2017 Integrated report

SUSTAINABILITY

A clear vision for the future.

Sustainability is driving growth
in Shenzen, China's greenest city.

schneider-electric.com

Life Is On | Schneider Electric

DJSI World and Europe
Second place in our industry

CDP Climate A list
"A" rating for the
7th consecutive year

1st in our industry
Vigeo Eiris Industry Leader
Oekom Industry Leader
MSCI Industry Leader

Performance recognized

Ethisphere
One of the 135 most ethical companies
for the 8th consecutive year

Carbon Clean 200 list
Ranked 3rd company in the world
based on revenues in support
of the energy transition

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About this report

Who:
This report aims to initiate a dialogue with all our stakeholders about our strategy to create and share value.

What:
This integrated report presents a global vision of Schneider Electric in its environment, its value creation strategy, business model and governance. It includes the main key performance indicators and presents relations with its stakeholders and the significant achievements of the year.

How:
This report is based on the principles of integrated thinking and the framework proposed by the IIRC (International Integrated Reporting Council). The Group also uses the Global Reporting Initiative (GRI), the United Nations' Global Compact and the ISO 26000 norm, which are international standards for reporting and information.

Why:
This report forms part of a proactive approach toward dialogue and progress and is an extension of our Planet & Society barometer, which since 2005 has guided our commitments when it comes to sustainable development.

When and where:
This report covers the fiscal year 2017 (January 1 to December 31, 2017) and Schneider Electric's entities consolidated in the financial scope. It is available in both French and English from April 2018.

Changes in this version:
The 2017 report reflects the evolution in Schneider Electric's business model in connexion with market trends. It presents Schneider Electric's fundamentals, which are grounded in a culture of innovation and partnership, and which enable the Group to put out a connected, integrated offer with proven added value for its customers.

@schneiderelec

FTSE4Good
FTSE4Good, Environmental Leaders, Environmental Opportunities and Energy Efficiency indices

Integrated Thinking Award
Winner of the Integrated Thinking Awards - Large Companies category

Newsweek Green Ranking
12th greenest company in the world

by our stakeholders

Global 100 most sustainable corporations
45th place

Carbon Clear (EcoAct)
Top company in the CAC40 in the fight against climate change

Editorial

" Schneider Electric innovates at every level to redefine energy management and automation in order to promote sustainable and shared growth. "

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

In 2017, we reached our main financial and operational targets, with a combined highest ever net income and free cash flow, and at the same time we surpassed the target set for our Planet & Society barometer, earning a score of 9.58/10.

We are seeking consistency across these performances, which attest to our conviction: the sustainable value created for and with each of our stakeholders helps to create value for our Group.

Through the promotion of energy efficiency in all our markets, we contribute to reducing the energy paradox: shrinking the human-generated carbon footprint while providing better access to energy. Our integrated offer of market-leading solutions tailored to customer needs promotes the transition to smart electrical systems, and more digital, decarbonized and decentralized energy while ensuring the highest levels of safety, reliability, efficiency and comfort.

To succeed in this endeavor, Schneider Electric has built an open and global ecosystem of partners. Innovation and partnerships are key to our company's growth.

EcoStruxure™, our IoT-enabled, plug-and-play, open architecture, embodies our technological leadership and is a proven source of added value for our customers across all continents.
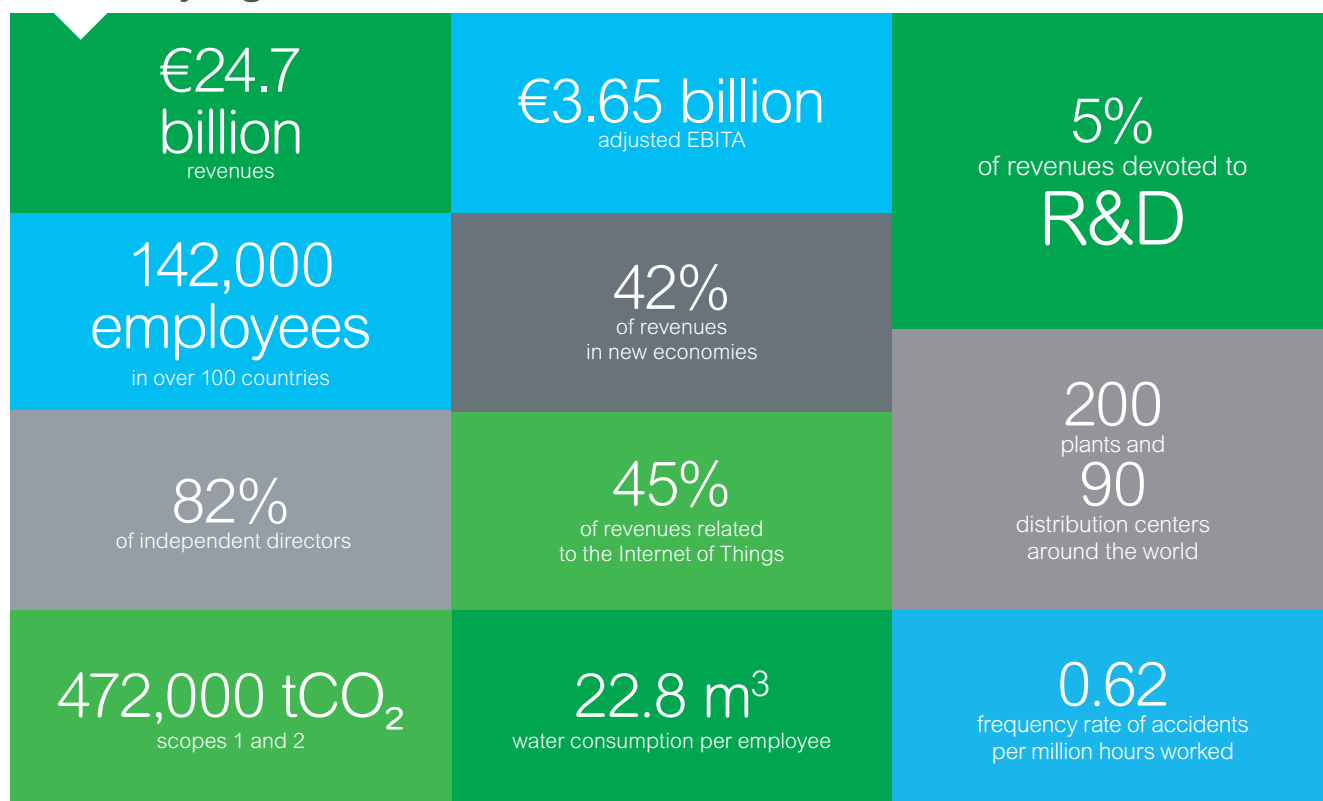
At Schneider Electric, there is a concrete connection between sustainability and business performance: our environmental strategy is central to all our actions and we believe that environmental performance and targets should be meticulously quantified. We are committed to concrete actions that narrow the energy gap. Our goal is to be carbon neutral by 2030 by lowering the carbon emissions of the Group sites and those of its industrial ecosystem, which encompasses suppliers and customers. Schneider Electric is also committed to a 100% renewable electricity supply, and it aims to double its energy productivity. The new barometer, called Schneider Sustainability Impact 2018-2020, allows us to take action and immediately engage in efforts to achieve these goals.

This is our vision of the new world of energy and our commitment to the energy transition, which we invite you to read about in this third Integrated report.
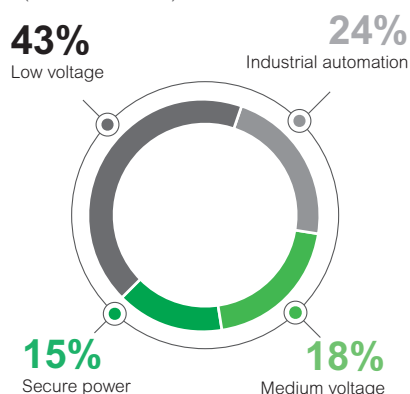
Our mission

As a leader in the digital transformation of energy management and automation, our mission is to ensure that Life Is On for everyone, everywhere, and at every moment. To this end, Schneider Electric offers integrated efficiency solutions tailored to its customers' needs, to provide more decarbonized, digital, decentralized and electric energy.
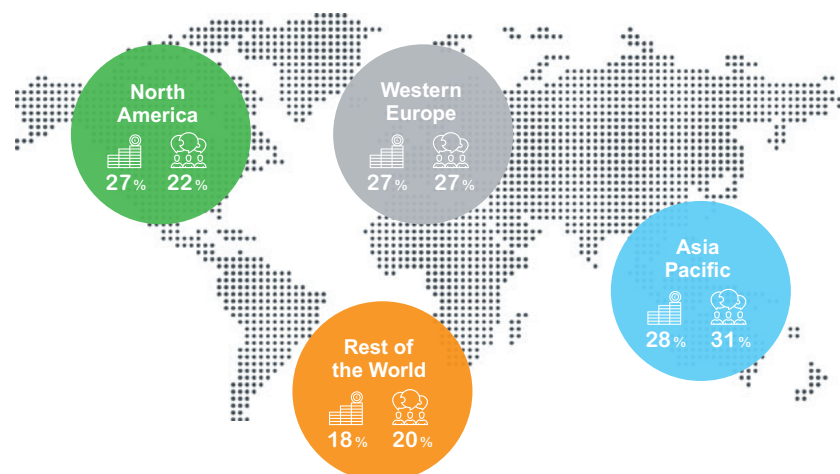
2017 Key figures

€24.7 billion
revenues

€3.65 billion
adjusted EBITA

5%
of revenues devoted to
R&D

142,000 employees
in over 100 countries

42%
of revenues
in new economies

200
plants and
90
distribution centers
around the world

82%
of independent directors

45%
of revenues related
to the Internet of Things

472,000 tCO$_2$
scopes 1 and 2

22.8 m³
water consumption per employee

0.62
frequency rate of accidents
per million hours worked

Four integrated and synergetic businesses
(2017 revenues)

43%
Low voltage

24%
Industrial automation

15%
Secure power

18%
Medium voltage

Balanced geographies
(2017 revenues)

North America 27% 22%

Western Europe 27% 27%

Asia Pacific 28% 31%

Rest of the World 18% 20%

Market trends creating opportunities

In an ever-changing energy landscape, Schneider Electric is leading the digital transformation of energy management and automation toward a more electric, digital, decarbonized and decentralized world. These trends continue to shape our lives. They are creating new challenges for all markets—challenges that constitute many new opportunities for Schneider Electric, from the growing needs in terms of automation and connectivity to the massive requirements for energy efficiency.

A world more... Electric

TREND	CHALLENGES FOR OUR CUSTOMERS	OPPORTUNITIES AND OUR RESPONSES	KEY FIGURE
Electricity is the main source of energy for modern development. Computers, modern devices and applications are all powered by electricity. Today, 2.3 billion people have either no access or unreliable access to electricity. Yet our world is becoming more electric, as electricity consumption forecast to increase by 60% by 2040, due especially to the rise in personal income and the continued urban migration in new economies. Electricity, an efficient and flexible source of energy, is the primary vector for decarbonization today, with renewable energies.	The demand side becomes the center of gravity of the new power system, creating a multitude of opportunities: • New energy paradigm • Need for infrastructure • Challenges in access to energy.	We have a unique set of energy management and automation technologies, strategically positioned on the demand side of the energy landscape: • Promotion of energy efficiency on all markets • Access to Energy program and rural electrification solutions.	In 2040, energy demand **will be double** today's energy demand.

A world more... Digital

TREND	CHALLENGES FOR OUR CUSTOMERS	OPPORTUNITIES AND OUR RESPONSES	KEY FIGURE
New technologies make our customers' life easier, increase their productivity and create disruptive business models. The Internet of Things (IoT) is transforming the way we live and work, our methods of resource management, industrial manufacturing and business management.	New technologies offer an opportunity to imagine energy in a radically different way, and they redefine our customers' industrial and commercial balance: • Search for increasingly smart products with open interfaces • Digitization of operations • New ways of working, especially with online platforms and tools. • Real-time access to information through improved and competitive IT capabilities • Complete digital experience expected by companies and their own suppliers.	The transformation in work methods and a desire to give our customers a unique digital experience drive us to constantly adjust to new technologies and leverage them to offer products and solutions with high added value: • Experience of digital, customized service from the design phase to operation and to maintenance • Strengthening of the industrial software offering, especially in operations management • Secure connectivity integrated into product offering so as to help customers benefit from the value of their data while preventing cyber attack risks.	In 2030, there will be **20 times more** connected things than connected people, and the Internet will connect more than 125 billion devices.

A world more... Decarbonized

TREND	**CHALLENGES FOR OUR CUSTOMERS**	**OPPORTUNITIES AND OUR RESPONSES**	**KEY FIGURE**
CO_2 emissions from energy represent around 55% of total greenhouse gas emissions. The ongoing energy transition involves the migration of the power sector toward a greater mix of renewable energies, which is stimulated by the rapid deployment and falling costs of clean energy technologies.	Demand for decarbonized energy solutions is rising. Energy efficiency is the cheapest solution to tackle the transition: • Global awareness of environmental and societal issues • Actions to address global warming • Increasingly competitive energy production costs.	We are responding to climate risk and the drastic change in energy production and consumption methods by offering our customers smart solutions that consume a smaller quantity of resources: • Automation solutions that help save up to 30% of a building's energy needs • Provision of IIoT (Industrial Internet of Things) solutions for the plants and machines domain • Reduction of the energy gap.	In 2040, **3 times more** energy efficiency will be needed to resolve the climate challenge.

A world more... Decentralized

TREND	**CHALLENGES FOR OUR CUSTOMERS**	**OPPORTUNITIES**	**KEY FIGURE**
While energy was centralized in the past, it can now be produced from resources that are available locally. Microgrids, distributed energy resources (DER) and energy storage allow consumers to produce their own energy and shift to a greener energy mix.	New power systems are emerging, and the rising demand for decarbonized, reliable and profitable energy solutions requires greater flexibility in order to integrate distributed energy generation: • Energy efficiency and reduced energy consumption • Need to adapt infrastructure and offers to the coexistence of diverse energy generation systems.	We are supporting the global digital and energy transition toward decentralized and intermittent renewable energy. In a highly competitive environment, we are developing a unique portfolio of products and solutions that will allow companies to adopt more sustainable and efficient energy profiles: • Solutions to digitally monitor and control demand • Development of microgrid solutions • Consulting on energy supply strategies.	In 2040, **70%** of new energy capacities in rural areas will come from renewable energies.

A strategy serving energy transition and digital transformation technologies

Schneider Electric's strategy addresses current market trends and new customer needs through six priorities.

A strategy in line with the new energy landscape

MORE...
ELECTRIC
DIGITAL
DECARBONIZED
DECENTRALIZED

1 Driving the world's digital energy transition

We drive the energy transition by providing products and solution for active energy management to homes, buildings, industrial plants, data centers, infrastructures and throughout remote communities. Our advanced digital solutions and services enable utilities and prosumers to efficiently operate in a decentralized environment.

2 The one full-liner in automation

We deliver complete IIoT (Industrial Internet of Things) solutions in process and hybrid manufacturing. As industries digitize, they can reach increased performance from their assets, operators and enterprise wide optimization.

3 Driving the digital transformation of customers and partners

We bring a comprehensive response to the challenges of digital transformation, across our domains and end user markets with our open EcoStruxure architecture.
We want to facilitate interaction between our partners, across the value chain, by bringing them on to one open platform and integrating them in to one digitally enabled ecosystem that will eliminate current inefficiencies.

4 Leveraging the opportunity from new economies

We continue to expand our presence in new economies as these present the biggest long term opportunity for growth. We respond to ever-growing energy, infrastructure, and industrialization needs through dedicated and localized offers.

5 Building differentiated and complementary business models

We advance both product, services, software and system business models to create new opportunities for customers, distributors, and direct partners as we work together to improve efficiency everywhere.

6 Investing in profitable and responsible while driving efficiency

We believe in the high and long-term growth potential of our business and continuously invests to drive sustainable growth and operational efficiency.

Our commitments and objectives

2017

The implementation of Schneider Electric's strategic priorities is accompanied by tangible, ambitious commitments to manage the Group's transformation on a daily basis and strive for growth that will be sustainable over the long term. By identifying and tracking financial and non-financial targets, the Group is playing a role in tackling the energy challenge of its ecosystem while achieving greater operational efficiency and delivering an attractive return. At Schneider Electric, there is a concrete connection between sustainability and business performance. Consequently, we are establishing a growth strategy that is compatible with the climate and our planet.

Outcome of the 2015–2017 Planet & Society barometer

The Planet & Society barometer has been Schneider Electric's sustainability transformation plan and steering tool since 2005. Schneider Electric identifies specific three-year targets and measures its results every quarter. In achieving a score of 9.58/10, the Planet & Society barometer ended the 2015–2017 period above its target of 9/10. 12 out of 16 indicators met or surpassed their target for 2015–2017.

2018 2020

Climate

80% renewable electricity

10% CO_2 efficiency in transportation

100 million metric tons avoided CO_2 on our customers' end thanks to our EcoStruxure offers

25% increase in turnover for our Energy & Sustainability Services

Focus on our financial objectives

Initiatives	Indicators and objectives across the economic cycle	Results 2016	Results 2017
Average organic revenue growth	3% to 6% across the cycle	-0.9%	+3.2%
Adjusted EBITA	Margin between 13% and 17% of revenues	14.3%	14.8%
Cash conversion	~100% of net profit converted into free cash flow	118%	105%
ROCE	Between 11% and 15%	10.7%	12%
Dividend	Payout ~50% of net income	c. 54%	c. 52%
Capital structure	Retain a strong investment grade credit rating	A-	A-/BBB+

With revenues up in 2017, our sales accelerated, boosted by the delivery of complete solutions of efficiency and productivity, leveraging the strength of our focused portfolio in energy management and industrial automation and the adoption of EcoStruxure™ as the platform of integration and collaboration. We also benefitted from the launch of a high number of new products and digital services on the market, and from accelerated cross-selling. Finally, we kept working on our portfolio and reinforced our presence in energy management with Asco Power, and strengthened in software by combining our industrial software business with AVEVA.

IN 2018, THE GROUP TARGETS:
- **Strong organic growth of Adjusted EBITA in 2018, around the high-end of the +4% to +7% bracket earlier communicated as the average yearly objective for 2017-2019**
- **Organic top line growth between +3% to +5%**
- **An organic Adjusted EBITA margin expansion toward the upper end of the +20bps to +50bps range targeted as yearly average improvement for 2017-2019**

2018 – 2020

SCHNEIDER SUSTAINABILITY IMPACT

Thanks to the 2015–2017 barometer results that exceeded expectations, we were able to launch a broader, more ambitious Schneider Sustainability Impact with 21 strong commitments to achieve by 2020. These commitments contribute to the United Nations' Sustainable Development Goals and our 2025, 2030 and 2050 targets.

Circular Economy

75% of sales under our new Green Premium program

200 sites labeled toward zero waste to landfill

100% cardboard and pallets for transport packing from recycled or certified sources

100,000 metric tons of avoided primary resource consumption through EcoFit™, recycling and take-back programs

Health & Equity

70% scored in our Employee Engagement Index

1 medical incident per million hours worked

90% of employees have access to a comprehensive well-being at work program

100% of employees are working in countries that have fully deployed our Family Leave policy

100% of workers received 12 hours of learning in the year with 30% digital learning

90% of white collar have individual development plans

95% of employees are working in a country with commitment and process in place to achieve gender pay equity

Ethics

5 pts /100 increase in average score of ISO 26000 assessment for our strategic suppliers

300 suppliers under Human Rights & Environment vigilance received specific on-site assessment

100% of sales, procurement, and finance employees trained every year on anti-corruption

Development

x4 turnover of our Access to Energy program

350,000 underprivileged people trained in energy management

12,000 volunteering days thanks to our VolunteerIn global platform

Our 2025 targets

- Facilitate access to lighting and communication with low carbon solutions for 50 million underprivileged people (2009–2025)
- Train 1 million underprivileged people worldwide in energy management (2009–2025)
- Support 10,000 entrepreneurs in underprivileged countries (2017-2025)
- Eliminate SF6 from Schneider Electric products (2015–2025)
- Invest €10 billion in innovation and R&D for sustainability in 10 years (2015–2025)

Our 2030 targets

Our mission contributes to keeping global warming under the critical 2°C by simultaneously targeting energy efficiency and operational efficiency, and guaranteeing access to energy as a fundamental human right. Hence we are committed to providing innovative solutions to resolve the energy paradox. Our goal is to achieve carbon neutrality by 2030.

- Use 100% renewable electricity in our energy mix (2018–2030)
- Continue our energy consumption reduction initiated in 2005 on Group sites by doubling our energy productivity (2005–2030)
- Use 100% of packaging from recycled or certified sources (2018–2030)
- Recover 100% of our industrial waste by 2030 (2015–2030)

Our 2050 target

- Cut our CO_2 emissions by more than 50% in absolute terms from 2015 levels by 2050

A portfolio of integrated and digital solutions to increase our customers' efficiency

Schneider Electric is committed to global improvement in connectivity, sustainability, efficiency, reliability and safety in 5 places: in homes, buildings, data centers, infrastructure and industries. We provide integrated efficiency solutions, combining energy management, automation and software, and we develop synergies between our core businesses to offer increasing value to our customers. We are the undisputed leader in medium voltage, low voltage and secure power management, and in automation systems.

Our businesses' commitment to the energy transition

Energy management

- Electrical transformation and distribution
- Measurement and control of consumption and energy quality
- Energy security

Automation

- Management of uses (lighting, air conditioning, heating)
- Automation, control and supervision of processes
- Control and supervision of machinery

Software

- Creation and management of smart grids
- Digitization of operations
- Control and optimization of the efficiency of operations and energy, on-site or remotely, in buildings, industry and data centers

Our products and solutions (2017 revenues)

Our products and solutions improve the energy and economic performance of facilities while conserving resources to create a more sustainable world. We draw on our portfolio, which is backed up by our unique, integrated EcoStruxure™ approach and specialized sales force, to maximize synergies and the Group's value proposition.

ENERGY MANAGEMENT	INDUSTRIAL AUTOMATION

18%
Medium voltage

Medium voltage and grid automation
N°1 worldwide

- Medium voltage electrical distribution products and solutions

- Electrical grid automation and protection solutions

- Integrated management software for sensitive mission infrastructure

43%
Low voltage

Low voltage and building automation
N°1 worldwide

- Low voltage electrical distribution products and solutions

- Building comfort and energy efficiency

15%
Secure power

Secure energy, cooling & services
N°1 worldwide

- Products and solutions for critical buildings (hospitals, industries, etc.) guaranteeing the continuity and quality of the electrical supply

24%
Industrial automation

Discrete industrial and machine automation
N°2 worldwide

- Comprehensive automation and control solutions and products for machinery, production plants and industrial sites

Process automation
N°4 worldwide

- Distributed control, instrumentation and security systems

- Software for the management of industrial operations, modeling/simulation and asset management

Our fundamentals:
innovation and partnerships

A growth driver, the culture of innovation and partnership is central to Schneider Electric's technological leadership and its ability to adapt to the changes in ecosystems and customer needs. In our global ecosystem, we collaborate with the largest existing partner, integrator and developer community on our EcoStruxure™ open platform in order to deliver real-time control and operational efficiency. Today, EcoStruxure™ is the epitome of our model, leveraging technological advances to offer innovation at every level.
Furthermore, the culture of partnership, imbuing the entire Company and with all our stakeholders, is a source of 360° innovation, for all our ways of operating.

EcoStruxure™, a unique platform to support the digital transformation

From sensors to services, our approach that is grounded in innovation at every level boosts energy and operational efficiency by harnessing the true business value of the advances unlocked by the Internet of Things (IoT). Schneider Electric's long history in digital innovation helps its customers flourish in the digital economy through the EcoStruxure™ platform and the strong digital customer experience offered by the Group.
The interoperable and open EcoStruxure™ technology platform combines our three areas of expertise: energy, automation and software.

Our aim: enable IoT solutions to connect to one another transparently and to collect, analyze and take action on data in real time, and thus offer improved safety, efficiency, reliability, connectivity and sustainability.
This advance opens the doors of the digital world to users so they can access key end markets and be more competitive in the IoT economy.

The EcoStruxure™ technology platform is a way to design and operate connected systems in a scalable way by bringing together three tiers of innovation.
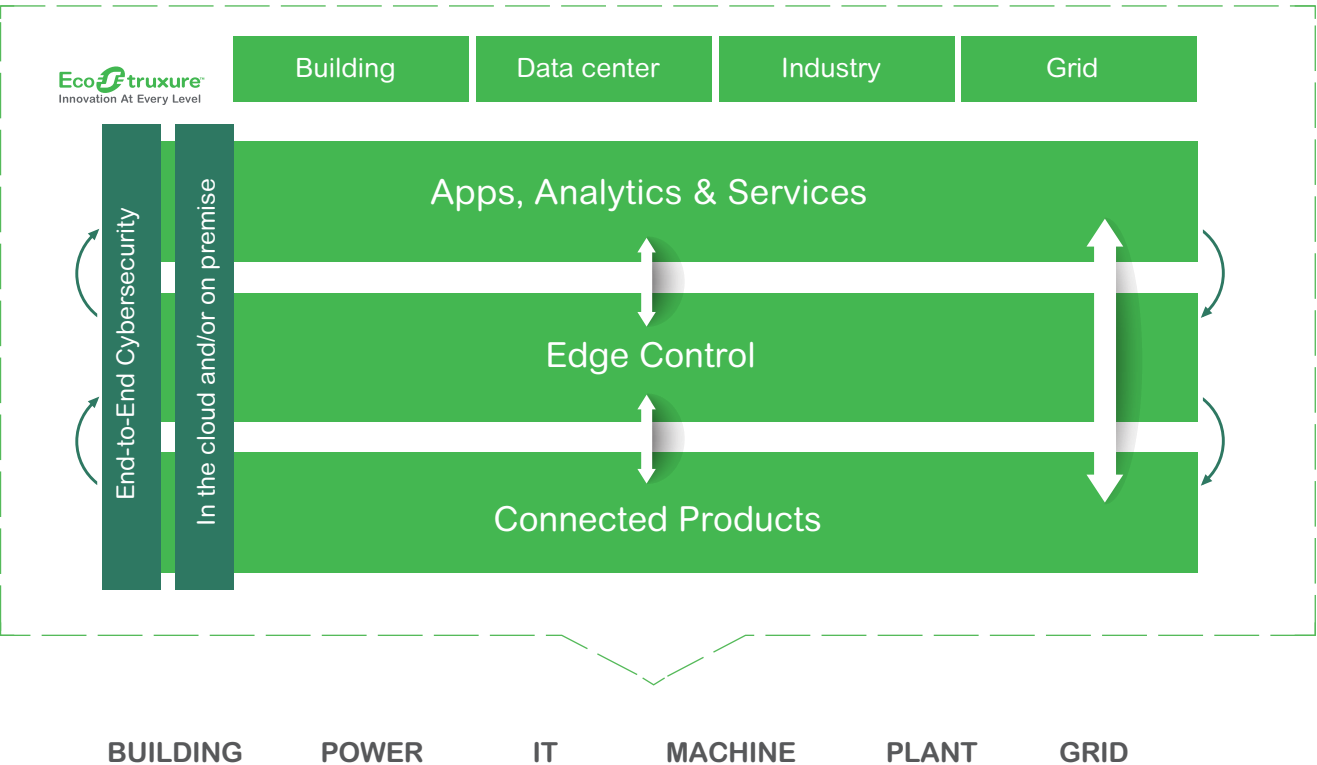
Concrete solutions adapted to all our markets

	Building	**Data center**	**Industry**	**Grid**

EcoStruxure™ Innovation At Every Level

Apps, Analytics & Services

EcoStruxure Building Advisor
Leverage predictive technology solutions and data to increase energy savings and improve reliability

EcoStruxure Asset Advisor
Anticipate and address issues before they become critical incidents with this 24/7, data-driven, predictive service

Manufacturing Execution System (MES)
Benefit from sustainable manufacturing operations, delivering unprecedented gains in productivity and efficiency

EcoStruxure ADMS
Become a next-generation energy provider by enabling safer, more reliable, and efficient power management

Edge Control

EcoStruxure Building Operation and software
Integrate monitoring, control, and management and improve operations with data collection and analysis

EcoStruxure IT Expert
Gain visibility and monitoring from anywhere with one-tap access direct from any computer or mobile device

Modicon M580 PLC controller
Drive productivity and boost performance with the first PLC with built-in, cybersecure Ethernet capabilities

EcoStruxure Substation Operation
Enable re-thinking the design, operation, and maintenance of electrical installations

Connected Products

Masterpact MTZ air circuit breaker
Improve performance, power uptime, reliability, and efficiency via new digital capabilities

Galaxy VX 3-phase UPS
Protect the uptime of large facilities, data centers, and business-critical application with this scalable UPS

Altivar Process variable speed drive
Reduce OpEx and drive energy savings with this services oriented drive designed for process and utilities installations

Easergy T300 remote terminal unit for feeder automation
Control and monitor with a single solution, from a pole-top device to a large MV / MV or MV / LV substation

2017 Key figure

480,000

EcoStruxure™ systems deployed since 2007 with the support of our 20,000 system integrators and developers.

Tangible benefits for our customers

EcoStruxure™ enables Schneider Electric, its partners, and end-customers to develop scalable and convergent IT/OT (information technology / operation technology) solutions that:

- maximize energy efficiency and sustainability through smarter systems and real-time, data-driven decisions;
- optimize asset availability and performance through predictive analysis and proactive maintenance;
- enable smart, productive, profitable operations through reduction of waste and downtime;

- provide mobile insight and proactive risk mitigation through simulation, situational awareness and digitization;
- foster innovation and interoperability through development and partnerships with leading standards organizations and best-in-class technology leaders.

EcoStruxure™ Innovation At Every Level for **Building**	EcoStruxure™ Innovation At Every Level for **Data Center**	EcoStruxure™ Innovation At Every Level for **Industry**	EcoStruxure™ Innovation At Every Level for **Grid**
Future-ready hospital, USA	**Integrated Data Center, China**	**Baosteel: The world's leading modern steel joint venture, China**	**City of Milford: Weather-proof Microgrid, USA**
Projected CAPEX **Savings up to 5%**	**60%** reduction in maintenance breakdown	**Up to 30%** improvement on productivity	**50%** greater energy efficiency for electricity & heat generation
Flexible and upgradable through next 15-20 years	Automated operation for quantifiable efficiency gains	Cost savings of over **20 personnel**	**15-30%** reduction in energy spending
Improved patient experience	Migrating to Integrated, Intelligent & Digital experience		

2017 Key figures

1 out of 3 buildings in the world uses our technology	**1 out of 5 homes** is equipped with Schneider Electric products (in our top 18 countries)	**36,000** water and wastewater installations in 120 countries use EcoStruxure™	**40%** of the hospitals throughout the world are equipped with our technology

From the business partnership to a culture of dialogue with all our stakeholders

An open, global ecosystem of partners

Built on an interoperable platform and on open standards, EcoStruxure™ is based on strategic partners seeking to increase the architecture's impact and adoption and is supported by an EcoStruxure™ community made up of more than 20,000 developers and system integrators.

In its global ecosystem, Schneider Electric has developed the most extensive distribution and direct partner network of its business sector, and it can work with this network to create or co-create solutions and applications that can be deployed flexibly. Working with a wide range of partners, such as distributors, system integrators, contractors, panel builders, electricians, machine manufacturers and others, as well as with its end customers, the Group manages multiple access channels that enable it to further deploy its solutions

as close as possible to the needs of its markets. This network helps provide real-time monitoring and operational efficiency while guaranteeing the right conditions for developing locally managed projects and growing local economies.

Dialog with clearly identified stakeholders

Convinced that the ability to connect to its ecosystem is a source of innovation, value creation and sustainable growth, Schneider Electric gives top priority to engagement with its stakeholders in its transformation and societal transition process.

Schneider Electric engages in open, ongoing dialog with each of its stakeholders, at all levels of the Company — in particular, in every department and business line.

The diagram opposite is an overview of sector stakeholders proposed in France by Gimélec[1], the French trade association for electrical equipment, automation and related services.

Integrated report 2017
Our value creation

(1) Source: CSR Sector Reporting Guide, 2017.
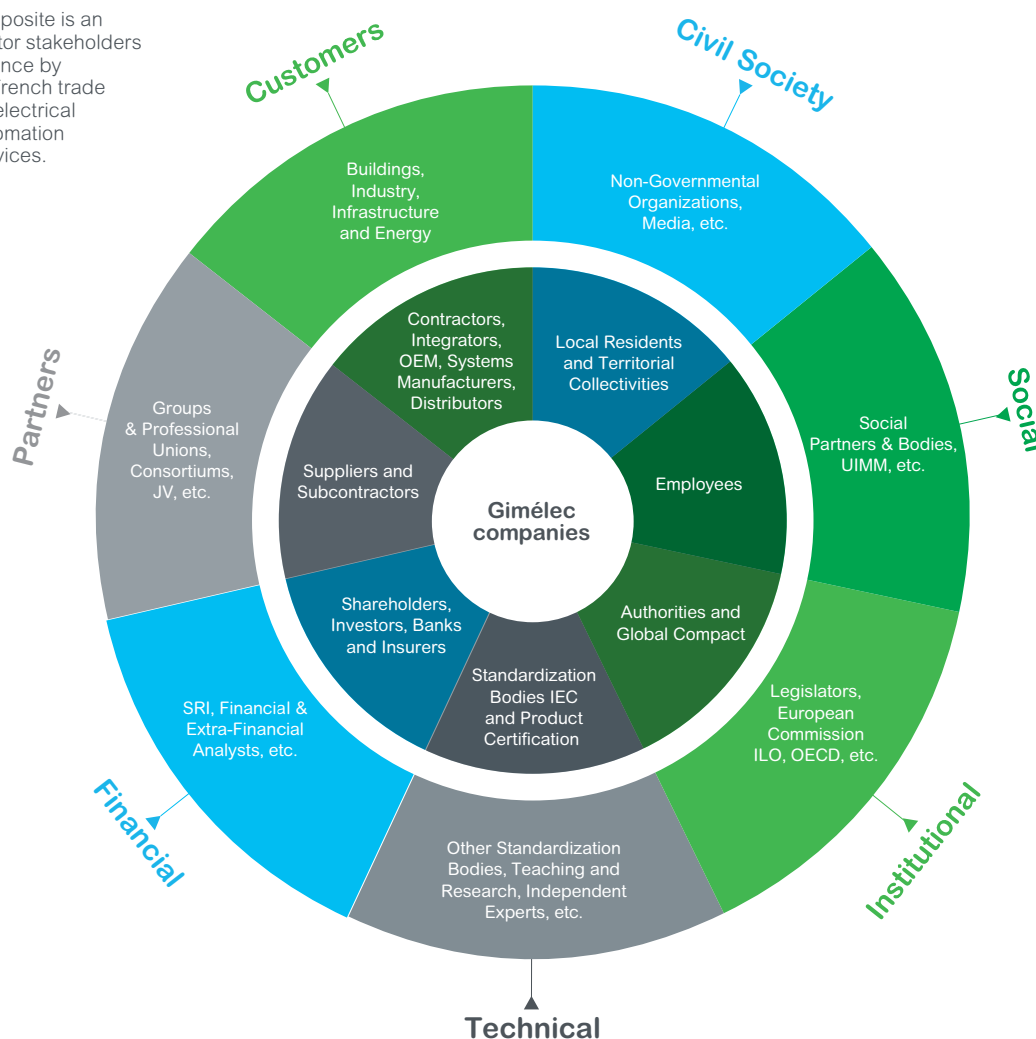
A new materiality matrix

In 2017, as part of the preparation of its future 2018–2020 Schneider Sustainability Impact, Schneider Electric revamped its materiality analysis[1], by surveying external stakeholders (customers, suppliers, international organizations, unions, experts, shareholders, members of the board of directors, etc.) and Group senior executives and managers (business lines, countries, central functions and chairmanship of the European Committee).

Participants were asked to assess the importance of each issue according to a quantitative rating scale, and were then interviewed for a qualitative assessment and justification of the scores given. These interviews also gave Schneider Electric an opportunity to consolidate its relationship with its stakeholders and learn about their expectations.

Six issues were identified as crucial: human rights and duty of vigilance, occupational safety and access to care, privacy and data security, business integrity, carbon neutrality, and consumer health and safety.

The Registration Document 2017, the Group's commitments for climate and finally the Schneider Sustainability Impact 2018-2020 cover all these priority topics through Group policies, progress plans, indicators, and short or long term goals.
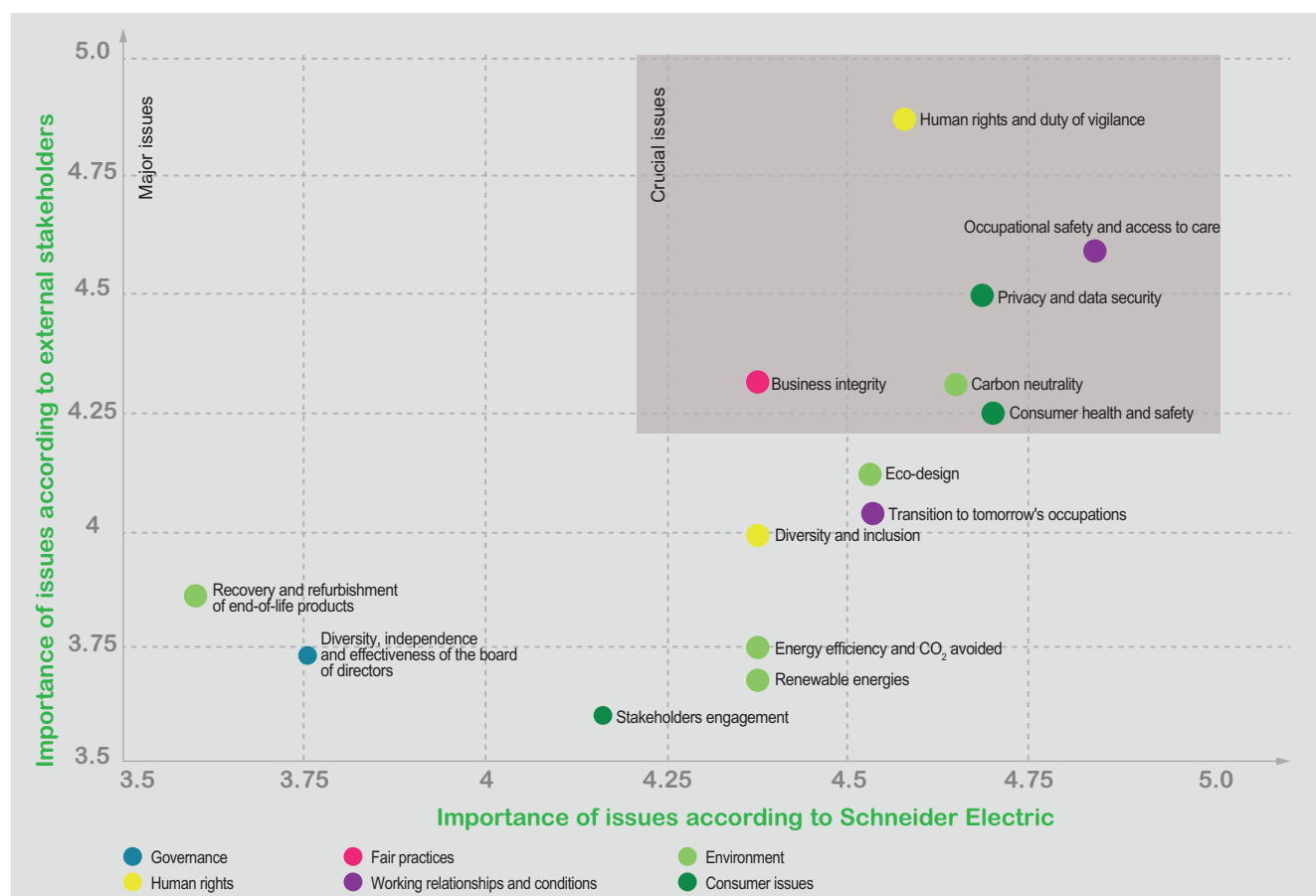
Integrated report 2017 – Our business model
Registration Document 2017 - Chapter 2 - Section 1.1

Sustainability performance Website - Materiality Matrix
for the matrix in its entirety and more information on methodology

Registration Document 2017 - Chapter 1 - Section 7 for more information
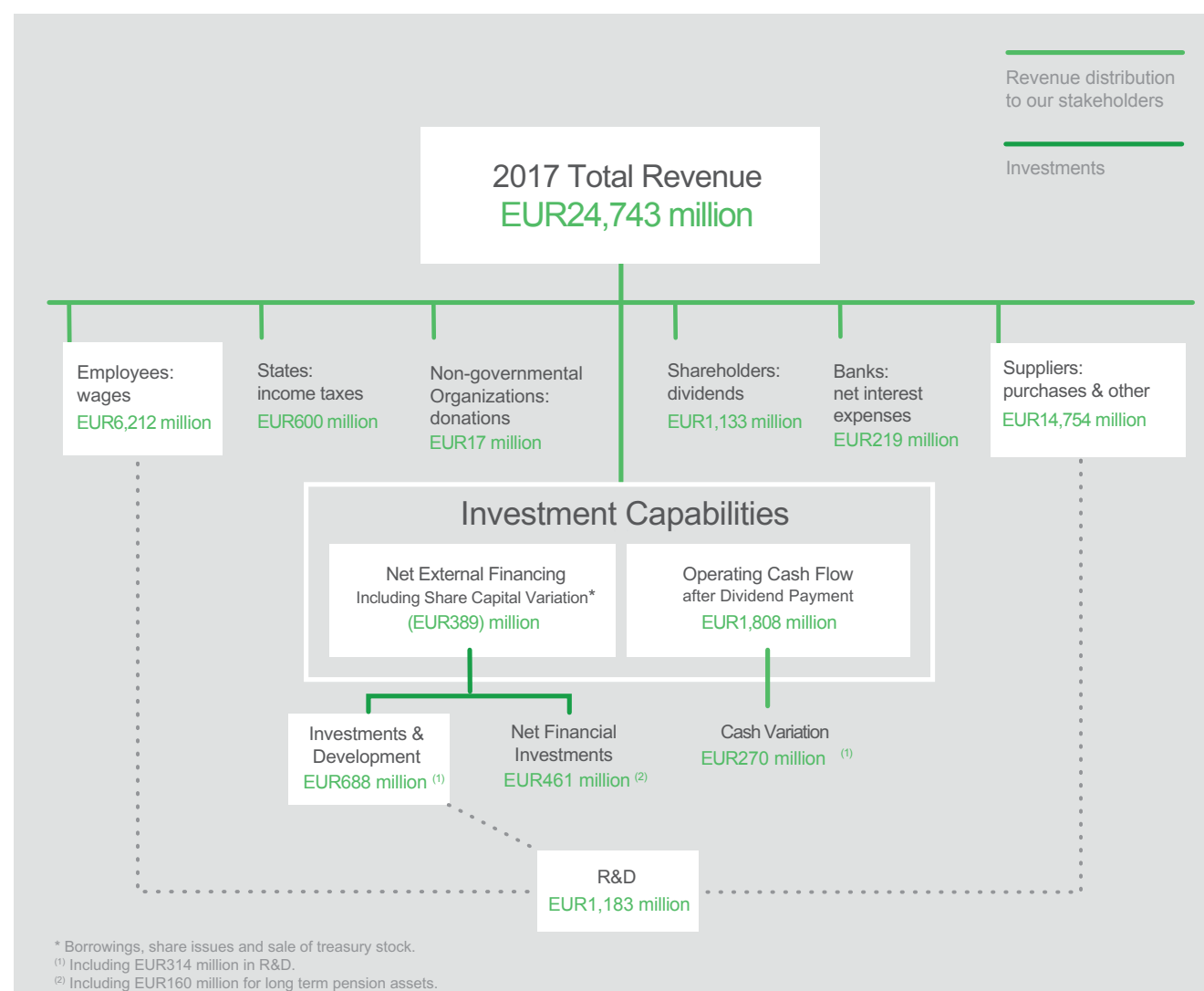on our risk factors

[1] Definition based on the AA1000 assurance standard materiality principle and the GRI standards.

Toward sustainable and responsible growth, shared with our stakeholders

Our role is to make sure that Life Is On for everyone, everywhere, and at every moment: the value created for each of our stakeholders helps to create value for our Group by combining economic, financial and non-financial performance. We promote a balanced approach of sharing value by distributing the fruits of our growth to all our stakeholders while investing in order to ensure the Group's durability.

Schneider Electric's plan for society is to take action to limit global warming to 2°C and reduce the energy gap, following an ethical, responsible approach. At Schneider Electric, we are convinced that better climate means better economy.

Every year for the last 12 years, Schneider Electric has published a diagram to show its revenue distribution. This exercise allows to highlight the importance of each stakeholder from the point of view of financial flows and shows their share in these flows.

Revenue distribution to our stakeholders

Investments

2017 Total Revenue
EUR24,743 million

Employees: wages	States: income taxes	Non-governmental Organizations: donations	Shareholders: dividends	Banks: net interest expenses	Suppliers: purchases & other
EUR6,212 million	EUR600 million	EUR17 million	EUR1,133 million	EUR219 million	EUR14,754 million

Investment Capabilities

Net External Financing Including Share Capital Variation*	Operating Cash Flow after Dividend Payment
(EUR389) million	EUR1,808 million

Investments & Development	Net Financial Investments	Cash Variation
EUR688 million [1]	EUR461 million [2]	EUR270 million [1]

R&D
EUR1,183 million

* Borrowings, share issues and sale of treasury stock.
[1] Including EUR314 million in R&D.
[2] Including EUR160 million for long term pension assets.

Planet

| COMMITMENTS AND PRIORITIES OF SCHNEIDER ELECTRIC | VALUE CREATED FOR THE PLANET | KEY FACTS |

Schneider Electric is committed to green growth by acting in line with the principles of sustainability in respect of current and future generations. Schneider Electric's response is to reduce its own impact and offer products, services and solutions that help its customers reduce their consumption of energy and natural resources and their CO_2 emissions. Schneider Electric's solutions are directly related to mitigation, adaptation and resilience to climate change.

- **Carbon neutrality commitment for Schneider Electric's extended supply chain by 2030 and more than 50% reduction in CO_2 emissions by 2050**
- **Clear environmental strategy by 2020** identifying 15 high-priority initiatives combined with corresponding targets in six areas: CO_2 and resources, greener supply chain, waste as worth, green attributes to our customers, circular economy awnd governance
- **Improved energy and environmental performance of our customers** through our product and solution offers
- **Schneider Energy Action flagship program** for the continuous reduction of energy consumption at Group sites
- Support **of Aster Capital fund for innovative start-ups** specializing in energy, mobility and the environment

- **Signature by Schneider Electric of the Science-based targets initiative** to support the commitment to carbon neutrality in 2030 in its value chain and ecosystem
- Consolidation of a global partnership with **Global Footprint Network** on the resource footprint
- Aster is taking a stance as the **largest venture capital fund dedicated to the energy transition,** having raised €240 million in 2017
- **100% of our products in R&D are ecodesigned in keeping with our ecoDesign Way approach**, a methodology that measures improvement in: impact on climate change, particularly CO_2 footprint; consumption of raw materials; reduction in toxic chemical substances; energy efficiency; product "serviceability" (repair, recycling, reuse, etc.); circularity enabling end-of-life recycling; and product packaging

10.3% reduction on average of our carbon footprint from logistics in 2015–2017 compared with 2014

2017 Key figures

N°3 company in the world for energy transition on the Carbon Clean 200 List

12th greenest company on the Newsweek Global Green Ranking

On the CDP's Climate A list for the last 7 years

Recycling or reuse of **94%** of our industrial waste

168,400 metric tons of CO_2 avoided since 2015 thanks to product reconditioning, repair and maintenance

Employees

| **COMMITMENTS AND PRIORITIES OF SCHNEIDER ELECTRIC** | **VALUE CREATED FOR EMPLOYEES** | **KEY FACTS** |

Schneider Electric's people are critical to its success. 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. When our customers come to us, we want to provide them with the best professionals in their field, able to understand their needs.

- **New global family leave policy** beginning in 2017: in all countries, fully paid parental leave (primary and secondary), care leave (for sick/elderly people) and bereavement leave for the death of a close family member
- **Global employee well-being program and the Well-Being Labs initiative** to educate employees through a range of promotional events and workshops at the local and worldwide levels
- **Training culture: the My Learning Link** global education platform, which incorporates online trainings and seminars, social network training, group courses, assessment and complete certification programs
- **Women in leadership**, a program to support women's professional development, from which more than 600 women have benefited
- **Inclusive culture** where contributions from different sources are used and where inclusion practices and policies are in place
- **Operating gender pay equity plan** in all countries

- **Administration of the OneVoice satisfaction and engagement survey:** this tool, which assesses employee engagement and measures motivation factors such as diversity, training, well-being, etc., helps identify key areas of improvement. The results are analyzed by country and by unit, and there are follow-up feedback sessions in order to continue the dialogue and devise corresponding action plans
- **Rollout of well-being training**: a program of global webinars focused on raising awareness about well-being, learning about and practicing mindfulness, recognizing stress and exhaustion, nutrition, the role of sleep in promoting optimal performance, attentiveness at work, etc.

2017 Key figures

80% response rate on the OneVoice survey designed to measure employee satisfaction

More than **1,000** workshops have been held in 52 countries since the Well-Being Labs program started

30,000+ employees have completed a training since the well-being program was launched

92% of employees completed at least seven hours of training during the year

On LinkedIn's list of **Global Top Companies**

15th on Glassdoor's list of Best Places to Work in France

Aon award Best Employers in India

One of the top 10 most attractive employers according to Randstad in Australia

End customers

| COMMITMENTS AND PRIORITIES OF SCHNEIDER ELECTRIC | VALUE CREATED FOR END CUSTOMERS | KEY FACTS |

Our mission is to serve our customers by developing innovative products and solutions that simplify the lives of those who use them. We bring together our expertise and solutions to drive new possibilities for efficiency and savings and to offer our customers safe, reliable, efficient, sustainable and connected energy.
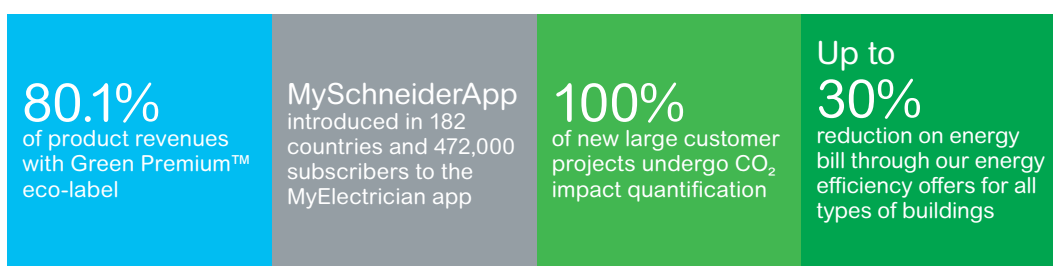
- **Large-scale deployment of IoT (Internet of Things) solutions** by EcoStruxure™, which offers greater value in terms of safety, reliability, efficiency, sustainability and connectivity for the Group's markets
- Synergies and cross-selling between our business segments
- Global education platform offering online training programs to Schneider Electric customers; deployment of the **Partner Relationship Management (PRM)** customer relations platform in 10 countries
- **A dedicated program for multi-site and/or global OEMs** (equipment manufacturers) that enhances their ability to offer superior solutions on an international scale
- Special organization for the **89 international customers** that are categorized as "strategic accounts" based on the "preferred supplier contracts," and exclusive customer support

- Schneider Electric, winner of the **Customer Innovation of the Year award** at SCM World's Power of the Profession Awards ceremony
- **Innovative Green Premium™ eco-label**: applying to €11.1 billion in product revenues, in 2017 this label underwent further innovations, such as new functions on the MySchneiderApp, with even easier 24/7 access to digitized environmental information for 150,000 SKUs
- **Quantification of CO_2 improvements**: a tool that helps to calculate CO_2 impacts and savings on major customer projects, and to establish relevant strategies for using the CO_2 calculator commercially

2017 Key figures

80.1% of product revenues with Green Premium™ eco-label	**MySchneiderApp** introduced in 182 countries and 472,000 subscribers to the MyElectrician app	**100%** of new large customer projects undergo CO_2 impact quantification	Up to **30%** reduction on energy bill through our energy efficiency offers for all types of buildings

Intermediary customers

| COMMITMENTS AND PRIORITIES OF SCHNEIDER ELECTRIC | VALUE CREATED FOR INTERMEDIARY CUSTOMERS | KEY FACTS |

A large portion of Schneider Electric's sales (nearly 40%) is made through intermediaries such as distributors, systems integrators, contractors and purchasing advisors, who all bring added value and know-how.

The Group is perpetually striving to improve the value it offers them and to boost operational efficiency while improving the safety and security of the operators and the environment. Customer relations are an important differentiating factor, so every customer relationship with Schneider Electric must be a positive, satisfying experience in terms of reception, attentiveness and responsiveness to needs.

- **Policy of close collaboration with distributors** in terms of supply chain improvement, technical training, support services and joint marketing initiatives, guaranteeing the performance of the distribution network

- Provision of a **suite of digital tools** known as Building Life Management to help electricians and DIY stores keep up with the fast pace of changes in residential solutions and technologies

- Sharing of expertise through the **EcoXpert program**, which aims to establish preferred partnerships with contractors that specialize in energy efficiency and renewable energy solutions and services

- **Support** of electricians in order to achieve greater efficiency through a series of trainings, technical assistance and digital tools such as the "My Schneider Electric" application

- **Market leader for advanced electrical distribution management systems by Gartner's Magic Quadrant**: the ADMS (Advanced Distribution Management Systems), electrical distribution network unified management platforms, provide the operators of these networks with numerous capabilities (surveillance, analysis of network performances, incident management, etc.). They are central to the strategy of electrical distributors to optimize the operation of their networks by improving their functioning, speeding up their deployment and reducing operating costs

2017 Key figures

More than
2,000 companies in 30 countries, including more than 300 in France, have been awarded the EcoXpert label since 2011

More than **100** products launched in 2017

75 electricity distributors equipped by Schneider Electric, serving 70 million customers around the world

Suppliers

| COMMITMENTS AND PRIORITIES OF SCHNEIDER ELECTRIC | VALUE CREATED FOR SUPPLIERS | KEY FACTS |

Developing long-term relationships with our suppliers is just as important as developing sustainability. We believe that neither party can accomplish anything without the other. Schneider Electric seeks to continually improve the capacity and response time of its supply chain while boosting its economic and ecological efficiency. The Group has also committed to an ambitious approach that aims to incorporate sustainability issues into the process of selecting and working with its suppliers.

- Rollout of the "**Purchasing Excellence System**" to involve suppliers in the supply chain in order to enhance customer satisfaction
- **Digitization of the supply chain**, capitalizing on new technologies in order to offer new capabilities and increased responsiveness
- Continuous improvement approach for suppliers in terms of sustainable development according to **ISO 26000**
- Co-construction of innovative, integrated offerings in partnership with R&D teams and the option to take part in the **Open Innovation program**

- **Global, integrated supply chain**, including more than 200 plants and over 90 distribution centers in 45 countries, which manage 500,000 products and process 140,000 reporting lines per day
- **Schneider Electric's supply chain ranked 7th in Europe by Gartner** and 17th in the world, up 15 and 49 positions respectively in two years
- **Initiatives of the Tailored Supply Chain 4.0**
- Appointment of a **project manager** at the Global Procurement level as part of the **supplier vigilance plan**
- New professional alert system **GreenLine** open to all stakeholders, including suppliers, as part of the supplier vigilance plan

2017 Key figures

| About **30%** of sustainable development criteria are considered when selecting suppliers | **88%** of strategic suppliers aligned with ISO 26000, representing more than 97% of purchases from these suppliers in volume | **358 audits** conducted on site to select new suppliers |

Civil Society

| COMMITMENTS AND PRIORITIES OF SCHNEIDER ELECTRIC | VALUE CREATED FOR CIVIL SOCIETY | KEY FACTS |

We want to be an eco-citizen company and responsible employer. In new economies, we favor solutions that provide clean and reliable energy to the 1.2 billion people who lack access to electricity. In mature economies, we address the hundreds of millions of people living in fuel poverty. Schneider Electric has always been committed to playing an active role in the economic development of the communities in which it operates.

- **The Access to Energy program**, which endeavors to reduce the energy gap so as to improve the daily lives of inhabitants leaving in regions suffering from energy poverty; our efforts center on offers and economic models for the electrification of villages and for domestic needs, two investment funds to provide local support for innovative entrepreneurship in energy, and training to address the shortage of local skills
- Creation of **VolunteerIn**, a multilingual digital platform that includes the Schneider Electric Teachers NGO, which encourages current and retired employees to serve as volunteer teachers and vocational trainers
- Signature of a memorandum of understanding in India with the **National Skill Development Corporation** to create 100 training centers for electricians and a center of excellence to train trainers in electricity, renewables and automation

- **Villaya Agri-Business small solar power plant**, inspired by the MiCROSOL project, to supply eight solar power plants in the eight member states of the West African Economic and Monetary Union (WAEMU)
- **Second Social Innovation to Tackle Fuel Poverty call for projects** on the occasion of COP23, as part of the partnership between Ashoka and the Schneider Electric Foundation—under the aegis of Fondation de France—to support social entrepreneurs
- **New vocational training center** for energy jobs in Abidjan
- Partnership with the General Council of the Selesian Congregation to **fund five initiatives for renewables and sustainable development**

2017 Key figures

| Access to Energy program revenues **2.1 X** higher compared to in 2014 | **148,145** underprivileged people trained in energy management since 2009 | **1,347** missions within Schneider Electric Teachers NGO since 2012 | **300** mentoring hours over three months for the 15 Ashoka/Schneider Electric Foundation winners | More than **500** entrepreneurs supported in many countries (Egypt, Vietnam, Cameroon, etc.) |

Financial partners

| COMMITMENTS AND PRIORITIES OF SCHNEIDER ELECTRIC | VALUE CREATED FOR FINANCIAL PARTNERS | KEY FACTS |

Schneider Electric aims to create attractive shareholder value over the coming years, grounded in an efficient, stable model. Profitable growth is a central priority. We are committed to maintaining a close relationship with our shareholders.

- **Objective of continuing operating margin growth** through two levers, organic growth of revenues and organic improvement in the adjusted EBITA margin; target of 4% to 7% average annual organic growth in the adjusted EBITA over 2017–2019

- Significant attention devoted to the Group's **operational efficiency**, through initiatives in simplification, industrial productivity, and increased selectivity on projects tied to the Medium Voltage business

- Balanced performance between **financial and non-financial indicator**s

- Portfolio optimization to **reinforce our core business**

- Attractive return for our shareholders thanks to a **progressive dividend policy** without a decrease from one year to the next

- Deepening of **relations with our shareholders and investors** so as to better communicate our strategy and expertise

- 9% **organic growth** in adjusted EBITA; 3.2% organic growth in revenues; 90 bps organic improvement in the adjusted EBITA margin

- +€1.9 billion gross **productivity** achieved, surpassing the target of €1.7 to €1.8 billion over 3 years; 130 bps organic improvement in the margin of the Medium Voltage business

- The Planet & Society barometer surpassed the target of 9/10; **non-financial performance** recognized: 5th company worldwide with the most SRI funds in its capital (365 funds) according to Ipreo (SRI Leaders Index Fall 2017)

- Disposal of DTN; acquisition of Asco Power in Low Voltage; combination of our industrial software businesses with Aveva to create a **global leader**

- **Dividend** of €2.20 per share offered, up 8%; share buyback plan under way for an amount of €1 billion over 2017–2019

- **Investor day** dedicated to digital technology, shareholder information, site visits, conference on China, webinar on our dividend policy, etc. All the content is posted on our website

2017 Key figures

Organic growth of	14.8%	Record cash conversion rate with free cash flow of	Proposed dividend of €2.20,
+3.2%	adjusted EBITA margin, an organic improvement of +90 bps	**€2.25** billion and solid cash conversion of 105%	up by **8%**

Institutions and technical bodies

| COMMITMENTS AND PRIORITIES OF SCHNEIDER ELECTRIC | VALUE CREATED FOR INSTITUTIONS AND TECHNICAL BODIES | KEY FACTS |

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, and – at the sectoral level – with technical bodies.

- Active participation in **public debate**, particularly on climate change issues, during COP23, the One Planet Summit and the French Business Climate Pledge
- Group's commitment to helping to **accomplish the 17 Sustainable Development Goals** (SDGs), a universal call to action by the United Nations to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030
- **Advanced Level of the Global Compact,** which the Group signed in 2002; Jean-Pascal Tricoire, Chairman and CEO of Schneider Electric, has been serving as Chairman of Global Compact France since 2013
- Participation of 700 experts in national and international **standardization bodies**
- Contribution to **scientific research** and involvement with **academic chairs** and business associations

- **Chairmanship of the Smart Energy Grid coordination group of CEN-CENELEC-ETSI** (European Committee for Standardization – European Committee for Electrotechnical Standardization – European Telecommunications Standards Institute) to ensure the availability of a suitable set of standards for the development of smart grids in Europe
- **Accession to the Energy Productivity 100** (EP100) and **Renewable Energy 100** (RE100) initiatives of the Climate Group
- **Partnership to become a delivery partner of Sustainable Energy for All** (SE4All)
- Commitment to uphold the recommendations of the **Task Force on Climate-related Financial Disclosure (TCFD)**
- **Major contributor to smart manufacturing initiatives** such as the AIF (Alliance Industrie du Futur) in France
- **Member of the Council Board** and **Conformity Assessment Board of the IEC**
- **Member of the board of the AIOTI** (Alliance for Internet of Things Innovation) **European initiative**

2017 Key figures

5% of **revenues** invested in R&D

20 000+ patents active or in application

Between now and 2019, as part of the European Commission's Circular Economy package, CEN-CENELEC-ETSI will develop a set of standards covering repairability, reuse, recycling, refurbishment, etc., of products which fall within the scope of the Eco-design directive; Schneider Electric has appointed experts in each of the working groups.

Mobilized governance for sustainable and responsible growth

Schneider Electric's governance is a driving force in promoting the dynamic of sustainable growth. The Group depends on a competent, engaged board of directors to determine and implement the Group's strategy, in order to adapt to the challenges of an ever-changing world of energy. Schneider Electric makes responsibility and ethics central to its action, and it ensures that it applies a balanced compensation policy that promotes short-, medium- and long-term value creation.

Ethics: a fundamental value at Schneider Electric

Schneider Electric believes that its responsibility extends beyond compliance with local and international regulations and as such it is committed to doing business ethically, sustainably and responsibly. Human rights, the duty of vigilance and business integrity are among the material issues identified by the Group's stakeholders in 2017.

Ethics at every level

Extending up to the highest levels in the company, our Principles of Responsibility are at the root of our commitment and apply to all employees and entities around the world. Driven by Group values, the Responsibility & Ethics Dynamics program forms the basis of common references and processes. It provides employees with a method for asking themselves the right questions and turning to the right people, in accordance with a detailed examination process and an alert procedure so they can be guided to the proper bodies by:

1 **Contacting their manager**

2 **or: using existing internal departments (legal, financial, HR, environment, etc.)**

3 **or: contacting the Group Fraud Committee via the professional alert system (accessible via Internet or multilingual telephone line)**

The deployment of our Principles of Responsibility is accompanied by a mandatory online training module and regular training and education actions.

The program is based on the implementation of an organization including:

Executive Level	Executive Committee	
	Strategic	**Operational**
Corporate Level	Responsability & Ethics Committee	Fraud Committee
	Define, explain & communicate the rules	Detect & manage non compliance
Zone Level	Principles of Responsability Advisers	Compliance Officers
	Awareness Enablers	Investigation Enablers

Vigilance plan

Schneider Electric is committed to implementing a vigilance plan containing the reasonable vigilance measures to allow for risk identification and for the prevention of severe violations of human rights and fundamental freedoms, serious bodily injury, environmental damage, or health and safety risks resulting directly or indirectly from the operations of the company and of the companies it controls, as well as from the operations of the subcontractors or suppliers with whom it maintains an established commercial relationship.

Schneider Electric's vigilance plan relies on the following three pillars:

PILLAR 1
Suppliers and Subcontractors

Membership in the Responsible Business Alliance (RBA)

Suppliers risk mapping completed with an RBA third-party expert tool

Planning of prevention and control actions for these suppliers

PILLAR 2
Company and Subsidiaries

Revision, updating and digitization of the existing internal assessment on environment, health and safety for rollout in 2018

Launch of a specific forced labor prevention program

PILLAR 3
Customers

Implementation in 2018 of due diligences specific to the Group's customer projects activity

GreenLine

NEW PROFESSIONAL ALERT SYSTEM

Developed in 2017 and available online since early 2018 to all external stakeholders

DUTY OF VIGILANCE COMMITTEE

A dedicated internal governance body established in May 2017 to supervise the management of the plan, determine the measures to take and review measures already taken

In column 1, the completed risk mapping highlights the main exposed countries: China and India; and the main exposed activities: metal plates and connectors for production purchases, construction, and travel for indirect purchases. The prevention and control actions that emerged from this mapping go as far as on-site audits of the 300 highest-risk supplier sites (2018–2020).

Schneider Electric's commitment to respecting human rights

In 2011, the United Nations issued the Guiding Principles on Business and Human Rights that precisely defined the roles and responsibilities of States and businesses on that matter. With the new human rights policy approved by the Chairman and CEO in 2017, Schneider Electric affirms its commitment to fighting for all internationally recognized human rights, up and down its value chain.

Monitoring the anticorruption actions to reinforce the Group's commitments regarding business ethics and integrity

Schneider Electric enforces a zero-tolerance policy when it comes to corruption and other unethical business practices, and it believes that "doing things correctly" is a key factor in creating value for all its stakeholders.

Among the various anticorruption initiatives is a new online training module focusing on anticorruption actions that was developed in 2017 and will be rolled out in 2018. Schneider Electric aims to train 100% of sales, purchasing and financial functions on anticorruption every year with this new module.

Registration Document 2017 Chapter 2 - Sections 2.3; 2.4; 2.5; 2.6; 2.7.

2017 Key facts

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

New Anticorruption policy rolled out in 2017, supplemented by an Anticorruption Code of Conduct

98.4% of entities passed the internal Ethics & Responsibility assessment by the end of 2017

259 ethics alerts reported through the R&ED Line in 2017: 46% of them concerned potential breaches of our code of conduct on financial matters; 35% related to potential cases of discrimination, harassment or unfair treatment; the remaining 19% related to potential violations of other company policies.

The board of directors, a key actor and a guide for the good governance of Schneider Electric

The board of directors is a collegial body mandated by all shareholders. It defines the Company's strategic focuses, appoints and revokes the executive officers, sets their compensation, selects the form of organization and governance (combination or segregation of the duties of Chairman and Chief Executive Officer reversible and revised on an annual basis), and monitors the management as well as the quality of information provided to shareholders and to the markets.

The board held eight meetings in 2017. The meetings lasted six hours on average with an average participation rate of directors of 90%. 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.

BOARD OF DIRECTORS

Jean-Pascal Tricoire
Chairman and CEO

Léo Apotheker
Vice-Chairman and independent lead director
- Ensures proper governance
- Helps prepare the agendas for the meetings of the board of directors
- Meets with shareholders
- Chairs executive sessions
- Manages the board's self-assessment

ACTIVITY OF THE BOARD IN 2017

CORPORATE GOVERNANCE:
ccomposition of the board and its committees - creation of a digital committee, unification of the functions of Chairman and CEO, succession plan for executive officers, board self-assessment, compensation of executive officers, long-term incentive plan

STRATEGY AND ITS IMPLEMENTATION:
follow-up on the execution of the strategic priorities, especially during the session Strategy in Mainland China and Hong Kong

ACTIVITY AND RESULTS:
business situation, financial statements, risk mapping, specific surveys, review of the Planet & Society barometer

ANNUAL SHAREHOLDERS' MEETING:
agenda, draft resolutions, report to the shareholders at the meeting, questions and answers to shareholders

FOUR STUDY COMMITTEES

WHOSE WORK HELPS INCREASE THE SUPERVISION AND QUALITY OF THE CONTROL BY THE DIRECTORS

Audit and Risk Committee

Activity in 2017

- Review of financial statements and financial information
- Risk management in line with a schedule prepared on the basis of the risk mapping
- Oversight of the internal audit and internal control
- Review of the statutory auditors' due diligence and their independence
- Review of the dividend distribution policy

Governance & Remuneration Committee

Activity in 2017

- Composition of the board and its committees
- Classification of the board members with regard to the independence criteria
- Method of exercising general management
- Review of the succession plan for corporate officers
- Compensation of corporate officers
- Presentation of the 2016 Say on Pay to the Annual Shareholders' Meeting
- Review of the amounts and distribution rules for attendance fees
- Onboarding and training program for new directors
- Supervision of the board of directors' assessment

Human Resources and CSR Committee

Activity in 2017

- Long-term incentive plan and annual performance share plan
- Review of the compensation, performance and succession plans for members of the Executive Committee
- Review of the talent attraction and retention policy
- Policy for male/female equal opportunities and compensation
- Assessment of the CSR policy including the new barometer called Schneider Sustainability Impact

Strategy Committee

Activity in 2017

- Preparation of board of directors' Strategy Session
- Determination of the subject matters related to organic growth
- Critical review of Group external growth projects and their alignment with the strategic priorities defined by the board of directors

2017 External assessment of the board of directors

In 2017, an external assessment of Schneider Electric's board of directors was conducted regarding its composition and mode of operation, as well as that of its committees. The assessment results showed unanimous positive feelings about both the composition and the mode of operation of the board and its committees.

Conclusions of the external assessment firm	
Board's strengths	**Points for improvement that have been remediated**
• Effective board of directors that has balanced governance • Diversified composition, productive and engaged committees • Open, transparent management	• Transformation of the Strategy Committee into an Investment Committee to focus on M&A transactions • Setting up of a formal comprehensive onboarding program for new directors • Systematic implementation of executive sessions at the end of each board meeting and inclusion of the succession plan on the agenda two to three times a year • Requested presence on the board of a French personality with an international stature • Continuation of the "refreshment" of the board of directors

A diverse shareholding structure reflecting substantial employee investment

5.9%
MFS Investment Management

5.5%
BlackRock, Inc

4.1%
Employees

6.6%
Treasury shares

77.9%
Public
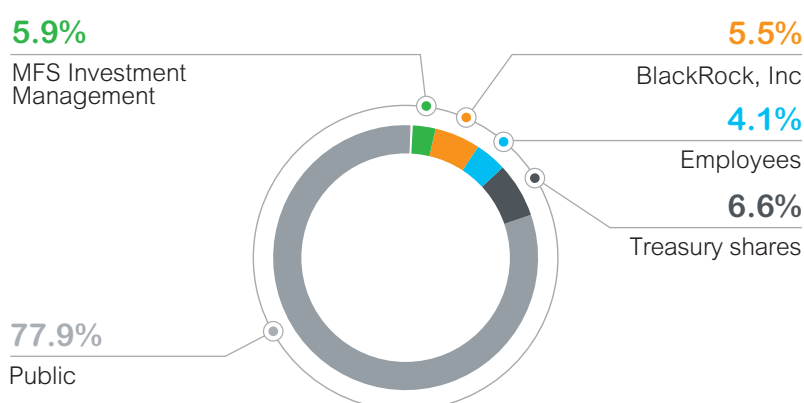
+ Registration Document 2017
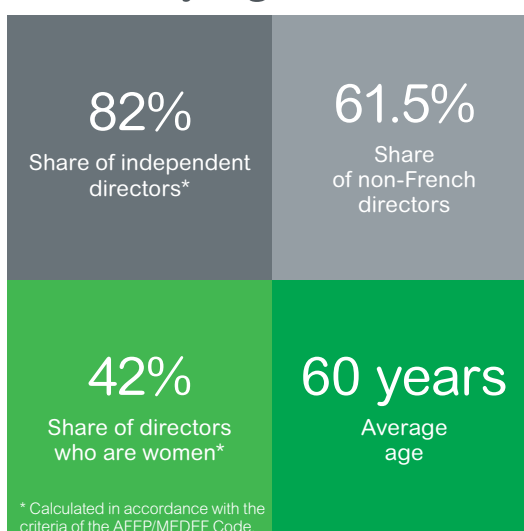Chapter 3 - Section 2

2017 Key facts

Appointment of the director representing employee shareholders	**Creation of the digital committee** The rules for the composition and mode of operation are outlined in the internal rules of the board of directors. The members will be appointed at the end of the Annual Shareholders' Meeting of April 24, 2018.

2017 Key figures

82% Share of independent directors*	61.5% Share of non-French directors
42% Share of directors who are women*	60 years Average age

* Calculated in accordance with the criteria of the AFEP/MEDEF Code.

Compensation of senior management and employees: criteria aligned with the strategy and sustainability

Through its compensation policy, Schneider Electric aims to recognize each employee's value creation as well as individual and collective performance, in connection with the Group's performance. Performance criteria related to sustainable development are, in particular, incorporated into the compensation of the senior management and employees.

Schneider Electric is committed to providing a competitive and inclusive 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. Wherever it operates, Schneider Electric is committed to guaranteeing the minimum wages set by local regulations. Where there is no such regulation or where the minimum wage is insufficient to meet basic needs, Schneider Electric strives to compensate its employees to meet them.

GENERAL PRINCIPLES OF THE GROUP'S COMPENSATION POLICY

Equity & Non-discrimination	Fairness	Pay for performance	Competitiveness

Pay equity	Sustainability criteria
Schneider Electric introduced a gender pay equity indicator that measures the percentage of employees working in countries where there is an operating gender pay equity plan and where corrective measures are in place. Schneider Electric uses a common global standard methodology to identify gender pay gaps within comparable groups of employees, and it uses a country driven approach to address gaps with appropriate corrective actions. In 2017, this analysis covered close to 89% of the global workforce.	Starting in 2011, criteria related to the Planet & Society barometer were included in the incentive targets of the Executive Committee and then in that of all global functions and all leaders of Schneider Electric, particularly the zone and Country Presidents, and the heads of central functions (e.g. Finance, HR, Business Development).

2017 Key facts

The compensation of corporate officers for 2017 was determined pursuant to the principles and criteria approved by more than 90% of shareholders at the 2017 Annual Shareholders' Meeting

Over the last 10 years, the actual compensation of Jean-Pascal Tricoire, Chairman and CEO, has consistently tracked the trend of shareholder returns in terms of share price and enterprise value

Compensation of corporate officers

The general principles underlying compensation policy for corporate officers and their individual analyses are reviewed by the Governance and remunerations committee, who make proposals to the board of directors.

Executive compensation set by the board of directors is aligned with the Group's global strategy and is based on three pillars divided into seven principles:

PAY FOR PERFORMANCE: To reward individual and collective performance by aligning the levels of compensation with the Group's results

1

PRINCIPLE 1 Prevalence of variable components: circa 80% for CEO and 75% for Deputy-CEO (at target)

PRINCIPLE 2 Performance evaluated via economic and measurable criteria

PRINCIPLE 3 Financial and sustainability & transformational objectives fairly balanced and distributed between short term (STIP) and medium term (LTIP) components

ALIGNMENT WITH SHAREHOLDERS' INTERESTS, via

2

PRINCIPLE 4 Overweight of shares as part of the overall compensation package

PRINCIPLE 5 Performance conditions aligned to shareholders' expectations

COMPETITIVENESS: To motivate and retain executives in a competitive international market

3

PRINCIPLE 6 To set the Corporate Officers' compensation package 'at target' in the median range of the Company's updated peer group

PRINCIPLE 7 To reference the CAC40 3rd quartile and the Stoxx Europe 50 median

The compensation and benefits due to Jean-Pascal Tricoire, Chairman and CEO, for fiscal year 2017 (presentation based on AFEP/MEDEF recommendation), without pension cash benefit, were €6,064,469.

Our other publications

2017-2018 Schneider Sustainability Report

→ Who
Customers, employees, journalists, general public, etc.

→ What
Our actions relating to strategy and sustainable development: you will find a lively presentation of our organization, featured business cases, testimonials by people inside and outside the Company, and our vision for the coming years.

→ Why
Our goal is to engage in a transparent, comprehensive and targeted conversation about our Company, including the voices of our internal and external stakeholders.

2017 Financial and Sustainable Development Annual Report

→ Who
Experts, investors, shareholders, national authorities.

→ What
Information regulated by the French Financial Market Authority (AMF), including the annual financial report, the board of directors' management report and financial statements and information about sustainable development and corporate governance.

→ Why
Provide a detailed snapshot of the Group's strategy, core businesses, governance, performance and strong commitment to sustainable development.

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