee Stock Purchase Plan for up to 2% of the Company's capital, with the proviso that the maximum discount at which the shares could be offered is set at 20%.

This authorization, which requires the cancellation of shareholders' preferential subscription rights in favor of members of an Employee Stock Purchase Plan, will supersede the existing authorization approved by the Annual Shareholders' Meeting on May 6, 2014 in its Twentieth Resolution, with effect from June 14, 2015. This authorization is valid for a period of 26 months.

The maximum nominal amount of capital increases carried out on the basis of the Twentieth Resolution will be deducted from the ceilings outlined in the Fourteenth and Sixteenth Resolutions.

By the **Twenty-First Resolution**, we ask you to renew the authorization to issue shares reserved for employees of foreign Group companies or to entities set up on their behalf. 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 board or its delegate setting the issue price is made, or (ii) the average of the opening or closing prices quoted for the company's shares over the 20 trading days preceding the decision of the board or its delegate setting the issue price under the Twentieth Resolution of this Annual 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. Issues performed will be deducted from the ceiling of 2% provided by the Twentieth Resolution.

As of August 1, 2015 this authorization shall supersede the existing authorization given in the Twenty-first Resolution adopted by the Annual Shareholders' Meeting of May 6, 2014 for the amounts remaining unused by July 31, 2015. This authorization is valid for a period of 18 months and can only be used as of August 1, 2015.

### **Authorization given to the board of directors to cancel, where applicable, Company shares purchased in accordance with the conditions determined by the Annual Shareholders' Meeting, up to a maximum of 10% of the capital – Twenty-second Resolution**

We ask you to give the board of directors full powers to cancel shares representing up to 10% of the Company's capital over a period of 24 months from the date of the Annual Shareholders' Meeting, in order to reduce the dilutive impact of the share issues carried out recently or to be carried out, notably upon exercise of stock options or employee share issues.

As a reminder, we have not used the authorization given by the Annual Shareholders' Meeting of April 25, 2013, which expires on April 24, 2015.

### **Amendment to the bylaws – Twenty-third Resolution**

The board of directors requests that you amend article 13 of the Company bylaws to bring them into conformity with the legal provisions relating to regulated agreements, and particularly the provisions from the ordinance of July 31, 2014. Pursuant to article L.229-7 of the French Commercial Code, you are asked to include in the Company bylaws a reference to the provisions applicable to regulated agreements by limited liability companies *Société anonyme* and provided for by articles L.225-38 to L.225-42-1 of the French Commercial Code.

Finally, Twenty-fourth Resolution requests the powers necessary to carry out formalities.

## > 2. Report of the Independent Vice-Chairman Lead Director of the board of directors (for the period May-December 2014)

Mr. Apotheker hereby reports on the work he carried out in 2014 as part of his administrative functions as Independent Vice-Chairman Lead Director.

At the Annual Shareholders' Meeting of May 6, 2014, the board of directors appointed Leo Apotheker as Independent Vice-Chairman Lead Director for his remaining term of office<sup>(1)</sup> (1).

### 1. Powers of the Independent Vice-Chairman Lead Director

The Independent Vice-Chairman Lead Director is appointed by the board of directors in application of article 12 of the by-laws, which provides for the appointment of a Vice-Chairman with the function of a director if the roles of Chairman and CEO are combined.

In compliance with article 12 of the by-laws, the duties of the Vice-Chairman Lead Director are defined by the internal regulations of the board of directors. Those internal regulations and the charter for the Independent Vice-Chairman Lead Director can be found on pages 306 to 312. They are also published on the Company's website, [www.schneider-electric.com](http://www.schneider-electric.com).

### 2. Activities of the Independent Vice-Chairman Lead Director

#### Information of the Independent Vice-Chairman Lead Director

To be able to carry out his duties, the Vice-Chairman Independent Lead Director must have excellent knowledge of the Group and be particularly well informed about its business performance.

As such, the Vice-Chairman Independent Lead Director is kept informed of current events and the performance of the Group through weekly exchanges and monthly meetings with the Chairman and CEO. He has met most of the members of the Group Executive Committee.

In addition, he has continued the visits to Group sites around the world that he began with Henri Lachmann as part of the preparation for his duties. He has been to several countries and Group sites. These visits were an opportunity to meet with local employees and managers of the Group, as well as with customers. He paid special attention to the integration of new acquisitions, with a particular focus on Invensys during meetings with its software teams.

He has been kept up to date on the Group's competitive environment.

#### Participation in the preparation of recommendations

The Vice-Chairman Independent Lead Director participated in the preparation for meetings of the board of directors. As a result, he has participated in all the "pre-board" meetings. Each meeting of the board of directors is preceded by two pre-Board meetings, in which the Chairman, the Vice-Chairman Lead Director, the Deputy Chief Executive Officer and Secretary of the board of directors review the topics and issues addressed by the committees, and establish the agenda prepared by the Chairman and the content of the meeting file.

#### Executive sessions

The Vice-Chairman Lead Director presides over the executive sessions. He makes the decision on holding them after consultation with the members of the board of directors. The item shall be included on the agenda of every meeting of the board of directors.

The board of directors held an executive session (October 28, 2014) during which its members expressed their views and observations on the functioning of the Senior Management, the board and its committees. They also exchanged views on the interactions between the Independent Vice-Chairman Lead Director and the Chairman, and on some elements of the Group's strategy.

The Vice-Chairman Lead Director returned the conclusions to the Chairman that same day.

#### Other duties

The Vice-Chairman Independent Lead Director conducted the annual assessment of the board of directors with the assistance of the Secretary of the board of directors. This assessment emphasized that the Company's governing bodies operate with efficiency, openness and transparency. All of the findings and areas for improvement that were chosen by the board of directors are presented on page 124 of the registration document.

The Vice-Chairman Lead Director has also had frequent contact with each of the directors.

He ensured that there was no conflict of interest within the board of directors for which he would have been responsible for bringing to the attention of the Chairman.

(1) The term of office of Léo Apotheker will be renewed in 2016.



## **> 3. Exhibits to the board of directors's report: internal regulations of the board and charter of the Vice-Chairman Lead Independent Director**

### **3.1 Internal regulations of the board of directors of Schneider Electric SE**

Schneider Electric refers to the AFEP/MEDEF Corporate Governance Code.

The present internal regulations have been drawn up in application of article 13.3 of the company's articles of association.

They were adopted by the board of directors on April 25, 2013.

#### **ARTICLE 1 – Method of exercising general management – chairmanship and Vice-Chairmanship of the board of directors**

##### **A. Method of exercising general management**

1. General management of the Company is under the responsibility of either the Chairman of the board of directors, who will then go by the title of Chairman and Chief Executive Officer, or of another physical person appointed by the board of directors going by the title of Chief Executive Officer.
2. The board of directors decides between these two methods of exercising general management at the time when the Chairman of the board of directors or the Chief Executive Officer is appointed or when renewing their terms of office. If the board of directors has decided to combine the functions of Chairman and Chief Executive Officer, it will deliberate this choice every year.
3. In order to maintain continuity in the company's operation if the Chairman serving as CEO leaves his role or is prevented from doing so, the Deputy CEO(s) shall take the interim responsibility for general management functions in the Company, unless otherwise decided by the board, until such time as a new CEO is appointed. The Vice-Chairman shall temporarily take the presidency of the board of directors.

##### **B. Chairman of the board of directors**

1. The board of directors shall elect a Chairman amongst its members. The Chairman shall be appointed for a period that can be no longer than his term of office as a director. The Chairman is eligible for re-election. He may be removed from office by the board of directors at any time.
2. The Chairman of the board of directors organizes and manages the board's works, and reports on these works at the annual general shareholders meeting.
3. The Chairman of the board of directors sets the agenda and the schedule for Board meetings with assistance from the Vice-Chairman-lead director.

4. The Chairman of the board of directors ensures that the different corporate bodies operate correctly and especially that the directors are in a position to fulfill their mission. The Chairman may request any document or item of information useful to enlighten the board of directors when preparing its meetings.

##### **C. Vice-Chairman of the board of directors – lead independent director**

1. The board of directors may appoint a Vice-Chairman. The Vice-Chairman shall be appointed for a period that may not be any longer than his term of office as a director. The Vice-Chairman is eligible for re-election. The Vice-Chairman 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 roles of Chairman and CEO are combined. In this case, the Vice-Chairman also takes on the role of lead independent director. In this respect:
  - the Vice-Chairman is kept informed of major events in Group life through regular contacts and monthly meetings with the Chairman serving as CEO,
  - the Vice-Chairman is consulted by the Chairman serving as 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 of 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 ask the Vice-Chairman to convene an executive session,

- The Vice-Chairman shall promptly report to the Chairman serving as CEO on the conclusions of executive sessions,
  - The Vice-Chairman shall draw the attention of the Chairman and 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 visit company sites,
  - The Vice-Chairman carries out annual and biennial assessments of the board of directors and, in this context, assesses the actual contribution of every member of the board to the board's works,
  - The Vice-Chairman shall report on his actions at annual general shareholders meetings,
  - The Vice-Chairman shall meet any shareholder who wishes so and inform the board of their concerns on governance matters.
4. The Vice-Chairman-lead director must be an independent member of the board, as defined in the 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 the remaining duration of his term of office.

## ARTICLE 2 – Roles and powers of the board of directors

1. The board of directors shall determine Company business policies and ensure that they are implemented. Subject to the powers expressly conferred to annual general shareholders meetings and within the limit of the corporate purpose, it shall deal with any issue affecting the Company's efficient operation and take business decisions within its remit.
2. In accordance with legal or statutory provisions, it is the board of directors' responsibility 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 remuneration and the benefits granted to them;
  - Co-opt directors whenever necessary;
  - Convene general shareholders meetings;
  - Approve corporate and consolidated accounts;
  - Draw up management reports and reports for General 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 Commercial Code,
- decide on the use of the delegations of authority granted at general shareholders meetings, more particularly for increasing company capital, redeeming the company's own shares, carrying out employee shareholding operations and cancelling shares,
- authorize the issue of bonds,
- decide on the handing out of options or restricted/performance shares within the limits of authorizations given at annual general shareholders meetings,
- authorize statutory conventions (conventions covered by article L.225-38 and following of the Commercial Code),
- authorize the issue of sureties, endorsements and guarantees,
- decide on the constitution of study committees and name their members,
- decide on the dates for the payment of dividends and any possible down-payments on dividends,
- distribute directors' fees allocated at the annual general shareholders meeting amongst members of the board of directors.

In compliance with the provisions set forth in the Commercial Code, the board of directors delegates all powers to the Chairman serving as CEO (or the CEO if appropriate):

- For issuing, with the possibility of sub-delegating, sureties endorsements or guarantees within a maximum annual sum of EUR500 million, limited per surety, endorsement or guarantee to:
  - (i) EUR150 million for commitment guarantees made by Group subsidiaries for Group financial optimization operations,
  - (ii) 250 million Euros for commitment guarantees made by Group subsidiaries, for taking over the company's commitments whenever acquisition operations are made on companies or business activities,
  - (iii) EUR100 million for other guarantees.

The above limits are not applicable to any sureties, endorsements and guarantees that may be issued with regard to tax or customs authorities.

- for formally noting any increases in capital following conversions of convertible bonds, exercising warrants and stock options, as well as subscribing to capital securities or shares giving access to company capital in the context of increases in capital reserved for employees and carrying out all prior and subsequent formalities related to any such changes in capital and to any modifications to the articles of association.
3. To enable the board to exercise its duties as defined in 1 and beyond its specific powers summarized in 2, the board of directors:
    - shall be informed by its Chairman or by its committees of any significant event concerning the company's efficient operation as well as the successful conclusions of any significant projects,
    - shall give prior authorization for:
      - All disposals or acquisitions of holdings or assets by the company or by a company in the Group for a sum of more than EUR250 million,
      - Concluding any strategic partnership agreement;





- shall make an annual review of its composition, its organization and its operation
  - shall be consulted for its opinion prior to acceptance by the Chief Executive Officer or deputy executive officers of any corporate appointment in a listed company outside the Group.
4. The works of the board of directors and its committees shall be included in the annual report.

### **ARTICLE 3 – Membership of the board of directors**

In the proposals it makes and the decisions it takes, the board of directors shall ensure:

- that it reflects the international nature of the Group's activities and of its shareholders by having a significant number of members of non-French nationality;
- that it protects the independence of the board through the competence, availability and courage of its members;
- that it pursues its objective of feminizing the board of directors in compliance with the legal principle of attaining balanced representation between men and women on the board;
- that it appoints persons with the expertise required for developing and implementing Group strategy;
- that employee shareholders shall continue to be represented on the board in compliance with the provisions set forth in article 11.3 of the articles of association;
- that it preserves the continuity of the board by changing some of its members at regular intervals, if necessary by anticipating the expiry of members' terms of office.

### **ARTICLE 4 – Meetings of the board of directors**

1. The board of directors shall meet whenever the interests of the company so require and at the least six times per year, including one meeting for examining strategy in detail.

Notices to attend shall be issued by all means, including orally. They shall be sent *via* the board's secretary.

2. Board meetings shall be convened by the Chairman or, if such person is unable to do so, by the Vice-Chairman.

Moreover, if no Board meeting takes place for over two months, the Chairman must convene a meeting of the board at a date no later than fifteen days after at least one third of the members of the board have made a justified request for this purpose. If the request goes unheeded, the person or persons requesting the meeting may convene a meeting himself or themselves, stating the agenda of the proposed meeting.

Similarly, the Chief Executive Officer, if he is not Chairman of the board of directors may also address a request to the Chairman to convene a meeting on any given agenda.

The person responsible for convening the meeting shall set its agenda. The agenda may be modified or completed at the time of the meeting.

Board meetings shall be held at the Company's registered offices. However, they may be held at any other place specified in the notice of the meeting.

3. Any member of the board may appoint another member to represent him at a Board meeting by means of a proxy form.

During the same meeting, each member of the board may only use one proxy form that he has received further to the foregoing paragraph.

Members of the board may attend Board meetings by videoconference or telecommunication links, which allow them to be identified and which guarantee their effective participation. However, for the purposes of checking and controlling annual accounts, consolidated accounts and the management report, the members of the board of directors who attend the meeting by videoconference or telecommunication links shall not be taken into account for the purposes of determining the quorum or the majority.

Deliberations of the board of directors shall only be valid if at least half of the directors are present. However, in application of article 15 of the articles of association, the board of directors may only deliberate validly on the methods for exercising general management if 2/3 of the directors are present or represented.

Decisions shall be taken on a majority vote by the directors present or represented. In the event of equality of votes, the Chairman of the meeting shall have the casting vote.

4. Besides the secretary to the board of directors, the Deputy CEO in charge of finance shall attend Board meetings.

The board of directors shall hear operational managers concerned by major issues submitted to examination by the board.

The board of directors may authorize persons who are not members of the board to attend Board meetings including by videoconference or by telecommunication links.

5. An attendance register shall be kept at the registered office.

The proceedings of the board of directors shall be recorded in minutes.

The secretary to the board of directors shall be authorized to certify copies or excerpts from the minutes of the board's proceedings.

### **ARTICLE 5 – Information for the board of directors**

Members of the board of directors shall be provided with all the information necessary to enable them to carry out their duties and this within time limits that enable them to familiarize themselves with this information in a meaningful way. They may procure any documents they require for this purpose prior to meetings.

Any request for information made by members of the board on specific subjects shall be addressed to the Chairman serving as CEO (and, if appropriate, to the CEO), who will reply thereto as promptly as possible.

In order to provide members of the board of directors with complete information, visits to sites and customers shall be organized for them. Members of the board of directors shall have the right to meet main company executives. They shall inform the Chairman serving as CEO (and, if appropriate, the CEO) thereof.

The Chairman serving as CEO shall meet each member of the board individually once a year.

## ARTICLE 6 – The status of members of the board of directors

1. Members of the board of directors shall represent all the shareholders and shall act in the interests of the company in all circumstances.

2. Members of the board of directors shall attend Board meetings and meetings of the committees of which they are members.

Any member, who has not attended at least half of the meetings held during the year, unless there are exceptional reasons, shall be deemed to wish to terminate his term of office and shall be invited to resign from the board of directors or the committee concerned, as appropriate.

3. Members of the board of directors shall be bound by a general confidentiality obligation with respect to the deliberations of the board and the committees and with respect to information which is not in the public domain, which they receive further to performing their duties.

4. Directors may not exercise more than 4 other terms of office in listed companies outside the Group.

5. Members of the board of directors shall have a duty to inform the board of directors of any office they may hold or no longer hold in other companies.

6. Members of the board of directors shall have a duty to inform the board of directors of any conflict of interest with the company and they shall be invited not to take part in any vote and possibly any debate on the deliberations concerned.

7. During their term of office, members of the board of directors shall possess at least 1,000 shares in Schneider Electric SE. For applying this obligation, except for the 250 shares which must be held to comply with article 11.1 of the articles of association, shares held *via* a Company Mutual Fund essentially invested in Company shares can be taken into account. The Schneider Electric shares that they hold shall either be in purely registered (*nominatif pur*) or in managed registered (*administré*) form.

8. Members of the board of directors shall inform the financial market authority within the five trading days following completion of the operation, by e-mail at the following address: <https://onde.amf-france.org/RemiseInformationEmetteur/Client/PTRemiseInformationEmetteur.aspx>, as well as the secretary to the board of directors, of any acquisitions, sales, subscriptions or exchanges concerning shares issued by Schneider Electric SE or any operations on financial instruments related to them, made by them, their spouse, their minor children or any other person with whom they have personal ties, in the sense of the application decree of article L.621-18-2 of the Monetary and Financial Code.

9. Members of the board of directors undertake to comply with the internal rules of conduct governing stock-market ethics Group's code of ethics, of which they have received a copy, with respect to their personal financial transactions. In consequence, members of the board of directors may not acquire or dispose of options or any other derivative relating to Schneider Electric SE shares, except authorized hedging of stock-options plans in order to hedge stock option plans (e.g.: hedging of shares subscribed upon exercise of options).

Members of the board of directors shall refrain from carrying out any transaction involving company's listed shares during the 31 days before the day following publication of annual or

half-yearly accounts, and during the 16-day period before the day following publication of quarterly information. The same principle applies when they hold privileged information, *i.e.* precise information concerning the company, which has not been made public and which, if it were made public, could have a marked impact on share price or on any financial instrument related to them.

10. Members of the board of directors shall attend annual general shareholders meetings.

11. Members of the board of directors shall be remunerated by the payment of directors' fees allocated at annual general shareholders meetings. The said amount will be divided by the board of directors amongst its members.

Missions entrusted to the Vice-Chairmen / senior director shall give rise to exceptional remuneration covered by the statutory conventions regime.

12. Travelling expenses, notably including hotel and restaurant expenses, incurred by the members of the board of directors further to the performance of their duties, shall be borne by the company on production of supporting documents.

## ARTICLE 7 – Non-voting directors

The non-voting directors shall attend Board meetings in a consultative capacity.

They shall receive the same information as the other members of the board. They may be appointed as members of committees, except for the Audit committee.

They shall act in the interests of the company under all circumstances.

They shall be bound by the same general confidentiality obligation as the members of the board of directors and shall be subject to the same limitations regarding transactions involving the company's shares. Their remuneration shall be determined by the board of directors.

## ARTICLE 8 – The committees of the board of directors

1. The committees created by the board of directors shall be as follows:

- Governance committee,
- Audit and risk committee,
- Remunerations, Human Resources and Social Responsibility committee,
- Strategy Committee.

2. The role of these committees shall be to research and prepare certain matters to be considered by the board of directors. They shall make proposals, give recommendations and issue opinions, as appropriate, in their area of competence.

Created by virtue of article 13 of the articles of association, they shall only have a consultative role and shall act under the authority of the board of directors.

3. The Chairmen and members of the committees shall be appointed by the board of directors. However, the Vice-Chairman-lead director shall preside over the Governance committee. They shall be appointed in a personal capacity and may not be represented.

The terms of office of committee members shall coincide with their terms of office as members of the board of





directors. The terms of office of committee members may be renewed.

4. Committees shall meet on the initiative of their Chairman or on request from the Chairman of the board of directors or the CEO.
5. The Chairman serving as CEO shall be kept informed of Committee meetings. He shall be in regular contact with committee Chairmen.
6. Committee meetings shall be held at the company's registered offices or any other place decided upon by the Chairman of the committee with an agenda prepared by the latter. If necessary they may be held by audio or video conference.

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. However, the Vice-Chairman Independent lead director may participate in all committees' meetings even if he is not a committee member.

A secretary will prepare the minutes of the meetings, which shall be recorded in an *ad hoc* register specific to each committee by the secretary to the board of directors.

A report on each committee's works shall be given by the committee's Chairman or one of its members at the next Board meeting. Minutes of Committee meetings shall be provided for the members of the board of directors.

After referring the matter to the Chairman of the board, every committee may request studies from external consultants. Every committee may invite any person of its choice to its meetings, as and when required.

7. Other than the permanent specialist committees that it has created, the board of directors may also decide to set up any *ad hoc* committees for specific operations or assignments.

## ARTICLE 9 – The Audit and Risk committee

### 1. Membership and operation of the Audit committee

The committee shall be comprised of at least three members, two thirds of whom must be independent members of the board of directors. At least one of the members must possess special skills concerning matters of finance and accountancy and be independent with regard to specified, published criteria.

The Deputy CEO in charge of finance shall act as the Audit committee's contact.

The secretary to the board of directors shall act as secretary to the Audit committee.

The committee shall meet at least five times a year. The Chairman of the committee shall draw up agendas for meetings.

The meetings shall be attended by members of the Finance Department and of the company's Internal Audit Department and, with respect to meetings devoted to examining accounts, by the statutory auditors. The committee may invite any person it wishes to hear to its meetings. It may also require the CEO to provide any documents it deems to be useful.

Outside the presence of company representatives, the committee shall regularly hear the statutory auditors and its Chairman the internal audit director.

### 2. The duties of the Audit committee

The Audit committee monitors questions on drawing up and controlling accounting and financial information. It prepares the board of directors' decisions in these domains. It makes recommendations to the board and gives its opinions. For this purpose:

- It shall prepare for annual and half-yearly accounts to be approved by the board and therefore, 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 operations on Group level have been dealt with appropriately and that rules relating to the consolidation perimeter have been complied with;
    - Examines off-balance-sheet risks and commitments as well as the cash situation;
    - Examines the process for drawing up financial information.
  - It acquaints itself with the annual report, which has reference document status, the half-yearly report and, where applicable, any remarks made by the French Financial Market authority (AMF) concerning these reports, as well as the other key financial information documents.
  - It handles follow-up on legal control of annual and consolidated accounts made by statutory auditors, notably by examining the external audit plan and results of controls made by statutory auditors.
  - After a consultation process, it shall suggest reappointing the existing statutory auditors or appointing new statutory auditors.
  - It shall check the independence of statutory auditors, especially at the time of examining fees paid by the Group to their firm or their network, and by giving prior approval to any missions that are not strictly included in legal control of accounts.
  - It monitors the efficiency of internal control and risk management systems. For this purpose:
    - It shall examine the organization and resources used for internal audit, as well as its annual work program. It shall receive summaries of reports produced on audits on a quarterly basis. However, the Chairman of the committee shall receive these reports in full;
    - The committee shall examine operational risk-mapping and make sure that measures exist for preventing or minimizing risks.
    - It shall examine how to optimize risk coverage on the basis of reports requested from internal audit.
    - It shall examine Group internal control measures and look into the results of entities' self-assessments with regard to internal control. It shall ensure that a relevant process exists for identifying and processing incidents and anomalies.
    - It shall acquaint itself with the draft report on internal control drawn up by the Chairman of the board of directors
    - It shall examine rules of good conduct notably concerning competition and ethics and the measures implemented to ensure that these rules are circulated and applied.
- The Audit committee shall examine proposals for distribution as well as the amount of financial authorizations submitted for approval at annual general shareholders meetings.
- The Audit committee shall examine all financial and accounting questions and questions related to risk-management submitted to it by the board of directors.

The Audit committee shall present the results of its duties to the board together with any follow-up actions that it proposes to take. The Chairman of the Audit committee shall keep the Chairman and the Vice-Chairman-lead director promptly informed of any difficulties encountered by the committee.

## **ARTICLE 10 – Governance and Remuneration committee**

### **1. Membership and operation of the Governance and Remuneration committee**

The committee shall be comprised of at least three members.

The Governance and Remuneration committee shall be presided by the Vice-Chairman-lead director. Failing this, the board shall appoint the Chairman of the committee.

The secretary to the board of directors shall be the secretary of the Governance committee.

The committee shall meet at the initiative of its Chairman. The agenda shall be drawn up by the Chairman of the committee after consultation with the Chairman of the board of directors. 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.

### **2. The Governance committee's duties:**

The committee will formulate proposals to the board of directors in view of any appointment made:

- (i) To the board of directors:
  - Directors or non-voting directors,
  - Chairman of the board of directors, Vice-Chairman and Vice-Chairman- lead director,
  - Chairmen and members of committees.
- (ii) For general management of the company. The committee will also give its opinion to the board on nominations for any Deputy CEO's.

The committee shall formulate proposals to the board of directors on remuneration of executive corporate officers (chairman of the board of directors and/or CEO, deputy CEO's) on the value of handing out any options or shares to executive corporate officers, and any forms of benefit granted to them. In this respect, it shall prepare annual assessments of the persons concerned.

The committee shall propose measures 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 for yearly and two-yearly assessments to be made of the board of directors. It shall make proposals to the board of directors on:

- Determining and reviewing directors' independence criteria and directors' qualifications with regard to criteria;
- Missions carried out by the committees of the board of directors;
- The evolution, organization and operation of the board of directors;
- The Company's use of national and international corporate governance practices;

- The total value of directors' fees proposed at annual general shareholders meetings together with their allocation amongst members of the board of directors.

## **ARTICLE 11 – Human Resources and Social Responsibility committee**

### **1. Membership and operation of the Remunerations, Human Resources and Social Responsibility committee**

The committee shall be comprised of at least three members.

The director of Group Human Resources shall be secretary to the Human Resources and Social Responsibility committee.

The committee shall meet at the initiative of its Chairman. The agenda shall be drawn up by the Chairman of the committee after consultation with the Chairman serving as 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.

### **2. The committee's duties**

The committee shall formulate proposals to the board of directors on:

- The committee shall formulate proposals to the board of directors on setting up plans for share subscription or purchase options and the handing out of restricted shares.

The committee shall formulate projects on proposals made by general management on:

- Remuneration for members of the Executive Committee;
- Principles and conditions for determining the remuneration of Group executives.

The committee shall be informed of any nomination of members of the Executive Committee and of main 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.

## **ARTICLE 12 – Strategy Committee**

### **1. Membership and operation of the Strategy Committee**

The committee shall be comprised of at least three members.

The director of Group Strategy will be secretary to the Strategy Committee.

The committee shall meet at the initiative of its Chairman. The agenda shall be drawn up by the Chairman of the committee after consultation with the Chairman serving as 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.



## 2. The Strategy Committee's duties

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 the major acquisition, joint-venture and disposal projects that are presented to the board for authorization;
- It shall look in detail at certain strategic matters on behalf of the board;
- It shall give the board its view and understanding of major tendencies that are relevant to Group business activities.

## 3.2 Charter of the Vice-Chairman of the board of directors – lead independent director

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1. The board of directors may appoint a Vice-Chairman. The Vice-Chairman shall be appointed for a period that may not be any longer than his term of office as a director. The Vice-Chairman is eligible for re-election. The Vice-Chairman 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 roles of Chairman and CEO are combined. In this case, the Vice-Chairman also takes on the role of lead independent director. In this respect:
  - The Vice-Chairman is kept informed of major events in Group life through regular contacts and monthly meetings with the Chairman serving as CEO.
  - The Vice-Chairman is consulted by the Chairman serving as 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 of every Board meeting. It is the

## ARTICLE 13 – Perimeter of internal regulations:

The present internal regulations have been unanimously approved by the board of directors. A purely internal act, their objective is to complete the articles of association by stipulating the main conditions of organization and operation of the board of directors. Their purpose is not to replace the articles of association. They may not be relied upon by shareholders or third parties for use against members of the board of directors, the company, or any company in the Schneider Electric Group. They may be modified at any time solely by deliberation of the board of directors.

- 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 ask the Vice-Chairman to convene an executive session.
- The Vice-Chairman shall promptly report to the Chairman serving as CEO on the conclusions of executive sessions.
  - The Vice-Chairman shall draw the attention of the Chairman and 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.
  - Like any other member of the board, 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 visit company sites.
  - The Vice-Chairman carries out annual and biennial assessments of the board of directors and, in this context, assesses the actual contribution of every member of the board to the board's works.
  - The Vice-Chairman shall report on his actions at annual general shareholders meetings.
  - The Vice-Chairman shall meet any shareholder who wishes so and inform the board of their concerns on governance matters.
4. The Vice-Chairman-lead director must be an independent member of the board, as defined in the criteria published by the company.



## > 4. Special report from statutory auditors

### Statutory Auditors' special report on regulated agreements

To the Shareholders,

In our capacity as Statutory Auditors of your company, we present below our report on regulated agreements and obligations.

Our responsibility is to report to you, based on the information provided, on the main terms and conditions of agreements that have been disclosed to us or that we would have discovered at the time of our work, without commenting on their relevance or substance or researching the existence of other agreements. Under the provisions of article R. 225-31 of the French Commercial Code, it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Furthermore, it is our responsibility, if appropriate, to inform you of the information set forth in the provisions of article R. 225-31 of the French Commercial Code pertaining to the signing during the past year of agreements already approved by the shareholders at the Shareholders' Meeting.

We have performed the procedures we deemed necessary in accordance with the professional guidelines of the Compagnie nationale des commissaires aux comptes ("CNCC" or French Institute of Statutory Auditors) relevant to our task. Those standards require that we perform procedures to verify that the information given to us agrees with the underlying documents.

#### Agreements and obligations submitted to the shareholders for approval at the Shareholders' Meeting

##### Agreements and obligations authorized during the financial year

Pursuant to the provisions of article L. 225-40 of the French Commercial Code, we have been advised of the following agreement, which was subject to advance authorization by your Board of Directors.

##### Agreement relating to the remuneration for special assignments conducted by the Vice-Chairman Lead Independent Director

Person concerned: M. Léo APOTHEKER (Vice-Chairman Lead Independent Director)

The Board of Directors, in its meetings of May 6, 2014, authorized the remuneration of Mr. Léo Apotheker with regard to his assignments as Vice-Chairman Lead Independent Director pursuant to the statutes and internal guidelines of the Board of Directors, in the amount of 250,000 euros per annum payable biannually.

The agreement entered into with Mr. Léo Apotheker is subject to approval by the Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2014.

Compensation payable in respect of this agreement amounts to 163,194 euros for the 2014 financial year.

##### Commitments and agreements authorized since the end of the financial year

We have been advised of the following commitments and agreements authorized since the end of the past financial year which were subject to advance authorization by your Board of Directors.

##### Amendments to the status of Mr. Jean-Pascal Tricoire

Person concerned: Mr. Jean-Pascal Tricoire (Chairman & Chief Executive Officer)

Your Board of Directors, in its meeting of February 18, 2015, decided that the corporate officers of the company shall no longer benefit from the article 39 top-hat pension plans established in 1995 and 2012.

Consequently, the Board of Directors made the following amendments to the status of Mr. Jean-Pascal Tricoire as defined by the Board in its meetings of June 18/19, 2013 and approved by the Shareholders' Meeting of May 6, 2014. The status of Mr. Jean-Pascal Tricoire has therefore been amended by the Board of Directors as follows:

##### Top-Hat Pension Plan

Mr. Jean-Pascal Tricoire shall no longer benefit from the new and prior-year top-hat pension plans with defined benefits (article 39) available to the Group's senior executives.

##### Contingency and supplementary cover or insurance compensation plans

Mr Jean-Pascal Tricoire who benefits from the collective pension plan applicable to employees of Schneider Electric SE and Schneider Electric Industries SAS and, from the supplementary sickness, 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, shall continue to benefit from a spouse's pension in the event that he should die before the end of his term of office or prior to retirement after 55 years of age without restarting work, following dismissal, or for reasons of a disability. The pension will equal 60 percent of 25 percent of average salaries paid over the three years preceding the date of death (or the date of departure if death should occur once he has left Schneider Electric) minus the amount of additional



remuneration authorized by the Board of Directors<sup>(1)</sup>, converted into a theoretical annuity equivalent that may be purchased upon death in conformity with insurance conditions (technical rate, mortality rate).

Mr Jean-Pascal Tricoire shall retain, in the event of disability giving rise to the termination of all professional activity, the right to pension payments (payable to the surviving spouse at a rate of 60 percent) beginning from retirement equal to 25 percent of average salaries paid over the three years preceding the date of disability minus 1.25 percent per quarter of absence so as to obtain a full rate of pension and minus the amount of additional remuneration authorized by the Board of Directors<sup>(1)</sup>, converted into a theoretical annuity equivalent that may be purchased upon disability in conformity with insurance conditions (technical rate, mortality rate).

Additionally, contingency and supplementary cover compensation for health, incapacity, disability and death inuring to the benefit of Mr. Jean-Pascal Tricoire shall be calculated on the basis of his overall remuneration (fixed/variable bonus and annual complement<sup>(1)</sup>).

In conformity with the French Commercial Code, these rights relating to contingency, supplementary cover or insurance compensation are conditioned on one of the following two criteria being present: positive average net profit for the five years preceding the event, or positive average free cash flow for the five years preceding the event.

Amendment of 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, 2014.

### Reiteration of the status of Mr. Emmanuel Babeau

Person concerned: Mr. Emmanuel Babeau (Executive Vice President in charge of finance and legal)

Your Board of Directors, in its meeting of February 18, 2015, decided that the corporate officers of the company shall no longer benefit from the article 39 top-hat pension plans established in 1995 and 2012. Mr. Emmanuel Babeau, while retaining his rights to the top-hat pension plan (article 39) in respect of his employment contract with Schneider Electric Industries SAS, has resigned his employment in order to make effective in his regard the decision of the Board of Directors to cancel this benefit available to the corporate officers of the company. In the framework of the TEPA act, the Board of Directors has decided that Schneider Electric SE shall assume the cost of the commitments and benefits from which Mr. Emmanuel Babeau benefited in respect of his employment contract with Schneider Electric Industries SAS conditioned upon the execution of the changes necessitated by the termination of the employment contract and of the article 39 plans. These commitments were authorized by your Board of Directors in its meetings of June 18/19, 2013 and October 24, 2013 and approved by the Shareholders' Meeting of May 6, 2014.

The status of Mr. Emmanuel Babeau has therefore been modified by the Board of Directors as follows:

#### Contingency and supplementary cover or insurance compensation plans

Mr Emmanuel Babeau benefits from the collective pension plan applicable to employees of Schneider Electric SE and Schneider

Electric Industries SAS, covering sickness, disability, incapacity and death.

Mr Emmanuel Babeau 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.

Mr Emmanuel Babeau shall continue to benefit from a spouse's pension in the event that he should die before the end of his term of office or prior to retirement after 55 years of age without restarting work, following dismissal or for reasons of a disability. The pension will equal 60 percent of 25 percent of average salaries paid over the three years preceding the date of death (or the date of departure if death should occur once he has left Schneider Electric) minus the amount of additional remuneration authorized by the Board of Directors<sup>(1)</sup>, converted into a theoretical annuity equivalent that may be purchased upon death in conformity with insurance conditions (technical rate, mortality rate).

Mr Emmanuel Babeau shall retain, in the event of disability giving rise to the termination of all professional activity, the right to pension payments (payable to the surviving spouse at a rate of 60 percent) beginning from retirement equal to 25 percent of average salaries paid over the three years preceding the date of disability minus 1.25 percent per quarter of absence so as to obtain a full rate of pension and minus the amount of additional remuneration authorized by the Board of Directors<sup>(1)</sup>, converted into a theoretical annuity equivalent that may be purchased upon disability in conformity with insurance conditions (technical rate, mortality rate).

Additionally, contingency and supplementary cover compensation for health, incapacity, disability and death inuring to the benefit of Mr. Emmanuel Babeau shall be calculated on the basis of his overall remuneration (fixed/variable bonus and annual complement<sup>(1)</sup>).

Contingency and supplementary cover or insurance compensation plans are subject to performance criteria. They are conditioned on one of the following two criteria being present: positive average net profit for the five years preceding the event, or positive average free cash flow for the five years preceding the event.

#### Involuntary Severance Pay Scheme

Mr. Emmanuel Babeau benefits from an Involuntary Severance Pay scheme (hereinafter « Involuntary Severance Pay »). Involuntary Severance Pay 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 authorized by the Board of Directors (hereinafter « Maximum Amount »).

The right to Involuntary Severance Pay shall be granted in the following cases:

- dismissal, non-renewal or resignation as Deputy CEO 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 SE;
- dismissal, non-renewal or resignation as 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;
- dismissal, non-renewal or resignation as Deputy CEO when the average rate of achievement of performance objectives used to calculate the variable bonus in the four full financial years

(1) The Board of Directors in its meeting of February 18, 2015, taking into consideration the fact that the corporate officers of the company are personally responsible for their top-hat pension plan, authorized the supplementary remuneration comprising: an annual component and an exceptional component the aim of which is to create seed capital for the establishment of an additional pension benefit.

preceding his departure was 66 percent (including financial years during which he fulfilled responsibilities as a member of the Management Board).

- Involuntary Severance Pay 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 two thirds ; no compensation shall be awarded;
- Two-thirds ; the interested party shall receive 75 percent of the Maximum Amount;
- at least 100 percent; he shall receive 100 percent of the Maximum Amount;
- between 66 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.

Compensation of any kind whatsoever which should be awarded by companies of the Group in which Mr. Emmanuel Babeau exercises duties and responsibilities shall be deducted from the amount due by Schneider Electric, it being specified that i) such compensation shall be recognized exclusively as Involuntary Severance Pay due to Mr. Emmanuel Babeau and that ii) such compensation may not exceed the amount of Involuntary Severance Pay defined above.

- Compensation shall not be exercised in the event that Mr. Emmanuel Babeau's departure should arise following serious or gross misconduct.

### Non-Compete Agreement

Mr. Emmanuel Babeau benefits from the non-compete agreement that binds the interested party to the company for a period to not exceed one year and shall be remunerated in an amount not exceeding 60 percent of authorized compensation.

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
- he is not nor shall not be entitled to accumulate his non-compete compensation with payments from a pension plan.

In all other cases, (Involuntary Severance, resignation not meeting the above conditions) 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.

### Stock Options, Stock Grants or Performance Shares

We remind you that Mr. Emmanuel Babeau benefits from, a decision of the Board of Directors, in its meeting of June 18&19, 2013, that was approved by the shareholders' meeting of May 6, 2014, the right to keep, subject to performance criteria and only in the event of his Involuntary Departure which should not be the result of a serious or gross misconduct, all his stock options, stock grants or performance shares or any other shares attributed to him.

The status of Mr. Emmanuel Babeau is subject to approval by the Shareholders' Meeting convened to approve the financial statements for the year ended Wednesday, December 31, 2014.

### Agreements previously approved by the Shareholders' Meeting

Pursuant to the provisions of article R. 225-30 of the French Commercial Code, we were informed of the status of the following agreements and commitments already approved by the shareholders at the Shareholders' Meetings in prior years, which were continued during the past financial year:

**Agreement relating to the remuneration for special assignments conducted by the Vice-Chairman and Senior Director and the resources placed at his disposal** (authorized by the Board of Directors on April 25, 2013 and approved by the Shareholders' Meeting of May 6, 2014)

Person concerned: Mr. Henri Lachmann (Vice-Chairman and Executive Director)

The Board of Directors, in its meetings of April 25, 2013, authorized the remuneration of Mr. Henri Lachmann with regard to his assignments as Vice-Chairman and Executive Director pursuant to the statutes and internal guidelines of the Board of Directors, in the amount of 250,000 euros per annum payable biannually. It is also agreed that the resources placed at the disposal of Mr. Henri Lachmann in the framework of his assignments as Vice-Chairman and Executive Director shall include an office, the services of an assistant and the possibility of utilizing the automobiles assigned to Senior Management.

Compensation payable in respect of this agreement amounts to 87,500 euros for the 2014 financial year.

**Status of Mr. Jean-Pascal Tricoire** (authorized by the Board of Directors on April 25, 2013, June 18/19, 2013 and October 24, 2013 and approved by the Shareholders' Meeting of May 6, 2014)

Person concerned: Mr. Jean-Pascal Tricoire (Chairman & Chief Executive Officer)

Your Supervisory Board, in its meetings of February 18, 2009, February 21, 2012 and May 3, 2012, authorized 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.

Your Board of Directors, in its meetings of April 25, 2013 and June 18/19, 2013, authorized, pursuant to the TEPA act and the AFEP/MEDEF Code, the commitments and agreements in favor of Mr. Jean-Pascal Tricoire as described hereunder:

### Involuntary Severance Pay Scheme

Mr. Jean-Pascal Tricoire benefits from an Involuntary Severance Pay scheme (hereinafter "Compensation"). 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 authorized 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;
- lay-off, non-renewal or requested 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 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 two-third ; no compensation shall be awarded;
- two-third; the interested party shall receive 75 percent of the Maximum Amount;
- at least 100 percent; he shall receive 100 percent of the Maximum Amount;
- between two-third 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.

### **Non-Compete Agreement**

Mr. Jean-Pascal Tricoire shall continue to benefit from the non-compete agreement that binds the interested party to the company which shall not exceed one year and shall be remunerated in an amount not exceeding 60 percent of authorized target gross remuneration.

Furthermore, the Board of Directors in its meeting of October 24, 2013, amended Mr. Jean-Pascal Tricoire's non-compete agreement as follows:

- 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;

– he is not nor shall not be entitled to accumulate his non-compete compensation with payments from a pension plan.

- 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.

### **Stock Options, Stock Grants or Performance Shares**

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 attributed 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 and shall be equal to at least 66.67 percent of the target on the condition that Mr. Jean-Pascal Tricoire's termination does not occur as a result of serious or gross misconduct.

### **Benefit of the top-hat pension plan with defined benefits (article 83) granted to Mr. Emmanuel Babeau**

(authorized by the Supervisory Board on April 23, 2009, December 17, 2009, April 25, 2013 and June 18/19, 2013 and approved by the Shareholders' Meetings of April 22, 2010 and May 6, 2014)

Person concerned: Mr. Emmanuel Babeau (Executive Vice President in charge of finance and legal)

The Supervisory Board, at its meetings held on April 23 and December 17, 2009, authorized Mr. Emmanuel Babeau to benefit from the top-hat pension plan with defined benefits (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.

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 authorized the following change pursuant to the recommendations of the AFEP/MEDEF Code of June 2013. The aforementioned change stipulates that, if Mr. Emmanuel Babeau is to be provided compensation under the Involuntary Severance Pay scheme while, at the same time, he has the possibility of receiving pension benefits, for a brief interim period, the right to annuity payments in respect of his top-hat pension plan shall be deferred for a period of two years.

This change to Mr. Emmanuel Babeau's top-hat pension plan was approved by the Shareholders' Meeting of May 6, 2014.

This regulated agreement entered into with Mr. Emmanuel Babeau terminated on February 18, 2015 by means of the resignation of his employment.



**Pension plan outsourcing contract with defined benefits** (authorized 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)

**Pension plan outsourcing contract [article 39 (new plan)] 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 (Executive Vice President in charge of finance and legal)

Your Supervisory Board, in its meeting of February 21, 2012, authorized your company to sign an outsourcing agreement for the new pension plan in the framework of the company's regulated agreements and commitments:

- 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 SE 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, authorized 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.

This regulated agreement, as Mr. Emmanuel Babeau and Mr. Jean-Pascal Tricoire are directly or indirectly interested parties, has lost this feature since the decision of your Board of Directors in its meeting of February 18, 2015, with regards to Mr Jean-Pascal Tricoire and with the resignation of Mr. Emmanuel Babeau's employment.

**Outsourcing agreement for the article 39 pension plan (closed)**

Persons concerned: Mr. Henri Lachmann (Vice-Chairman and Senior Director), Mr. Jean-Pascal Tricoire (Chairman and Chief Executive Officer) and Mr. Emmanuel Babeau (Executive Vice President in charge of finance and legal)

Your Supervisory Board, in its meeting of May 3, 2012, authorized 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 executive corporate officers–still actively employed).

The Supervisory Board, at its meetings held on February 18, April 23 and December 17, 2009, authorized Messrs. Jean-Pascal Tricoire and Emmanuel Babeau to benefit from the top-hat pension plan which ensures that they receive, 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;
- the former CAVICA plan.

The principle of this outsourcing was authorized by the Supervisory Board meeting 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 took 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.

This regulated agreement, as Mr. Emmanuel Babeau and Mr. Jean-Pascal Tricoire are directly or indirectly interested parties, has lost this feature since the decision of your Board of Directors in its meeting of February 18, 2015, with regards to Mr Jean-Pascal Tricoire and with the resignation of Mr. Emmanuel Babeau's employment.

Signed in Paris-La Défense and in Courbevoie,  
on March 13, 2015

The Statutory Auditors

**ERNST & YOUNG et Autres**

Yvon Salaun

**MAZARS**

David Chaudat



## Statutory auditors' report on the issuance of shares and various securities with maintenance or cancellation of preferential subscription rights

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 present our report on the proposals for delegation to the board of directors of various issues of ordinary shares and securities upon which you are called to vote.

On the basis of its report, your board of directors proposes:

- To delegate to the board, with the right of subdelegation, for a period of 26 months from the date of this shareholders' meeting, the authority to decide on the following transactions and to set the definitive terms and conditions for these issues and proposes, where relevant, canceling your preferential subscription right:
  - an issue of ordinary shares or securities giving access to the ordinary shares of the company or, in accordance with article L. 228-93 of the French Commercial Code, of any company in which it owns directly or indirectly more than half the capital, with maintenance of preferential subscription rights (14th resolution);
  - an issue of ordinary shares or securities giving access to the ordinary shares of the company or, in accordance with article L. 228-93 of the French Commercial Code, of any company in which it owns directly or indirectly more than half the capital, with cancellation of preferential subscription rights by means of a public offering (16th resolution); it being specified that these securities may be issued as payment for securities tendered to the company in the context of a takeover bid for securities meeting the conditions laid down by article L. 225-148 of the French Commercial Code and that, moreover, the shares may be issued as a result of the issuance by the company's subsidiaries of securities giving access to the company's ordinary shares;
  - an issue of ordinary shares or securities giving access to the ordinary shares of the company or, in accordance with article L. 228-93 of the French Commercial Code, of any company in which it owns directly or indirectly more than half the capital, with cancellation of preferential subscription rights by way of tenders referred to in Section II of article L. 411-2 of the French Monetary and Financial Code (Code monétaire et financier) (19th resolution);
- to authorize the board, within the framework of the implementation of the delegation referred in the 19th resolution, to fix the issue price within the annual legal limit of 10 percent of share capital;
- to delegate the board, with the right of subdelegation, for a period of 26 months from the date of this shareholders' meeting, the authority to determine the terms of an issue of ordinary shares or securities giving access to common shares, in order to remunerate contributions in kind granted to the company in the form of shares or securities giving access to capital (18th resolution), within the limit of 9.8 percent of the share capital.

The total nominal amount of the increases in capital likely to be carried out immediately or in the future may not exceed EUR 800 million by virtue of the 14th resolution EUR 230 million by virtue of

the 16th and 18th resolutions and EUR 115 million by virtue of the 19th resolution, it being specified that the limits for the 15th, 16th, 17th, 19th and 20th resolutions of the current Shareholders' Meeting and for the 20th resolution of the Shareholders' meeting of May 6, 2014 will be deducted from the total ceiling of EUR 800 million provided for in the 14th resolution.

These ceilings reflect the additional number of shares to be created within the framework of the implementation of the delegations referred in the 14th and 16th resolutions, in accordance with article L. 225-135-1 of the French Commercial Code, if you adopt the 17th resolution.

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. It is our responsibility to give our opinion on the accuracy of the numerical information taken from the accounts, on the proposed cancellation of preferential subscription rights, and on certain other information concerning these transactions, presented 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 contents of the board of director's report on these transactions and the method of determining the issue price of the equity securities to be issued.

Subject to further examination of the terms and conditions of the issues that may be decided, we have no observation to make on the method of determining the issue price of the equity securities to be issued, set out in the board's report by virtue of the 16th and 19th resolutions.

Furthermore, since this report does not specify the method of determining the issue price of the equity securities to be issued as part of the implementation of the 14th and 18th resolutions, we are not able to give our opinion on the choice of computational elements of this issue price.

Since the definitive terms and conditions under which the issues may be made have not been set, we do not express an opinion on them nor, consequently, on the cancellation of the preferential subscription right which is proposed to you in the 16th and 19th resolutions.

In accordance with article R. 225-116 of the French Commercial Code, we will issue a supplementary report, if necessary, on the use of these delegations by the board of directors in the case of issues of securities giving access to equity securities, in the case of issues of securities giving access to equity securities and in the case of issues with cancellation of preferential subscription rights.

Signed in Paris-La Défense and in Courbevoie,  
on March 13, 2015

The Statutory Auditors

**ERNST & YOUNG et Autres**

Yvon Salaun

**MAZARS**

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 authorize 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, 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 14th and 16th resolutions of this shareholders' meeting.

This issue is submitted for your approval in accordance with articles L. 225-129-6 of the French Commercial code and L. 3332-18 of the French Labor code (Code du travail).

Your board of directors proposes that, on the basis of its report, it be authorized, 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, 2015.

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. 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 director's report relating to this operation and the method 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 director's 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, 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 13, 2015

The statutory auditors

**ERNST & YOUNG et autres**

Yvon Salaun

**MAZARS**

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 right 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 and article L. 3344-1 of the Labor code (Code du travail) 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 20th resolution of this Shareholders' meeting.

Your board of directors proposes that, on the basis of its report, it be authorized, 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, 2015.

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. 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 director's report relating to this operation and the method 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 equity securities to be issued provided in the board of director's 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, 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 13, 2015

The Statutory Auditors

**ERNST & YOUNG ET AUTRES**  
MAZARS

**Yvon Salaün**  
David Chaudat

## Statutory auditors' report on the reduction of capital

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with article L. 225-209 of the French Commercial Code (Code de commerce) in the event of a capital reduction by cancellation of acquired shares, we have prepared this report in order to inform you of our opinion on the causes for and the terms and conditions of the proposed capital reduction.

Your board of directors proposes that you delegate to the board, for a period of 24 months from the date of this shareholders' meeting, all powers to cancel, up to 10% of company capital per 24-month period, the shares purchased under the implementation of an authorization of purchase by your company of its own shares under the provisions of the aforesaid article.

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 examining whether the causes for and the

terms and conditions of the proposed capital reduction, which is not likely adversely to affect the equality of shareholders, are in order.

We have no comment to make on the causes for and the terms and conditions of the proposed capital reduction.

Signed in Paris-La Défense and in Courbevoie,  
on March 13, 2015

The statutory auditors

**ERNST & YOUNG et Autres**  
Yvon Salaun

**MAZARS**  
David Chaudat

## > 5. Draft resolutions

### Ordinary Meeting

#### FIRST RESOLUTION (Approval of the parent company financial statements for the 2014 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 2014 financial year as presented, as well as the transactions reflected in these statements or summarized in such reports showing a benefit of EUR341,123,875.33.

#### SECOND RESOLUTION (Approval of consolidated financial statements for the 2014 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 2014 financial year as presented, as well as the transactions reflected in these statements or summarized in such reports.

#### THIRD RESOLUTION (Allocation of income for the financial year, setting the dividend and drawing from issue premiums)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, as proposal by the board of directors:

- (i) after taking into account that negative retained earnings total EUR15,003,792.00, decides to affect the amount of retained earnings to this year's profits, which sets the total distributable profit at EUR326,120,083.33;
- (ii) decides to bring the total amount distributed to EUR1,122,606,992.64 through withdrawing EUR796,486,909.31 from issue premiums relating to the contribution of Legrand shares and as a result, set the distribution to the 584,691,142 shares at a par value of EUR4 comprising the share capital of December 31, 2014, and a dividend payment as of January 1, 2014 at EUR1.92 per share.

Net income	EUR341,123,875.33
Retained earnings	EUR(15,003,792.00)
Distributable earnings for the year	EUR326,120,083.33
Charge on issue premiums relating to the contribution of Legrand shares	EUR796,486,909.31
Total dividend amount	EUR1,122,606,992.64

From a tax standpoint, it is specified that the breakdown of this distribution of EUR1.92 per share is as follows:

- at EUR0.56, the dividend entitles individual shareholders resident in France for tax purposes, to an allowance of 40% calculated based on their full amount pursuant to article 158-3 2° of the French Tax Code;
- at EUR1.36, deducted from issue premiums, this distribution is for tax purposes considered a reimbursement of a contribution, which is non-taxable for individual shareholders resident in France, in accordance with article 112-1° of the French Tax Code, because any earnings and reserves other than the legal reserve have already been distributed.

Dividends paid by Schneider Electric SE in respect of the three most recent financial years are as follows:

	2011	2012	2013
	1.70	1.87	1.87

#### FOURTH RESOLUTION (Approval of the regulated agreements entered into in 2014 – compensation of the Vice-Chairman Lead-Director, and information on agreements and commitments made in prior years).

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, having considered the board of directors' report and the Statutory Auditors' special report submitted pursuant to the provisions of article L.225-40 of the French Commercial Code on the agreements referred to in article L.225-38 of said Code, approves the agreement presented in these reports concerning the compensation of the Vice-Chairman for his duties as Lead Director, and takes note of information concerning the agreements and commitments made in prior years and approved by the Shareholders' Meeting.



**FIFTH RESOLUTION  
(Approval of amendments to the regulated agreements and obligations relating to the status of Jean-Pascal Tricoire – suppression of the top-hat pension plan (article 39), maintenance of benefit obligations)**

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, having considered the board of directors' report and the Statutory Auditors' special report submitted pursuant to the provisions of article L.225-40 on the agreements and commitments referred to in articles L.225-38 and L.225-42-1 of said Code, approves the amendments to the regulated agreements and commitments relating to the status of Jean-Pascal Tricoire – *suppression of the top-hat pension plan (article 39), maintenance of benefit obligations.*

**SIXTH RESOLUTION  
(Approval of the regulated agreements and obligations relating to the reiteration of the status of Emmanuel Babeau)**

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, having considered the board of directors' report and the Statutory Auditors' special report submitted pursuant to the provisions of article L.225-40 of the French Commercial Code on the agreements and commitments referred to in articles L.225-38 and L.225-42-1 of said Code, approves the agreements and commitments presented in these reports relating to the reiteration of the status of Emmanuel Babeau.

**SEVENTH RESOLUTION  
(Opinion on elements of the compensation due or awarded in respect of the 2014 financial year to Mr. Jean-Pascal TRICOIRE)**

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, consulted pursuant to the recommendation of paragraph 24.3 of the AFEP/MEDEF corporate governance guidelines of June 2013, which constitutes the Company's code of reference in application of article L.225-37 of the French Commercial Code, hereby issues a favorable opinion on the elements of compensation due or awarded in respect of the 2014 financial year to Mr. Jean-Pascal TRICOIRE as presented in the board of directors' report to the Shareholders' Meeting.

**EIGHTH RESOLUTION  
(Opinion on elements of the compensation due or awarded in respect of the 2014 financial year to Mr. Emmanuel BABAU)**

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, consulted pursuant to the recommendation of paragraph 24.3 of the AFEP/MEDEF corporate governance guidelines of June 2013, which constitutes the Company's code of reference in application of article L.225-37 of the French Commercial Code, hereby issues a favorable opinion on the elements of compensation due or awarded in respect of the 2014 financial year to Mr. Emmanuel

Babeau as presented in the board of directors' report to the Shareholders' Meeting.

**NINTH RESOLUTION  
(Appointment of a director, Mr. Gregory Spierkel).**

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, having considered the board of directors' report, appoints Mr. Gregory Spierkel as Director for a period of four years, expiring at the close of the Shareholders' Meeting to be held in 2019 to review the financial statement for the financial year ending December 31, 2018.

**TENTH RESOLUTION  
(Renewal of a directorship: Mrs. Betsy Atkins)**

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, having considered the board of directors' report, hereby resolves to re-elect Mrs. Betsy Atkins as Director for a term of four years, expiring at the close of the Shareholders' Meeting to be held in 2019 to review the financial statements for the financial year ending December 31, 2018.

**ELEVENTH RESOLUTION  
(Renewal of a directorship: Mr. Jeong Kim)**

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, having considered the board of directors' report, hereby resolves to re-elect Mr. Jeong Kim as Director for a term of four years, expiring at the close of the Shareholders' Meeting to be held in 2019 to review the financial statements for the financial year ending December 31, 2018.

**TWELFTH RESOLUTION  
(Renewal of a directorship: Mr. Gérard de La Martinière)**

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, having considered the board of directors' report, hereby resolves to re-elect Mr. Gérard de La Martinière as Director for a term of two years, expiring at the close of the Shareholders' Meeting to be held in 2017 to review the financial statements for the financial year ending December 31, 2016.

**THIRTEENTH RESOLUTION  
(Authority granted to the board of directors to buy back Company shares – maximum purchase price per share EUR90)**

The Shareholders' 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, debt securities convertible into shares of the Company;
- Undertaking external growth transactions, mergers, spin-offs or contributions (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 consistent with the *Autorité des Marchés Financiers'* deontology charter; 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 Shareholders' Meeting (*i.e.*, for indicative purposes, 58,469,114 shares on the basis of the share capital as of December 31, 2014).

The maximum purchase price shall be EUR90 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 EUR5,262,220,260.

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 Twenty-Second Resolution adopted by the present Shareholders' Meeting.

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 ratio 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.

This authority shall be valid for a maximum of 18 months from the date of this Shareholders' Meeting.

## Extraordinary Meeting

### **FOURTEENTH RESOLUTION (Authorization to the board of directors to increase the nominal share capital by up to EUR800 million, *i.e.*, approximately 34% of capital at December 31, 2014, by issuing ordinary shares or securities convertible into shares of the Company of any of its subsidiaries with shareholders' preemptive rights maintained.)**

The Shareholders' Meeting, acting in accordance with quorum and majority requirements for extraordinary meetings, having considered the board of directors' report and the Statutory Auditors' special report, and in accordance with articles L.225-129 to L.225-129-6, L.225-132, L.225-134, L.228-91 to L.228-93 of the French Commercial Code:

- hereby authorizes the board of directors, with the power to sub-delegate, to decide one or more capital increases by issuing, in the amounts and at the times it sees fit, in France and/or abroad, common shares of the Company and any other securities issued for payment or free of charge granting access by any means, immediately and/or in the future, to ordinary shares of the Company or a company in which it directly or indirectly owns more than half of the capital, with such securities being denominated in euros or any other currency or unit of account based on several currencies, provided that (i) the subscription of such shares and other securities may be made either in cash or by offsetting receivables, and (ii) the shares

issued confer the same rights as existing shares subject to their effective date;

- hereby resolves that the aggregate amount of capital increases that may be undertaken immediately and/or in the future on the basis of this resolution shall not exceed a nominal amount of EUR800 million (*i.e.*, 34% of capital at December 31, 2014), to which shall be added the additional number of shares to be issued to protect the rights of holders of securities convertible into shares of the Company, share subscription or purchase options, free shares or performance shares, in accordance with the law and contractual provisions providing for other cases of adjustment. The capital increases carried out based on the Fifteenth, Sixteenth, Seventeenth, Nineteenth and Twentieth Resolutions adopted by this Shareholders' Meeting as well as those carried out, where applicable, on the basis of the Twentieth Resolution of the Extraordinary Meeting of May 6, 2014 will be deducted from this amount, exclusive of adjustments required and in compliance with the law and any contractual provisions providing for other adjustment cases, to protect the rights of holders of securities convertible into the Company's shares, stock options, or free or performance shares. This EUR800 million limit in the nominal amount does not apply to capital increases reserved for employees or corporate officers under the sixteenth and seventeenth resolution adopted by the Shareholders' Meeting from April 25, 2013 as well as the twentieth resolution of this Shareholders' Meeting;
- hereby resolves that the securities granting access to shares of the Company may consist, among others, of debt securities or



be associated with the issuance of such securities, permit the issuance thereof as intermediate securities, or take the form of subordinated securities, or not, with or without a definite term;

- hereby resolves that the shareholders shall have a preferential subscription right for the securities issued under and pursuant to this authorization, proportional to the amount of their shares;
- hereby resolves that the board of directors shall fix the terms and conditions and the limits within which the shareholders may exercise their right to subscribe for and acquire shares on an irrevocable entitlement basis (*à titre irréductible*) and may grant to shareholders a preemptive subscription right for shares on an revocable entitlement basis (*à titre réductible*), which shall be exercised proportionally to their right and within the limit of their applications therefor;
- hereby resolves that, if the subscriptions for shares to be issued on an irrevocable entitlement basis (*à titre irréductible*) and by entitlement subject to reduction (*à titre réductible*), as the case may be, do not take up the entire issue of shares or securities, as defined hereinabove, the board of directors may use the options made available under article L.225-134 of the French Commercial Code and, in particular, place all or some of the shares for which no subscriptions are received *via* a public offering;
- hereby takes note that this authorization shall constitute automatically and ipso jure a waiver by the shareholders in favor of the holders of securities that might be issued and convertible into shares of the Company of their preemptive subscription rights for ordinary shares of the Company which such securities carry the right to acquire;
- hereby resolves that the amount received, or to be received, by the Company for each of the shares to be issued, in connection with the above-described authorization shall be at least equal to the nominal, or paid-in capital, amount of the shares on the date of issue of such securities;
- hereby resolves that the board may not, without prior authorization of the Shareholders' Meeting, use this authorization during any period in which a third party has filed a public tender for the Company's shares, starting from the filing date until the tender's expiration date;
- hereby resolves that this authorization supersedes the Tenth Resolution of the Extraordinary Meeting of April 25, 2013 for the amounts not used by the board of directors;
- hereby resolve to fix at 26 months the period of validity of this authorization starting from this Shareholders' Meeting.

**FIFTEENTH RESOLUTION  
(Delegation of authority to the board of directors to increase the share capital by capitalizing reserves, earnings, premiums, or other amounts for which capitalization may be allowed)**

The Shareholders' Meeting, acting in accordance with quorum and majority requirements for extraordinary meetings, having considered the board of directors' report and the Statutory Auditors' special report, and in accordance with articles L.225-192-2 and L.225-130 of the French Commercial Code:

- hereby resolves to authorize the board of directors, with the power to grant subdelegations of authority, to undertake one or more capital increases by capitalizing reserves, earnings, premiums, or other amounts for which capitalization is possible under law and the Company's by-laws the issuance and

awarding of free shares or increasing the nominal, or paid-in capital, amount of existing shares, or both;

- hereby resolves that the maximum nominal amount of capital increases that may be carried out pursuant to this authorization shall be charged against the overall limit of EUR800 million for capital increases set by the Fourteenth Resolution of this Shareholders' Meeting;
- hereby resolves that the rights giving rise to fractional shares shall be neither negotiable, nor alienable, and that the shares corresponding thereto shall be sold. The amounts arising from the sale shall be paid to the holders of the rights no later than 30 days after the date of registration or recording in their account of the whole number of shares attributed to them;
- hereby takes note that the board of directors has full authority to implement and give effect to this authorization;
- hereby resolves that the board may not, without prior authorization of the Shareholders' Meeting, use this authorization during any period in which a third party has filed a public tender for the Company's shares, starting from the filing date until the tender's expiration date;
- hereby resolves that this authorization supersedes the Eleventh Resolution of the Extraordinary Meeting of April 25, 2013 for the amounts not used by the board of directors;
- hereby resolves to fix at 26 months the period of validity of this authorization starting from this Shareholders' Meeting.

**SIXTEENTH RESOLUTION  
(Authorization to the board of directors to increase the share capital within the limit of EUR230 million in nominal i.e., 9.8% of capital at December 31, 2014, by issuing ordinary shares or any securities convertible into shares of the Company or one of its subsidiaries with cancellation of shareholders' preemptive subscription rights through a public offering. This authorization may be used to pay for contributions of securities in connection with a public exchange offer initiated by the Company)**

The Shareholders' Meeting, acting in accordance with quorum and majority requirements for Extraordinary Shareholders' Meetings, having considered the board of directors' report and the Statutory Auditors' special report, and in accordance with articles L.225-129 to L.225-129-6, L.225-135, L.225-136, L.228-91 to L.228-93 of the French Commercial Code:

- hereby authorizes the board of directors, with the power to sub-delegate, to decide one or more capital increases by issuing, by means of public offering, in the amounts and at the times it sees fit, in France and/or abroad, common shares of the Company and any other securities issued for payment or free of charge giving access by any means, immediately and/or eventually, to ordinary shares of the Company or a company in which it directly or indirectly owns more than half of the capital, with such securities being denominated in euros or any other currency or unit of account based on several currencies, provided that (i) the purchase of such shares and other securities may be made either in cash or by offsetting receivables, and (ii) the shares issued confer the same rights as existing shares subject to their effective date;
- hereby resolves that the issuance of shares by the Company may result, in accordance with article L.228-93 of the French



Commercial Code, from the exercise of rights attaches to securities issued by companies of which it owns, directly or indirectly, more than half the share capital and that carry the right, by any and all means, to acquire ordinary shares of the Company;

- hereby resolves that the aggregate amount of capital increases that may be undertaken immediately and/or in the future on the basis of this resolution shall not exceed a nominal amount of EUR230 million (*i.e.*, 9.8% of capital at December 31, 2014), to which shall be added, in accordance with the law and contractual provisions providing for other cases of adjustment, the additional number of shares to be issued to protect the rights of holders of securities convertible into shares of the Company, options to subscribe for or purchase shares, or free shares or performance shares, provided that the amount of EUR230 million shall be charged against the overall limit of EUR800 million for capital increases set by the Fourteenth Resolution adopted by this Shareholders' Meeting;
- hereby resolves that the securities granting access to shares of the Company may consist, in particular, of debt securities or be associated with the issuance of such securities, permit the issuance thereof as intermediate securities, or take the form of subordinated securities, or not, with, or without, a definite term;
- hereby resolves that the shareholders' preferential subscription rights for shares or securities that may be issued in accordance with applicable law shall be suppressed, provided, however, that there shall be instituted in favor of the shareholders an irreducible and/or reducible priority right to subscribe therefore in accordance with article L.225-135 of the French Commercial Code;
- hereby resolves that the amount received, or to be received, by the Company for each of the shares to be issued, after taking into consideration, in the event of an issue of warrants to subscribe for, or be attributed shares, the issue price of such warrants shall be at least equal to the minimum price contemplated by applicable law and/or regulations on the issue date, *i.e.*, presently at the weighted average of the trading price during the three most-recent trading sessions preceding the setting of the issue price, possibly reduced by a maximum discount of 5%, after correction, if appropriate, of such amount to take account of any difference in the effective date;
- hereby takes note that this authorization shall constitute automatically and *ipso jure* a 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 preferential right to subscribe for ordinary shares of the Company which such securities carry the right to acquire;
- hereby resolves that this authorization may be used to pay for shares contributed in connection with a public exchange offer initiated by the Company, within the limits and on the terms and conditions set forth in article L.225-148 of the French Commercial Code;
- hereby resolves that the board may not, without prior authorization of the Shareholders' Meeting, use this authorization during any period in which a third party has filed a public tender for the Company's shares, starting from the filing date until the tender's expiration date;
- hereby resolves that this authorization supersedes the Twelfth Resolution of the Extraordinary Meeting of April 25, 2013 for the amounts not used by the board of directors;
- hereby resolves to fix at 26 months the period of validity of this authorization starting from this Shareholders' Meeting.

### SEVENTEENTH RESOLUTION (Authorization to the board of directors to increase the amount of an initial issue, as approved pursuant to the Fourteenth or Sixteenth Resolutions, with or without shareholders' preferential subscription rights)

The Shareholders' Meeting, acting in accordance with quorum and majority requirements for Extraordinary Shareholders' Meetings, having considered the board of directors' report and the Statutory Auditors' special report, and in accordance with article L.225-135-1 of the French Commercial Code:

- hereby resolves to authorize the board of directors, for a period of 26 months from this Shareholders' Meeting, with the power to grant subdelegations of authority, to decide that, for each of the issues authorized under and pursuant to the Fourteenth and Sixteenth Resolutions adopted by this Shareholders' Meeting, the number of ordinary shares and securities to be issued may be increased by the board of directors on the terms and conditions of law and regulations and up to the limit of the maximum amounts set forth in the Fourteenth and Sixteenth Resolutions, respectively, adopted by this Shareholders' Meeting;
- hereby resolves that the board may not, without prior authorization of the Shareholders' Meeting, use this authorization during any period in which a third party has filed a public tender for the Company's shares, starting from the filing date until the tender's expiration date;
- hereby takes note that the board of directors shall have full authority to implement and give effect to this authorization;
- hereby resolves that this authorization supersedes the Thirteenth Resolution of the Extraordinary Meeting of April 25, 2013 for the amounts not used by the board of directors.

### EIGHTEENTH RESOLUTION (Authorization to the board of directors to increase the share capital within a limit of 9.8% of the share capital for the purpose of paying for contributions in kind)

The Shareholders' Meeting, acting in accordance with quorum and majority requirements for extraordinary meetings, having considered the board of directors' report and the Statutory Auditors' special report, and in accordance with article L.225-147 of the French Commercial Code:

- hereby resolves to grant to the board of directors the authority necessary to undertake one or more capital increases, on the report of the contribution Auditor, within a limit of 9.8% of the share capital for the purpose of paying for contributions in kind made to the Company and consisting of equity securities or securities carrying the right to acquire shares, when article L.225-148 does not apply;
- hereby resolves that, in any event, the amount of the capital increases made under and pursuant to this resolution shall be charged against the maximum amount of capital increases of EUR230 million set forth in the Sixteenth Resolution of this Shareholders' Meeting;
- hereby resolves that the board of directors shall have full authority, with the power to grant subdelegations of authority, to



implement and give effect to this authorization, in particular for the purpose of:

- determining any and all terms and conditions of the authorized transactions and especially appraising the value of the contributions as well as granting particular benefits, as the case may be,
- fixing the number of shares or securities to be issued as consideration and payment for the contributions, as well as the effective date of the securities to be issued,
- making any charge against contribution premiums and, in particular, those with respect to costs, fees, and expenses incurred in connection with undertaking the issues,
- recording the capital increases resulting therefrom and amending the Company's by-laws accordingly,
- generally taking any and all measures that may be useful and enter into any and all agreements, undertake and carry out any and all formalities required for admission of the shares to trading and undertaking and carrying out any and all required publication measures and formalities,
- hereby resolves that the board of directors may not, without prior authorization of the Shareholders' Meeting, use this authorization during any period in which a third party has filed a public tender for the Company's shares, starting from the filing date until the tender's expiration date,
- hereby resolves that this authorization supersedes the Fourteenth Resolution of the Extraordinary Meeting of April 25, 2013 for the amounts not used by the board of directors,
- hereby resolves to fix at 26 months the period of validity of this authorization starting from this Shareholders' Meeting.

**NINETEENTH RESOLUTION  
(Authorization to the board of directors to undertake, through an offering as set forth in Section II of article L.411-2 of the French Monetary and Financial Code, with cancellation of shareholders' preferential subscription rights, a capital increase up to a nominal amount of EUR115 million (i.e., 4.9% of capital) by issuing ordinary shares or any and all securities convertible into shares of the Company or any of its subsidiaries, the issue price of which shall be decided by the board of directors in accordance with terms and conditions determined by the Shareholders' Meeting)**

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements of extraordinary meetings, having heard the board of directors' report and the Statutory Auditors' special report, and in accordance with articles L.225-129 to L.225-129-6, L.225-135, L.225-136, L.228-91 to L.228-93 of the French Commercial Code and Section II of article L.411-2 of the French Monetary and Financial Code:

- hereby resolves to authorize the board of directors, with the power to grant subdelegations of authority, to undertake a capital increase, through an offering as set forth in Section II of article L.411-2 of the French Monetary and Financial Code, on one or more occasions, and with cancellation of shareholders' preemptive rights, in the proportion and at the times that it shall deem appropriate, in France and/or outside France, either in euros or any other currency or unit of account determined by reference to several currencies, through the issue of ordinary

shares or securities governed by articles L.228-91 et seq of the French Commercial Code that give access by any means, immediately or in the future, to ordinary shares of the Company or a company in which it directly or indirectly owns more than half of the capital, provided that (a) the purchase of such shares and other securities may be made either in cash or by offsetting receivables and, (b) the shares issued confer the same rights as existing shares subject to their effective date;

- hereby resolves that the aggregate amount of capital increases that may be carried out immediately and/or in the future on the basis of this resolution shall not exceed a nominal amount of EUR115 million (i.e., 4.9% of capital at December 31, 2014), to which shall be added, in accordance with the law and contractual provisions providing for other cases of adjustment, the additional number of shares to be issued to protect the rights of the holders of securities convertible into shares of the Company, options to subscribe for or purchase shares, or free or performance shares, provided that the amount of EUR115 million shall be charged against the overall limit of EUR230 million for capital increases set by the Sixteenth Resolution and against the overall limit of EUR800 million for capital increases set by the Fourteenth Resolution of this Shareholders' Meeting;
- hereby resolves to cancel shareholders' preferential subscription right to the securities contemplated in this resolution;
- hereby takes note that this authorization shall constitute automatically and *ipso jure* a 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 preferential right to subscribe for ordinary shares of the Company which such securities carry the right to acquire;
- hereby resolves to authorize the board of directors, as provided in article L.225-136 of the French Commercial Code, to waive the terms and conditions for setting the price provided under applicable laws and regulations at the time the authority granted under and pursuant to this resolution is used and to freely set the price of the ordinary shares or any and all securities convertible into shares, provided, however, that the issue price shall not, at the discretion of the board of directors, be less than:
  - (i) the weighted average of the trading prices of the shares on the Euronext Paris over a maximum period of six months preceding the date on which the issue price is set, or
  - (ii) the average price weighted by volumes on the regulated market of the Euronext Paris on the day before the issue price is set;

or possibly less, and in both cases, with a maximum discount of 5%.

- hereby resolves that, if the subscriptions do not take up the total amount of the issue of shares or securities, the board of directors may limit the issue to the amount of the subscriptions under the terms and conditions provided by law applicable at the time this authorization is used;
- hereby resolves that the board of directors may not, without prior authorization of the Shareholders' Meeting, use this authorization during any period in which a third party has filed a public tender for the Company's shares, starting from the filing date until the tender's expiration date;
- hereby resolves that this authorization supersedes the Fifteenth Resolution of the Extraordinary Meeting of April 25, 2013 for the amounts not used by the board of directors;
- hereby resolves to fix at 26 months the period of validity of this authorization starting from this Shareholders' 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 shareholders' preferential 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, for a period of twenty-six months from and after the date of this 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, that (i) such limit shall be charged against the limits set forth in the Fourteenth and Sixteenth Resolutions approved at the Shareholders' Meeting of May 6, 2014 and (ii) this authorization may be used only from and after June 24, 2015;
- 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 Euronext Paris during the twenty trading sessions preceding the date of the decision of the board of directors or of its authorized representative setting the date to begin taking subscriptions. The Shareholders' Meeting, 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, in particular to take account of the laws 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' preferential 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 preferential 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 June 24, 2015, the authorization given by the Shareholders' Meeting of May 6, 2014 in its Twentieth 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 to the board of directors to undertake capital increases reserved to a class of beneficiaries or recipients: in favor of employees of foreign companies of the Group, either directly, or via entities acting on behalf thereof 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 rights)**

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 et L.228-92 *et 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 Shareholders' 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 below, provided, however that (i) the 1% limit set forth above shall be charged against the 2% limit set forth in the Twentieth Resolution of this Shareholders' Meeting, but, which on the other hand is separate and apart from the limits set forth in the Fourteenth and Sixteenth Resolutions approved at the Shareholders' Meeting, (ii) this authorization may be used only from and after August 1, 2015;
- hereby resolve to waive the shareholders' preferential right to subscribe for and acquire the shares or other securities carrying the right to acquire shares issued under and pursuant to this Resolution and to reserve the right to subscribe therefore to one and/or another class of beneficiaries or recipients having the following characteristics: (i) employees and officers of companies of Schneider Electric Group affiliated with the Company on the terms and conditions set forth in article L.225-180 of the French commercial 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 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, and pursuant to this resolution shall be set by the board of directors on the basis of the trading price of the Company's shares on Euronext 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 Shareholders' Meeting; the board of directors may set the issue price 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 paragraph, 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 to them, paying the paid-in capital, or nominal amount, delivery and effectiveness of the shares and equity securities, within 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 proper 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, 2015 the authorization given by the Shareholders' Meeting of May 6, 2014 in its Twenty-first Resolution for its amounts not used by the board of directors.

The authorization granted under and pursuant to this Resolution shall be valid for eighteen months from and after this Shareholders' Meeting.

**TWENTY-SECOND RESOLUTION  
(Authorization to the board of directors to cancel shares of the Company bought back on the terms and conditions approved at the Shareholders' Meeting, if any, up to a maximum of 10% of the share capital,)**

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary meetings, having heard the board of directors' report and the Statutory Auditors' special report, hereby authorizes the board of directors, as provided in article L.225-209 of the French Commercial Code, to cancel the Company's own shares acquired under and pursuant to authorizations granted by the Shareholders' Meeting in accordance with article L.225-209 of the French Commercial Code, under the following terms and conditions:

- the board of directors shall be, and hereby is, authorized to cancel at its discretion, on one or more occasions over a 24-month period from and after this Shareholders' Meeting, all or a portion of the shares acquired under and pursuant to the authorizations to buy back the Company's own shares up to a limit of 10% of the share capital and to make corresponding reductions in the share capital in the amount thereof;
- the difference between the purchase price of the cancelled shares and the nominal, or paid-in capital, value thereof shall be charged against the issue premiums thereof and, if necessary, against the legal reserve up to an amount equal to 10% of the cancelled share capital;
- the board of directors shall, and hereby does, have any and all necessary authority, with the power to grant subdelegations of authority, to set the terms and conditions of such cancellation(s), to carry out and undertake any and all actions, formalities, statements and declarations for the purpose of cancelling the shares and making the capital reductions final and amending the Company's by-laws accordingly.

This authorization shall be valid for 24 months from and after this Shareholders' Meeting.

### **TWENTY-THIRD RESOLUTION (Amendment to article 13 of the Company's by-laws)**

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements of extraordinary meetings, having considered the board of directors' report, resolves to amend article 13 of the Company's by-laws, in order to insert the following legal provisions on regulated agreements:

- A new paragraph 5 has is inserted which reads: "*In accordance with article L.229-7 of the French Commercial Code, the rules*

*set forth in articles L.225-38 to L.225-42-1 of said Code concerning regulated agreements subject to prior approval of the board of directors are applicable to the Company.*"

- The 5th and 6th paragraphs of this article in its present form are renumbered accordingly as follows: 6th and 7th paragraphs.

The other provisions of article 13 and the Company's by-laws remain unchanged.

A copy of Schneider Electric SE's by-laws is attached to the draft resolutions of this meeting.

## **Ordinary Meeting**

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### **TWENTY-FOURTH RESOLUTION (Powers for formalities)**

The Shareholders' Meeting confers full powers upon the bearer of a copy or excerpts of the minutes confirming these resolutions for purposes of accomplishing all legal and administrative formalities.



## Appendix

### **ARTICLE 13 OF THE COMPANY'S ARTICLES OF ASSOCIATION**

#### **Text before amendment proposed to the Annual Shareholder's Meeting of April 21, 2015**

##### **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 Annual 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 grant special authority to one or more Directors or to any other third party, who may, but need not, be a shareholder, to perform one or more specific tasks, with, or without, the power 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 described in Article L.813-29 of the Code of Commerce, the Board of Directors may appoint from among its members one or more specialized committees, the membership and responsibilities of which it shall determine, which operate 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.

#### **Text at the end of the Annual Shareholder's Meeting of April 21, 2015 if the amendment proposed is adopted**

##### **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 Annual 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 grant special authority to one or more Directors or to any other third party, who may, but need not, be a shareholder, to perform one or more specific tasks, with, or without, the power 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 accordance with Article L. 229-7 of the Commercial Code, the regulations outlined in Articles L. 225-38 to L. 225-42-1 of the said code, in relation to the regulated agreements subjected to prior authorization of the Board of Director, are applicable to the Company.

6. In addition to the specialized committee described in Article L.813-29 of the Code of Commerce, the Board of Directors may appoint from among its members one or more specialized committees, the membership and responsibilities of which it shall determine, which operate under the supervision of the Board of Directors. Each committee shall report its missions at the next board meeting.

7. The board of directors shall adopt its own rules of procedure governing its operation.

# 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 December 31, 2013 contained an observation resulting from the application from January 1, 2013 of IAS 19 revised « Employee Benefits ».

The statutory auditors' report on the financial statements for the period ended December 31, 2014 contains an observation referring to the change in accounting standards related to pension obligation.

Executed on March 19, 2015

The Chairman and CEO  
of Schneider Electric SE  
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, 2012, registered with Autorité des Marchés Financiers (AMF) under number D13-0196 on March 21, 2013;
- the consolidated financial statements and corresponding Auditors' reports provided in Chapter 5 of the registration document for the ended December 31, 2013, registered with Autorité des Marchés Financiers (AMF) under number D14-0175 on March 20, 2014;
- 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 annual company financial statements and corresponding Auditors' reports provided in Chapter 6 of the registration document for the ended December 31, 2013, registered with Autorité des Marchés Financiers (AMF) under number D14-0175 on March 20, 2014;
- the business review provided in Chapter 4 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, 2013, registered with Autorité des Marchés Financiers (AMF) under number D14-0175 on March 20, 2014.

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
<b>Statutory auditors</b>		
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
<b>Alternate Auditors</b>		
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

<b>April 21, 2015</b>	Shareholders' Annual Meeting (Paris)
<b>May 6, 2015</b>	Dividend payment

## Financial releases

<b>February 19, 2015</b>	2014 Annual Results
<b>April 21, 2015</b>	Q1 2015 Sales
<b>July 29, 2015</b>	Half Year Results
<b>October 29, 2015</b>	Q3 2015 Sales

### Investors Relations:

**Anthony Song**

Tel. +33 (0)1 41 39 60 84

Fax +33 (0)1 41 29 71 42

### Press Contact:

**Véronique Roquet Montegon**

Tel. +33 (0)1 41 29 70 76

Fax +33 (0)1 41 29 88 14

[www.schneider-electric.com](http://www.schneider-electric.com)



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Schneider Electric SE

Headquarters:

35, rue Joseph Monier - CS 30323

F-92506 Reuil-Malmaison Cedex (France)

Tél. : +33 (0) 1 41 29 70 00

Fax : +33 (0) 1 41 29 71 00

[www.schneider-electric.com](http://www.schneider-electric.com)

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