Access to energy in Nigeria and everywhere: Everyone deserves a seat at the table.

Financial and Sustainable Development Annual Report

Registration Document 2015

sdreport.schneider-electric.com

Life Is On | Schneider Electric

Annual Financial Report elements are clearly identified in this table of contents with the sign AFR

** This section constitutes the Chairman's report to the board of directors

Schneider Electric

Registration Document 2015

Annual Financial and Sustainable Development Report

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

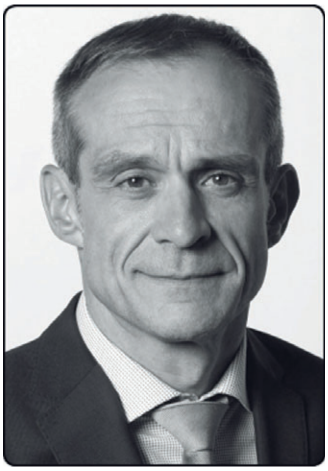
The Business and Sustainable Development Report is available at **www.schneider-electric.com**, Sustainable Development and Foundation section.

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This Registration Document was filed with the *Autorité des Marchés Financiers* (AMF) on March 17, 2016, 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 in a challenging environment

In 2015, we continued to demonstrate the robustness of our business model and delivered record high revenues and profit in a challenging environment complicated by the slowdown in China, and instability of several markets, catalyzed by the fall of oil and raw material prices. Nevertheless, our revenue reached a new level of EUR26.6 billion, a 6.8% increase. Our adjusted EBITA was EUR3.6 billion, up 5%, our adjusted net profit was up by 6%, and we delivered strong growth in cash flow up by 20%.

Our Buildings & Partner and IT businesses strengthened their global leadership and deliver solid results both in growth and profitability. Infrastructure business is turning the corner; improving its profitability by 50 bps. Industry is on track to recover its margin and shows a significant improvement in H2 despite headwinds from oil and gas and the impact of China nuclear ramp down.

In line with our commitments to our shareholders, we invested EUR0.6 billion on share buybacks in 2015, and propose to accelerate this program to a cumulated total of EUR1.5 billion over 2015-2016, and will propose a progressive dividend of EUR2 per share, an increase of 4%.

Our global footprint and balanced exposure to four markets continue to be a strong resilience asset: Western Europe resumes growth; New Economies outside China are up by 4%, as well as U.S. construction markets. Our growth initiatives are well executed, achieving good results in a difficult market: Services and Industrial software deliver growth higher than group average across all businesses, respectively up by +7% for revenues and +6% in orders.

The 2nd year of Invensys integration is a success. We confirm complementarities and synergies with our Industry and Infrastructure businesses. We have strengthened our leadership position in operation management software with franchise like Wonderware, Advantis, SimSci, Oasis, Citec and StruxureWare. All synergies delivering are on track. The success of this integration demonstrates our capability to bring on board new entities and drive value from acquisitions.

2015 is also a year in which we strengthen the foundations of our businesses. We focus by disposing of several non-core assets such as Juno, Telvent Global Services, the IT service of Telvent and Telvent Transportation, to focus on our core businesses and optimize our portfolio.

Update: *Schneider is On*-Customers at the center

2015 marked the first year of our *Schneider Is On* program. We are glad to see a solid start with strong execution. We progress along the 5 axis bringing 5 benefits for our customers: Do more; Simplify; Digitize; Innovate and Step up.

Within « Do More », our Services revenues went up by 7%; Orders from industrial software grew by 6%; Project hit rate & gross margin at booking improved; Gross Margin deviation between booking and during execution reduced.

Our « Simplify » initiative delivers industrial productivity of circa EUR0.36 billion and gross Support Function Cost savings of circa EUR0.3 billion, so approximately EUR700 million cost cutting in a year. We plan to further increase our efforts on Support Fonction costs optimization as we recently upgraded our target to EUR600 million over the period 2015-2017.

Within the « Digitize » initiative: We released our new company website which offers a new customer experience. In 2015, the number of connected offers has increased by 45% and we are dedicated to bringing connectivity to a whole new level in 2016.

Within our Innovate initiative: We invest 5% of our revenue (EUR1.3 billion) into R&D and successfully launched many new offers aligned with our value proposition across businesses.

We are being recognized as a clear technology leader by industry analysts covering our markets including Gartner, IDC, ARC, Navigant and Verdantix, in fields such as Advanced Distribution Management Systems (ADMS), Building Energy Management Software and Microgrid Controls. We are gaining recognition in innovative projects and design through numerous awards such as UX Award for intuitive design, which provides high clarity and fault tolerance to improve the user experience and increase efficiency in industrial production and strengthen our unique position of delivering the convergence of IT and OT integrated.

Finally, the Step Up initiative focusses on building talent and fostering employee engagement. We were recognized in diversity and inclusion trough a number of initiatives, such as the participation in the UN Women's inaugural HeForShe Parity Report, as one of the 10 corporate IMPACT Champions.

In sustainable development, 2015 has been a year of recognition and innovation. Since 2009, we have equipped close to 3.5 million households and trained over 500,000 people. We have been honored externally by a number of international recognitions: such as the Industry leader in the Dow Jones Sustainability Index (DJSI) and we are confirmed in Climate Performance and Disclosure indexes of CDP (Carbon Disclosure); and have scored 100/100 in Disclosure. We are also in the Most Sustainable Company of CAC 40 by *Enjeux Les Échos* and *Institut RSE*. As President of Global Compact France, I am also proud that Schneider Electric meets the Advanced level requirements of the United Nations Global Compact.

2016 and beyond

In 2016 we see continued growth in Western Europe and the construction market in the U.S. At the same time, we perceive uncertainties persist in oil and gas, overall weakness in the U.S. industry markets, difficulties in China but to a lesser degree than in 2015 and mixed trends in the rest of 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 complete portfolio of technologies, our extensive network of partners, and our capabilities to deliver full solutions: close intimacy, more competencies, more tailored solutions and deliveries, more digitization, more innovation, and more simplicity on a global scale, with a local touch. We also work actively on a better return on the capital we employ, as we focus on margin improvement by working on costs, growing our partner's network through the launch of many new integrated offers, accelerating services and software, and increasing selectivity on projects focusing on its sectors of expertise.

Finally, as our role is to make sure that Life is On for everyone, everywhere, at every moment, sustainability is still at the heart of our company strategy. We believe that access to energy is a basic human right. We want everyone on our planet to have access to safe, reliable, efficient and sustainable energy. At Schneider Electric™, we're committed to providing innovative solutions that address this energy paradox: balancing our planet's carbon footprint and the indisputable right of everyone to quality energy.

As sustainable innovators, we know that better climate means better economy. We believe we are living a very exciting time where new technologies enable us to completely rethink the way we deal with energy in a far more sustainable and efficient manner. In 2016, we will continue to show strong leadership in sustainability in line with our COP 21 commitments to becoming a carbon neutral company for all our sites in the next 15 years.

We look forward to continuing this journey with you towards a strong 2016.

Interview with Emmanuel Babeau

DEPUTY CEO, IN CHARGE OF FINANCE AND LEGAL AFFAIRS

Schneider Electric delivered solid performance in 2015 in a challenging environment. What were the performance highlights?

We achieved record revenues of EUR26.6 billion, up +6.8% with underlying growth about flat for 2015 and a strong growth in our EBITA adj., up +5.1% to EUR3.6 billion. Our Adjusted EBITA margin was about stable organically and reached 13.7% in 2015, benefiting from a c.50bps organic improvement in H2, helped by accelerated support function costs control and robust industrial productivity. 3 Businesses showed margin improvement in H2, with Industry notably recovering strongly from H1. Our reported net income was impacted by non-cash exceptional items related to our disposal of non-core businesses and the impairment on Pelco. On an underlying basis, net profit was up +6% and our free cash flow was close to the record for the Group at EUR2.0 billion. Thanks to this strong cash generation and circa EUR47 million generated in addition from the disposals of non-core businesses, our balance sheet further strengthened with a net debt reduced to EUR4.6 billion in 2015.

Invensys joined the Group two years ago, can you give us your view on the integration?

Invensys performed strongly in 2015 in a difficult environment. Revenues were down mid-single digit on an underlying basis, reflecting mainly the weakness of the oil and gas market. However Invensys managed to slightly improve its adjusted EBITA margin compared to 2014, posting close to 15% margin thanks to positive mix effect, continued focus on costs and solid execution of costs synergies with circa EUR55 million delivered in 2015. In addition execution of revenues and fiscal ones is well on track. The strategic rationale for the deal is fully confirmed and we are delighted by the quality of the assets we acquired.

The Group targets to improve its operational margin before FX in 2016, what are the key levers?

Our priority for 2016 is improving our operational margin level. First, we are continuing to focus on attractive growth opportunities in products, services and software. We should also benefit from our cost savings actions highlighted in our company program: in addition to EUR1 billion productivity gain over 2015-2017, we upgrade our gross support function cost savings target to EUR600 million over 3 years. Finally, we also increase our selectivity on projects, which should support our margin expansion as well. Overall our objective is to improve the Group's EBITA adjusted margin by 20-60bps before FX in 2016.

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

We remain focused on generating attractive returns to our shareholders. First, we target earnings growth in the coming years through the combination of top line growth and margin expansion. We have a leading portfolio, well positioned to benefit in the coming years from the key global investment drivers which are energy efficiency and automation, using our global reach and complementary business models. We also continue to focus on operational efficiency notably through simplification and cost-efficiencies initiatives as well as greater selectivity on projects and higher priority on products, services and software, which should help to improve our operational margin and our net profit. Combined with the strong free cash-flow generation and our solid balance sheet, this enable us to set a progressive dividend policy with no year-on-year decline, and we have recently increased our share buyback to a total of EUR1.5 billion over the period 2015-2016, reflecting our confidence in the future prospects of the Group.

Leadership team

Executive Committee (as of February 16, 2016)

1 **Jean-Pascal Tricoire**
Chairman & Chief Executive Officer

Global functions

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

3 **Prith Banerjee**
Executive Vice-President, Technology

4 **Olivier Blum**
Executive Vice-President, Global Human Resources

5 **Annette Clayton**
Executive Vice-President, Global Supply Chain

6 **Hervé Coureil**
Executive Vice-President, Information Systems

7 **Daniel Doimo**
Executive Vice-President, Global Solutions

8 **Emmanuel Lagarrigue**
Executive Vice-President, Strategy

9 **Chris Leong**
Executive Vice-President, Global Marketing

Operations

10 **Leonid Mukhamedov**
Executive Vice-President, Europe Operations

11 **Luc Rémont**
Executive Vice-President, France Operations

12 **Laurent Vernerey**
Executive Vice-President, North America Operations

13 **ZHU Hai**
Executive Vice-President, China Operations

Businesses

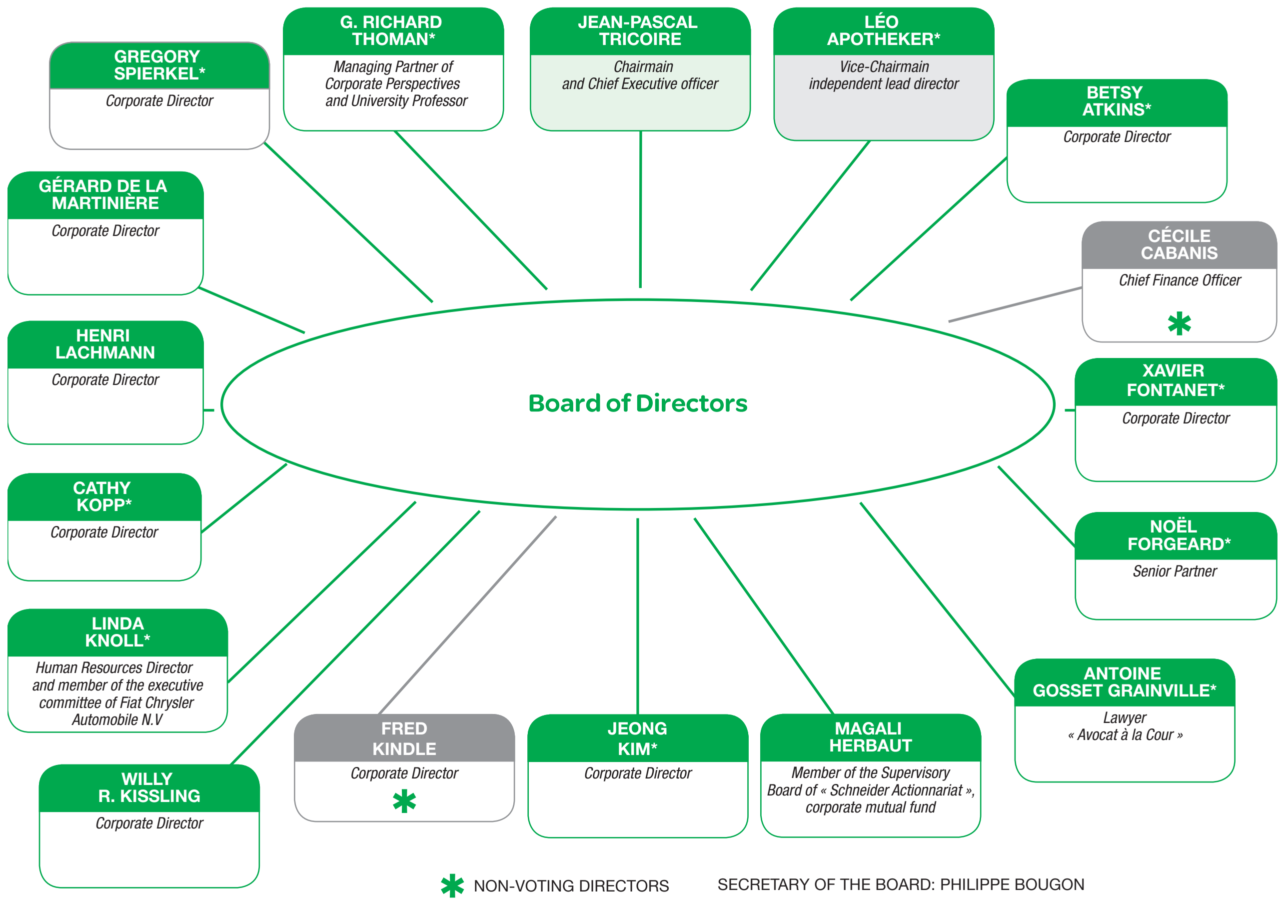
14 **Frédéric Abbal**
Executive Vice-President, *Infrastructure*

15 **Clemens Blum**
Executive Vice-President, *Industry*

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

17 **Hal Grant**
Executive Vice-President, *IT*

Board of Directors (as of February 16, 2016)



✱ NON-VOTING DIRECTORS SECRETARY OF THE BOARD: PHILIPPE BOUGON

* Indepedent directors according to the definition by AFEP-MEDEF corporate governance guidelines

Members of committees

	LÉO APOTHEKER	BETSY ATKINS	XAVIER FONTANET	NOËL FORGEARD	ANTOINE GOSSET-GRAINVILLE	MAGALI HERBAUT	JEONG KIM	FRED KINDLE	WILLY KISSLING	LINDA KNOLL	CATHY KOPP	GÉRARD DE LA MARTINIÈRE	HENRI LACHMANN	GREGORY SPIERKEL	RICHARD THOMAN.
Governance and Remunerations committee Secretary: Philippe Bougon(1)	●								X	X				X	X
Audit and risks committee Secretary: Pierre Lévêque(2)				X	X							●			
Human resources and CSR committee Secretary: Olivier Blum(3)						X			X	X	X		●		
Strategy committee Secretary: Emmanuel Lagarrigue(4)	X	X	●	X			X	X						X	

● *Chairman of the committee* *(1) Secretary to the Board of directors* *(2) Senior VP Internal Audit* *(3) Chief Human Resources Officer* *(4) Chief Global Strategy Officer*

Statutory auditors

Principal auditors

Ernst & Young and others

Mazars

Alternate auditors

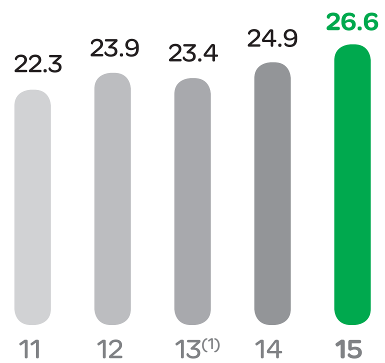
Auditex

M. Thierry Blanchetier

Key Figures 2015

- **Full year revenues up +6.8%, -1.0% organically**
- **Full year Adjusted EBITA +5%**
- **Strong cash conversion at 113%***
- **Proposed dividend of €2.00 up +4%**

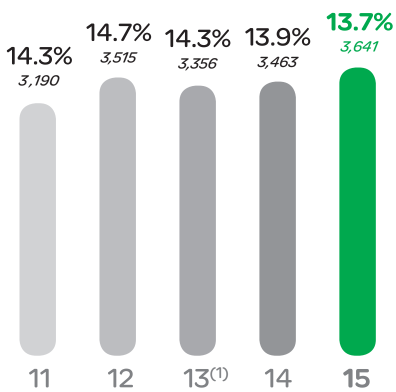
Consolidated revenue *(in billions of euros)*



Revenues were up +6.8%, but down -1.0% on a constant structure and exchange rate basis. Underlying revenues [2] were about flat.

2015 delivered record revenues, while organic growth remained contrasted by region and by business. Building & Partner and IT strengthened their global leadership and delivered solid results, Infrastructure turned the corner improving its profitability, and Industry showed great resilience despite a challenging market. Services and Software continued to grow. From a geographic standpoint, Western Europe resumed growth, new economies outside China were up, and North America benefited from favorable construction markets. New economies accounted for 43% of 2015 revenue.

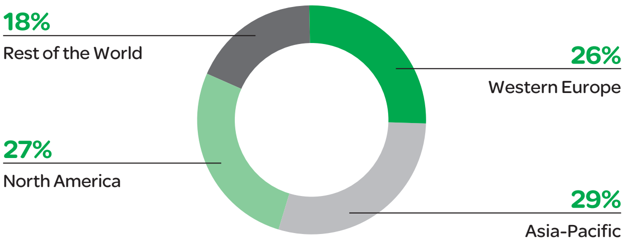
Adjusted EBITA [3] *(in millions of euros and as a % of revenue)*



Full year 2015 adjusted EBITA was 3,641 million euros, representing 13.7% of revenue. Industrial productivity and SFC reduction were the key organic contributors while mix was the main negative component. Positive raw material impact more than offset negative pricing and production labor inflation. At constant FX, adjusted EBITA margin was about stable.

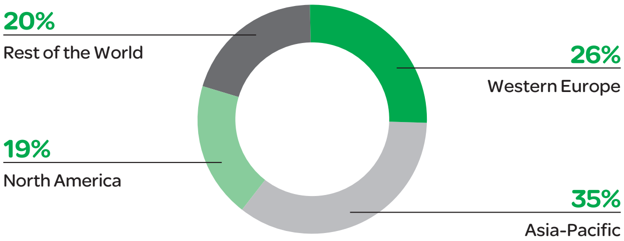
(1) 2013 figures restated due to the full consolidation of Delixi (previously consolidated proportionally at 50%), CST reclassification in discontinued operations and other minor changes.
(2) When adjusted for negative impacts from the change of fiscal year closing in Invensys and the ramping down of the China nuclear project, estimated full year impacts of about €40m and €66m respectively.
(3) Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses, which includes acquisition, integration and separation costs.
* *Cash conversion based on net income adjusted for business disposals impact and Pelco impairment.*

Revenue by geography

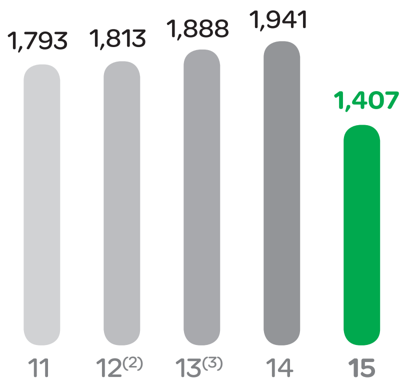


2015 headcount

160,843 employees [1]



Net income *(in millions of euros)*

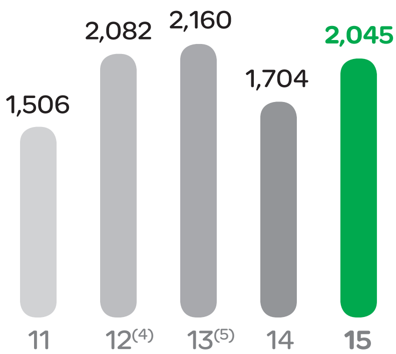


The Group share in net income was 1,407 million euros, down -28% year-on-year. Adjusted for exceptional items [4], net income was up +6%.

Restructuring charges were 318 million euros, driven by efficiency and simplification initiatives. Other operating income and expenses had a negative impact of 522 million euros, mainly due to capital losses / asset impairments from the disposals of non-core businesses.

Invensys had a positive contribution in the decrease of the effective tax rate from 22.7% in 2014 to c. 21% in 2015.

Free cash flow [5] *(in millions of euros)*

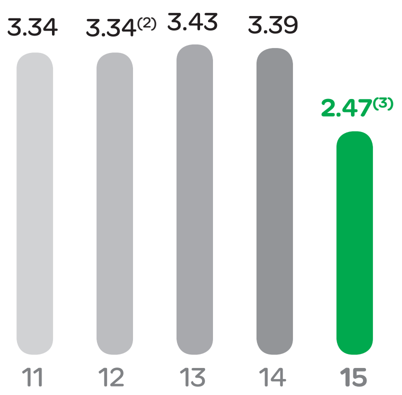


Free cash flow was 2.045 million euros, up +20% due to better working capital management. Capital expenditure to revenues ratio declined from 3.3% in 2014 to ~3% in 2015. Working capital decreased due to strong control over payables and receivables.

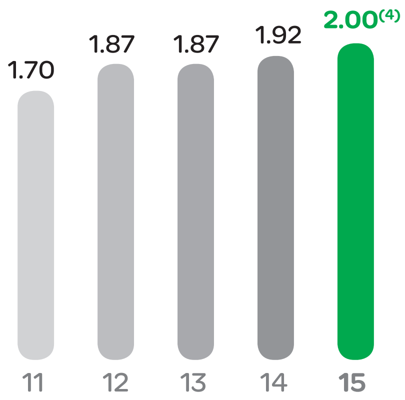
Cash conversion remained high at 113% [6].

(1) Spot headcount, including employees under fixed-term and open-ended contracts, on December 31, 2015.
(2) 2012 figures restated for the appliction of IAS 19 Revised (pension accounting).
(3) 2013 figures restated due to the full consolidation of Delixi (previously consolidated proportionally at 50%), CST reclassification in discontinued operations and other minor changes.
(4) 2015 net income adjusted for Invensys integration costs, impact of business disposals, Pelco impairment, and restructuring charges. All elements net of tax.
(5) Cash provided by operating activities less change in working capital less net capital expenditure.
(6) Cash conversion based on net income adjusted for business disposals impact and Pelco impairment.

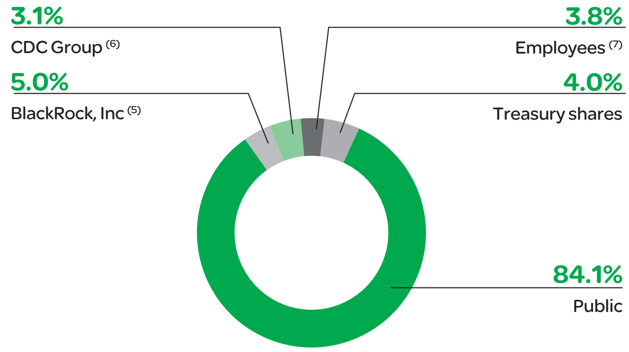
Earnings per share (1) (in euros)



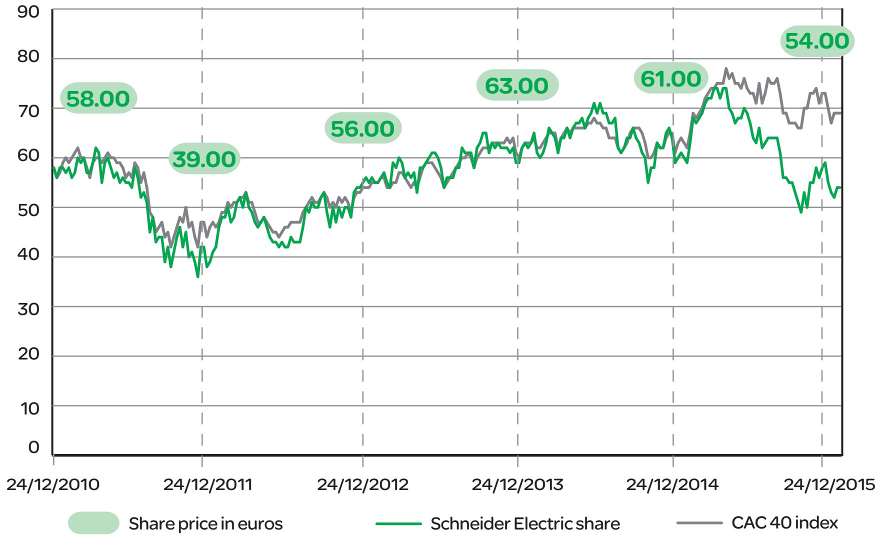
Dividend per share (1) (in euros)



Ownership structure on December 31, 2015



Share price against CAC 40 index over five years



(1) Historic figures adjusted for the two-for-one share split
(2) 2012 figures restated for the application of IAS 19 Revised (pension accounting)
(3) 2015 EPS adjusted for business disposals impact and Pelco impairment is 3.73 vs. 3.51 in 2014
(4) Subject to shareholders' approval at the Annual Meeting of April 25, 2016, for payment on May 9, 2016.
(5) To the best knowledge of the company
(6) Caisse des Dépôts et Consignations (CDC) holds ~6% of voting rights
(7) Of which 3.8% held through the WESOP (World Employee Share Ownership Plan)

2015 in brief

Strategy, technologies and businesses

On February 19, Schneider Electric hosted a meeting with investors and financial analysts at which it presented the new company program for 2015-2020, « *Schneider is On* » and highlighted the Group's growth strategy, operational priorities and financial targets.

On January 21, Schneider Electric and Autodesk, a world leader in 3D design, engineering and entertainment software and services, announced the signature of a Memorandum of Understanding, paving the way for enhancement of current practices for building lifecycle management based on Building Information Modeling (BIM). As part of the collaboration, the two companies are exploring ways to complement each other's strengths to make buildings more energy efficient from the design and construction through operation and end-of-life phases.

On April 23, Schneider Electric announced it had been positioned by Gartner, Inc. as a leader in the Magic Quadrant for Advanced Distribution Management Systems (ADMS) for the second consecutive year. Additionally, the Gartner report on Critical Capabilities for Advanced Distribution Management Systems awarded, Schneider Electric the highest score for all three use scenarios: Improving Outage Response, Optimizing Grid Operation, and Managing DER Impacts.

On September 21, Schneider Electric announced a new global brand strategy that comes at a critical point of transition for the industry, in which the business and societal landscape are being transformed by urbanization, digitization and industrialization. That strategy, Life Is On, is fueled by Schneider Electric's Operational Intelligence approach to IoT. The approach will transform how people and organizations manage energy, better automate industrial processes, and increase the quality of business decisions, while improving their lives.

On September 21, Schneider Electric announced it had been appointed to the steering committee of the Industrial Internet Consortium (IIC). Through this appointment, Schneider Electric will take a more central role alongside such as leaders from AT&T, Cisco, General Electric, IBM and Intel in developing recommendations for industry specifications and developing frameworks to speed the adoption of industrial IoT technologies around the world.

On September 21, Schneider Electric announced a multi-year collaboration with the HKUST-MIT Research Alliance Consortium as a key supporter of the consortium's research for IoT technologies for intelligent buildings and transportation. The goal of this global research, with HKUST in Hong Kong and MIT in Cambridge, Mass., is to resolve challenging problems in engineering domains such as circuits and devices, signal processing, communications and control, as well as advanced data analytics.

On October 6, Schneider Electric announced that Gartner, the leading provider of research and analysis on the information technology industry, had rated the company #10 in its 2015 Gartner European Supply Chain Top 25. Schneider Electric joins the top 15 for the first time this year, jumping 12 spots from its 2014 ranking.

On October 15, Schneider Electric announced that independent analyst firm Verdantix had named the company a leader in its 2015 Green Quadrant® Building Energy Management Software report. This is the second year in a row that Schneider Electric has been identified as a leader in the report.

On October 16, Schneider Electric announced that it will make significant new investments to strengthen its presence in Singapore. The company will cumulatively invest around EUR65 million over the next few years to establish a Software Solutions Center and a Software Regional Hub, a new East Asia headquarter and a Regional Control Tower for Network Logistics, Analytics and Transportation in Singapore.

On December 1, Schneider Electric and Neoen, one of the leading French players in renewable energies, inaugurated Europe's largest photovoltaic farm, located in Cestas (near Bordeaux, France). The photovoltaic farm in Cestas has a total peak capacity of 300 MW and can generate enough energy in one year to service the domestic consumption needs of the entire population of Bordeaux. The Eiffage – Schneider Electric – Krinner consortium designed and built the Cestas plant. Clemessys, a subsdiary of Eiffage, and Schneider Electric are overseeing the farm's operations and maintenance needs for 20 years.

On December 4, Schneider Electric introduced EcoBlade, a smart & scalable energy storage system for all customer needs. EcoBlade unleashes the full potential of renewable energies thanks to Schneider Electric's unrivaled experience in critical power & energy management.

On December 10, Schneider Electric received a prestigious DatacenterDynamics Leaders EMEA Award in the Modular Deployment category for the state-of-the-art customized prefabricated data center scalable installed at Sagrada Familia, Barcelona, Spain. The Schneider Electric integrated prefabricated data center solution enables site operators to manage the church's security and effectively control the millions of visitors that come to the site each year. A Unesco World Heritage Site, Sagrada Família is the most visited tourist attraction in Barcelona.

Finance

On March 5, Schneider Electric successfully launched a EUR750 million EMTN (Euro Medium Term Note) issue maturing in 10 years. The interest rate environment and market conditions helped to achieve a historically low coupon of 0.875%.

On September 3, Schneider Electric successfully launched a EUR800 million EMTN (Euro Medium Term Note) issue maturing in eight years with a fixed coupon rate of 1.5%. This transaction enables the Group to increase its debt maturity profile at favorable financial conditions.

On November 9, Schneider Electric successfully launched a climate bond in October 2015, raising EUR200 million with a 10-year maturity and a coupon of 1.841% in partnership with AXA Investment Managers (AXA IM), Mirova and Neuflize OBC Investissements. This club deal, which was only targeting investors who are signatories to the Green Bond Principles or to the Global Investor Statement on Climate Change, was jointly managed by Crédit Agricole CIB and Natixis. The objective of this bond issue is to finance Schneider Electric's R&D programs dedicated to technologies enabling the Group's customers to achieve tangible CO_2 savings. This is the first corporate climate bond dedicated to financing low-carbon innovation programs.

On October 30, Schneider Electric announced it had reached an agreement to sell Juno Lighting to Acuity Brands, one of the world's leading providers of innovative lighting solutions. Juno Lighting is a North American supplier, specialized in recessed and track lighting fixtures, in both residential and commercial sectors. On December 10, Schneider Electric announced it had obtained all required regulatory approvals and subsequently finalized the sale of Juno Lighting to Acuity Brands.

On December 14, Schneider Electric announced it had signed an agreement to sell its Transportation business to Kapsch TrafficCom AG. The Transportation business targets major transportation, highways and infrastructure operators an municipalitites. It offers a large range of solutions and services in the areas of traffic, tolling, tunnel and transit management, which make existing infrastructure more efficient, improve mobility and the safety of people, and reduce pollution. The sale of the Transportation business is consistent with the Group's strategy to optimize its business portfolio and concentrate its focus on core businesses.

Employees

On March 5, Schneider Electric announced the launch of a capital increase reserved for employees under the employee savings plan *(plan d'épargne salariale)*. This offering, which is in line with the Group's policy to develop employee shareholding, was proposed in 33 countries, including France. This plan covers around 90% of employees.

On June 19, UN Women selected Schneider Electric to join the HeForShe IMPACT 10x10x10 pilot group. This selection comes following the 2015 Leadership Award won by Schneider Electric on March 8 for its action in favor of gender equality, as part of the Women's Empowerment Principles (WEP) from UN Women and the Global Compact. Joining and promoting the HeForShe IMPACT 10x10x10 program is a great opportunity for Schneider Electric to accelerate its program and contribute actively to society. On November 13, Schneider Electric announced that as of end of October 2015 over 23,000 of its male employees had signed the online petition of #HeForShe, the solidarity movement launched by UN Women in favor of gender equality.

On June 26, Schneider Electric announced the winners of Go Green in the City 2015, its 5th international case study competition. The final event was held at the Group's headquarters in Rueil-Malmaison, France from June 22 to 25. The winners for this year's challenge were from India. Mohamad Meraj Shaikh and Spoorthy Kotla, from the Indian Institute of Technology Kharagpur, won the challenge for their idea on an Efficient Energy Management Application.

Corporate Social Responsibility

On January 23, Schneider Electric announced that Corporate Knights had ranked it as one of the 100 most advanced companies in the world in the field of sustainable development. Schneider Electric ranked 9th in the global list.

On January 27, Schneider Electric announced the signature of a three-way partnership agreement between the French Ministry for National Education, Higher Education and Research, and the Escuela Tecnologica Instituto Tecnico Central (ETITC) in Colombia. Under this agreement, a training centre of excellence will be set up in Colombia to develop knowledge and skills in the energy sector.

On March 2, Schneider Electric announced the launch of the Energy Access Ventures Fund to improve access to sustainable energy in Sub-Saharan Africa in partnership with CDC group – the UK Department for International Development (DFID), European Investment Bank, FISEA – PROPARCO, OFID, and AFD-FFEM. The new fund aims to transform lives and stimulate economic development across Africa in order to reduce poverty by providing access to electricity for a million people by 2025.

On March 9, Schneider Electric announced it had been recognized by the Ethisphere Institute, a global leader in defining and advancing best of ethical business practices, as 2015's World's Most Ethical Company®. Being honored by Ethisphere for the fifth consecutive year underscores Schneider Electric's commitment to leading ethical business standards and practices, ensuring long-term that create value and long-term relationships with key stakeholders including customers, employees, suppliers, regulators and investors.

On November 5, Schneider Electric is recognized as a global leader for the 5th year in a row its actions and strategies in response to climate change and was awarded a position on The Climate List by CDP, an international not-for-profit organization that drives sustainable economies, for the 5th year in a row. The Group is also awarded a position on the Climate Disclosure Leadership Index (CDLI) for its high quality data on carbon emissions and energy.

On the eve of the Paris Climate Change Conference (COP21), Schneider Electric announced, on November 26, 10 commitments for sustainability aligned with the Planet & Society barometer, Schneider Electric's sustainability scorecard since 2005. These commitments are in line with the two-degree trajectory and contribute to the UN Sustainable Development Goals. For Schneider Electric, these 10 commitments support the objectives to make the Group sites and its ecosystem carbon neutral in the next 15 years.

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

1. Group strategy and market opportunities

Schneider Electric, the global specialist in energy management and automation with operations in over 100 countries, brings together its expertise and solutions to make sure that Life is On for its customers and that energy is safe, reliable, efficient, connected and sustainable.

Urbanization, industrialization and digitization enrich our lives but they are also escalating energy and resource consumption worldwide. New technologies enabling for the first time distributed and connected energy, challenge us to redefine the way we live. As the leader in energy management and automation, Schneider Electric helps 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 provides innovative technologies, solutions and services for its customers to achieve the most efficient and sustainable use of their resources, assets, processes and infrastructures.

1.1 Our mission

At Schneider Electric, 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.

As the global specialist in energy management and automation, we are committed to worldwide improvement in connectivity, sustainability, efficiency, reliability and safety in five primary areas: in our homes, in our cities, in our industries, in our buildings, and in the cloud.

Our intent is to make sure that Life is On for everyone, everywhere and at every moment with our technology. We ensure that energy is on for our customers and that it is:

- **safe:** protecting people and assets;
- **reliable:** guaranteeing ultra-secure, ultra-pure and uninterrupted power especially for critical applications;
- **efficient:** delivering solutions adapted to the specific needs of each market that simplify customers' life and improve their efficiency and productivity;
- **sustainable:** helping customers build a sustainable future by using less of their resources and minimizing the impact on the environment; and
- **connected:** leveraging new opportunities with the convergence of Operational Technology (OT) and Information Technology (IT).

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 transformed. These three megatrends will create many new opportunities for Schneider Electric.

Urbanization

Cities today are the home to 50% of the world's population, consume 75% of global energy consumption and give off 80% of greenhouse gas emissions. Cities are growing: by 2050, they cities house an additional 2.5 billion people. 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 the electricity grid to water distribution systems, *via* 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 budgets.

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 a 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 inhabitants:

- up to **30%** energy savings;
- up to **15%** reduction in water losses;
- as well as environmental, social and economic benefits.

Industrialization

Industrialization is driven by the increase in the number of factories in New Economies, by higher demand for goods, and by efficiency improvements as well as retrofit in mature countries

Manufacturing activities rise as new economies develop. In 2015, new economies represented 39% of world GDP – and this should reach close to 52% by 2030. Industrialisation in these economies will continue in the medium term. Population growth in new economies is also driving increased needs for manufactured goods, with 1.8 billion people entering the global consuming class by 2025. Capex in new economies will also continue to increase in the medium term from 53% of world Capex in 2015 to close to 57% by 2030. At the same time energy needs will increase accordingly. The share of global energy demand of non-OECD countries will continue to rise – from 60% in 2014 to close to 66% by 2030 – increasing demographics growth, industrialization, urbanization, and reflecting affluence.

In many mature countries, as most companies are looking for efficiency gains and facility upgrades, services and other attributes in manufacturing characteristics (*e.g.* innovation, time to market, IoT) are also becoming more important and driving additional growth potential. Industries account for one-third of the total world energy consumption. This global industrial energy use is projected to double by 2050 in the absence of any new environmental measures. Even with the ambitious emissions reduction policy changes, the International Energy Agency estimates that we will still see an increase of at least 50% by 2050. In face of these challenges, over 100 companies committed to 100% renewable power during the COP21 through the RE100 initiative.

The growing trend towards increasing of industrialization promises business growth and expansion opportunities. Schneider Electric will continue its focus on innovative solutions and to identify opportunities for further services development, in order to contribute towards efficiency and sustainability improvements in these markets. 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.

Digitization

In the past 20 years, the Internet has connected 3.2 billion people together. In the coming ten years, this number will double. Additionally the Internet will connect 50 billion devices over the next five years. The increase in connectivity and access to real-time information is changing our personal and professional lives: 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 customer service centers; lastly, and employees are increasingly using online platforms and tools to collaborate more efficiently across different 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 of actively implementing 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 and distributed energy sources and 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 which form a smart grid: flexible distribution, renewable energy integration, efficient buildings, electric vehicle charging infrastructure and demand-response. Microgrids and distributed energy resources (DER) — small-scale renewable energy sources and energy storage — allow consumers to produce their own energy and shift to a greener energy mix. The costs of both solar and storage have been dropping by a factor of five in the past few years, and analysts expect the renewable sector to account for up to 50% of new capacity additions by 2030. Schneider Electric is supporting the development of new battery storage technologies and in 2015 announced EcoBlade, a smart and scalable energy storage solution for all customer needs. Acquisitions have also considerably strengthened our offering, from Areva's Distribution business to Energy Pool and Vizelia in 2010, and the acquisition of Summit Energy and Telvent in 2011.

The smart manufacturing enterprise is made up of smart machines, plants and operations with higher levels of embedded intelligence. Connectivity based on open and standard Internet protocols and cloud technologies with integrated cybersecurity enables the use of advanced analytics and mobile technology to unlock higher efficiency and profitability, as well as improved security. For example, real time data analytics allows for predictive maintenance and improved Asset Performance Management, while augmented reality helps maintenance operators improve productivity and minimize downtime. 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.

In addition to continuously innovating and digitizing our offerings, Schneider Electric aims 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 service 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 are creating many new opportunities for Schneider Electric, from the growing needs in terms of automation and connectivity to the massive entitlement of energy efficiency that recquires 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 Group strategy

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.

Leveraging the world's new energy challenges

The quest for economic growth and development is straining our planet's resources. The world is facing many energy challenges: scarcity of natural resources, CO_2 emissions reduction requirements, integration of unpredictable and intermittent renewable sources of energy, higher 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_2 emissions. This compares with a **46% increase** in global energy demand by 2035 if nothing changes.

Boosting energy efficiency in the three major energy-consuming sectors (industry, buildings and residential) 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 EUR1.60 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 customers. This also contributes to the improvement in the operation of the grid and the reduction in investment in new generation capacity.

Serving our customers' increasing need for automation 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 leverages the Group 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 materials 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.

Supporting 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 into its product offerings, delivers a full range of digital services to help customers' extract value from their data and provides and the best customer experience to its customers and partners.

Leveraging the opportunity from new economies

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 » will continue to experience accelerated development in the medium-term as they catch up with more mature economies. As a result of the industrialization, urbanization, digitization and development processes that these countries are experiencing, we expect these markets of their economies to continue to have a medium-term 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 long-term commitment to, and investment in, these economies.

As of December 31, 2015, the Group had over 92,338 employees in new economies and, during 2015, our new economies-based purchasing and manufacturing costs accounted for approximately 54% of our industrial costs. Schneider Electric is well positioned to support the medium term needs of new economies in Asia, Africa, the Middle East, Latin America, Eastern Europe and Russia. The decision to split our Executive Committee into three management hubs, a pioneering management decision, allows us to be close to our 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.

Building 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 the Group 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. The Group has developed reference architectures for solutions in targeted end-markets in order to facilitate the smooth integration of our products and speed up project design and we have a unique software suite to optimize enterprise performance, StruxureWareTM, providing our customers with full but simple control and management of their operations. Schneider Electric also supports the productivity and peace of mind of our customers with an extensive range of digital services and maintenance services delivered by a network of over 10,000 qualified technicians.

Investing in profitable and responsible growth while driving efficiency

We believe in the high long-term growth potential of our business and Schneider Electric continuously invests to drive that growth. This investment is focused on sustained spending on 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, the Group has invested in, companies, joint ventures, strategic alliances and mergers that have reinforced our global leadership, provided skills in 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's Distribution division 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 for 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 Group competitive strengths

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 Schneider Electric enjoy as 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 significant 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 this technological leadership, the Group's major brands are among the most recognized in our industry.

Multiple access channels 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. The Group has developed the widest network of distribution and direct partners in its industry. This provides us with many access channels to a market comprised of a broad and diffuse user base. These 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 this industry requires strong, long-term relationships with our distribution partners and end customers and the Group is therefore constantly seeking to enhance the value that we add. For example, we provide training for 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, providing a balanced geographical exposure on a global basis. Due to our large footprint, we are one of the few partners of multinational companies that look for the highest standards of technology and quality for their energy management equipment in all their operations around the world. This allows us to provide an optimal service to our global customers. In addition, we have deep-rooted local presence and strong partnerships in all countries to serve our highly-dispersed part of our customer base. Lastly, with 43% of our revenues in new economies in 2015, 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 in serving 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 market access channels 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 equipment and electric 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 1 Worldwide, in Process Safety Systems, Number 2 in Discrete Industrial Automation and Number 4 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, variable 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 field of Process Automation, gaining a strong installed base in Distributed Control Systems and 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 and 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 and Advanced Grid Solutions, such as Distribution Management Software (DMS), Operation Management Software (OMS), Supervisory Control And Data Acquisition (SCADA) software, 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

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 malls, 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, safety 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 development of renewable energy sources on the grid causing more stability concerns. This market also faces changes in regulations, particularly those regarding demand response, and the growing need for security, reliability, and real-time control to ensure efficiency & stability. We believe these challenges provide long-term growth prospects for Schneider Electric. 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 have reinforced 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 and professional intermediaries, 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 are the nerve centers 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 amount of energy needed to cool these rooms has become comparable to the amount of energy needed to operate the equipment itself.

Schneider Electric believes that data centers and networks are a high-potential market due to the growing digitalization of professional and personal activities. With the development of internet giants and cloud computing, the physical infrastructure of data centers tends to be increasingly 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 is also an important platform to develop our presence in Services, where we can deliver higher added value more frequently and lower capital requirements.

Product business model

We believe our products offer best-in-class technology, strong channel access to markets 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.

Solutions 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 markets

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 40% 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, and 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.

Electricians & DIY stores

Electricians design and perform electrical installations, primarily in residential and small non-residential buildings. Schneider Electric supports electricians to operate more efficiently through a suite of digital tools and technical support. Schneider Electric strengthens its relationship with electricians by increasing their visibility to end-users through different marketing actions including "installer locators" on Schneider Electric's website. Schneider Electric has one of the most comprehensive network of electricians worldwide.

DIY stores are a key channel to bring visibility of Schneider Electric's offers to consumers as well as electricians. Schneider Electric ensures that it assists them in marketing programs digitally on their e-commerce sites as well as in their physical stores.

All of the partners mentioned above add their own 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 thanks to a suite of web-based digital tools called "Building Life Management". 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/window 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. To maximize our business impact we have a multichannel communication model through personal and digital means, thanks to our Partner Relationship Management (PRM) platform.

In this regard, the EcoXpert program aims to secure special partnerships with certain specialized contractors, with whom Schneider Electric shares all its expertise on renewable energy and energy efficiency solutions and services. 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 dedicated showrooms, 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 one of the market leader in these segments, and 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 OEM applications;
- a continuous R&D effort to develop innovative, high-performance and cost-effective offers and solutions continues at a high pace. In 2015, no fewer than 30 brand new ranges were launched, more than double the pace of 2014;
- dedicated centers of excellence that offer the most competitive solutions for new machines, in particular, pre-tested, pre-developed and personalized solutions;
- 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 scale.

Other large end-users and strategic accounts

Schneider Electric also addresses customers directly in a number of end-markets, including in particular:

- Automotive, where the Group serves large automotive equipment manufacturers;
- Cloud & Finance, in which the Group provides comprehensive solutions for customers including internet giants, as well as in telecoms, 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 high performance 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 « strategic accounts », with the purpose of developing privileged relationships with them. To meet these customer expectations, the Group offers « preferred supplier contracts » and dedicated customer support 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 89 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.

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

Across the economic cycle [(1)] 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 [(2)]:** between 11% and 15%
- **Dividend:** payout c.50% 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 3 years (2015-2017) driven by operating leverage and efficiency initiatives [(3)] highlighted in the new company program.
- **Profitable growth and capital efficiency will drive strong EPS growth:**

  Strong EPS growth is targeted during the new company program coming from the organic growth objective and efficiency initiatives described in the program, a share buyback [(4)] of EUR1.5 billion by the end of 2016 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 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%. In 2015, the ROCE reached 11.0%.

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

(2) ROCE is defined as: adjusted EBITA after tax/Average capital employed. Capital employed is defined as: shareholders' equity + Net financial debt + Adjustment for associates and financial assets. The tax rate will be adjusted for any tax advantages related to Invensys that ar not included in the income statement.

(3) Includes industrial productivity and gross savings on support function costs.

(4) Share buyback including share buyback in order to cover employees share plans.

4. Company history and development

4.1 History

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

1836-1980: a Family Business becomes a Major Player

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

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

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

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

1999: Schneider Group acquires Lexel, one of Europe's largest suppliers of installation systems and control solutions. In May 1999 the Group is renamed 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

Strengthening its leadership in Low Voltage Distribution

- We have been a long-time leader through our Merlin Gerin and Square D brands.
- We have 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 the acquisition of 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 T&D (Areva's medium voltage distribution division) in June 2010, we became world leader in medium voltage and grid automation.
- In 2010, the Group acquired 50% of Electroshield-T Samara, a leading medium voltage company in Russia. In 2013, Schneider Electric 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 global leader in ADMS, (Advanced Distribution Management Systems), supporting the monitoring and management of large electrical distribution networks.

Developing a global leader in Industrial Automation and Control

- We have been a long time leader in discrete automation through our Telemecanique brand.
- We reinforced our Industrial Automation & Control portfolio with the acquisition of 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 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 gained 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 revenues.
- 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, in particular 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 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, 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 USD100 million alongside Carlyle, PAI and CST management to hold 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 electrical distribution and automation offerings. CST had limited synergies with other businesses.

In 2015, Schneider Electric further optimized its offer portfolio to strengthen its focus on core businesses and drive the Group's performance.

- In October 2015, Schneider Electric reached an agreement to sell Juno Lighting to Acuity Brands. Juno is a North American supplier, specialized in recessed and track lighting fixtures, in both residential and commercial sectors. Schneider Electric finalized the sale in December 2015;
- In December 2015, Schneider Electric reached an agreement to sell its Transportation business to Kapsch TrafficCom AG. The Transportation business targets major cities, highways and infrastructure operators in the world. It offers a large range of solutions and services in the areas of traffic, tolling, tunnel and transit, which make mobility more efficient, safe and sustainable.

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 ongoing deployment of the Group's strategy.

The 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 setup to make the company leaner, further increase supply-chain productivity, optimize R&D effi ciency and solution execution and increase sales force effi ciency. Overall the Group targets to generate by the end of 2017 c. EUR1 billion of industrial productivity and c. EUR0.4-0.5 billion gross (1) 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 hoice 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.

2015 marked the first year of the Group's Schneider Is On company program, in which the following achievements were disclosed:

Within our Do More initiative:

- services revenues up ~+7%;
- orders from industrial software grew +6%;
- project hit rate & gross margin at booking improved; gross margin deviation between booking and during execution reduced.

Within our Simplify initiative:

- industrial productivity of ~€0.36bn achieved;
- gross SFC savings of ~€0.3bn delivered, with targets upgraded to EUR0.6bn for the period 2015-2017 (previous target: EUR0.4-0.5bn).

Within our Digitize initiative:

- the number of connected assets increased +45%.

Within our Innovate initiative:

- successful launch of many new offers in our Buildings & Partner business across all businesses;
- continued to increase OEM conversions by leveraging our innovative OEM solution offer;
- Planet & Society Barometer reached 6.33/10.

(1) Before inflation and reinvestment.

5. Research & Development

Innovation is the key to our company's growth. Schneider Electric has had a history of innovations in the past 100 years.

During 2015, the Group worked on a new strategic plan for R&D based on the following ideas:

- R&D Projects to have a better distribution of long term, medium term, and short term
- Investing in a smaller number of Big Bet Strategic Initiatives
- Practicing Open Innovation with Universities, Startup Companies, Suppliers, and Customers
- Creating a uniform R&D structure and a Technology Community to share best practices about innovation, and leveraging common platforms
- Improving Ties between R&D and Marketing
- Incubation of New Businesses
- Improving the R&D Footprint and R&D Talent in a Global Company

The Group accomplished many « firsts » by implementing technology anticipations in effort coordination, by confirming a set of Big Bets grouped into six Strategic Disruptions through Upstream offer & Technology innovation portfolio reviews:

- Internet of Things (IOT) Services through our Connected Products
- Software Defined Automation
- Digital Customer Experience
- Embedded Computing Platform
- Micro Grid including Energy Storage
- Cyber Security

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 Leveraging technological advances

Emerging trends that appeared in the last five years, like the 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 added for our customers.

Digitization and IoT

In addition to beyond personal devices, IoT presents a huge opportunity in industrial systems. It enables significant increase in the number of measure and control points and, as a consequence, allowing for maximum energy efficiency and optimized asset availability and performance. Since 2000, Schneider Electric has invested in research programs to develop ultra-low power, wireless « pervasive sensing » devices, some of which have already reached the industrialization phase, just in time to contribute to such solutions.

Sensors working up to ten years off a button-size battery while transmitting data over wireless « mesh » networks are now available. Their lifetime cost is up to ten times lower than classical wired sensors and will revolutionize the way buildings and factories are monitored and controlled. Other wireless, energy harvesting self-powered sensors measuring both the temperature and the power intensity, and complying with the tough mission profile imposed by the demanding environment of our customers are about to be launched on the market.

All of the smart sensors rely on technology platforms providing proven components whether for the physical measure, data processing, power supply or harvesting and wireless transmission. On the latter topic, long range radio technologies like LoRa and SigFox have received a specific attention over the last two years leading to the first deployments by the end of 2015.

R&D efforts are now focusing 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 four 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.

By combining three platforms: the Smart Sensor Platform, the Embedded Control Platform and the Digital Services Platform Schneider Electrics provide a consistent and interoperable value chain starting from data acquisition, continuing with data processing and transmission and up to data storage and analytics to present actionable dashboards to our customers.

Optimization and Analytics

In 2015, major evolutions occurred in Schneider Electric in the Optimization and Analytics domain: exchanges within the Group enabled a good characterization of the potential for future **connected offers** and related analytics, as well as a complementary view of relevant analytics for non-connected (or less connected) offers; the **Digital Services Platform (DSP)** reached a level of maturity which enables its use in applications managing significant amounts of data and integrating analytics.

Technology anticipation addressed different types of actions:

- **Exploration of analytics for connected offers** in a variety of contexts: homes, senior residences, commercial buildings, and industrial plants. In most cases, the exploration of new use cases builds on the premise that the analytics will be implemented on top of the Digital Services Platform and will enable (i) better understanding of correlations between data and (ii) use of understanding to improve operational and/or investment decisions. In some cases, this exploration led to a prototype of a brick that could be reused for other applications. External collaborations has been important, e.g., the Tribute European project, a PhD partnership with the University of Grenoble Alpes, on machine learning for virtual sensors, and joint work with Duke University on the use of a machine learning algorithm to optimize temperature control.
- **Investigation of condition monitoring and diagnosis analytics** for asset performance management, often but not necessarily, in the context of a connected offer. Both data-oriented (machine learning) models and explicit (more or less complex) physical models can be used for this purpose, inducing very different constraints on the data requirements and global solution architecture. The analytics are used to improve the reliability, availability, maintainability and safety of devices and systems. Important partners in 2015 included Uppsala University (IT Business), and the University of Grenoble Alpes.
- **Analytics for planning and control** for electrical networks (Infrastructure Business), HVAC in buildings and data centers (Buildings & Partner and IT Businesses) or industrial systems such as mines, cement plants, water networks, pipelines, refineries, food and beverage plants (Industry Businesses). Following the acquisitions of the previous years, Schneider Electric already has a significant offer in this domain, but the frontiers continuously move as technology progresses and with the increasing availability of more and more data. In particular, progress on energy optimization in residential districts and in manufacturing plants has been enabled in the context of the Ambassador, Hyllie Smart Grid, and Arrowhead European cooperative projects, as well as with two PhD partnerships with the GIPSA and LIRMM laboratories. For electrical networks, our partnership with Mines ParisTech has been complemented by a new PhD collaboration with G2ELab and INRIA.

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 has 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 developing systems over the 30+ years' 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 Delivering 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 ten years), costs 50% less and is three times thinner than a traditional wired thermostat. User experience is also an area of innovation. Our Wiser range now includes a connected smart thermostat with a touch screen color interface and schedule auto-learning feature for greater simplicity of use.

LED introduces new challenges regarding control. In 2015, The Group delivered solutions with an unprecedented range of dimming and simplicity of installation thanks to our knowledge in this core area.

Connectivity and open interfaces are also becoming natively embedded in our offers, opening the door to application innovations.

Buildings

Buildings represent 82% of the world's potential energy efficiency gains and are a large opportunity for the Group. We are developing innovative space management solutions that allow energy savings while increasing comfort and making life user-friendly. Our building management systems connect facility managers to their buildings using cloud based software displaying data on interfaces like mobile phones or tablets. This software suite transforms data into valuable information for facility managers to better manage and optimize their assets.

Energy

Low voltage electrical distribution panels, in addition to ensuring the safety of the assets they power, collect a large amount of data which can be used to optimize their performance. For example, analyzing the frequency of a motor's electrical feedback can allow detection of wear and the potential failure of its bearings or the equipment they powers. 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 smart meters and breakers built into the panel, thus making it smarter and smarter. The remote connection of distribution panels to platform enables services such as demand response, allowing the aggregation of multiple buildings and/or factories into significant capacity units that utilities can call upon at peak times.

Medium voltage products are becoming smarter, for instance with the new generation of wireless thermal sensor contributing to the predictive maintenance of switchgear panels. Pilot projects in asset performance management have been executed in different applications segments relying on multiple condition monitoring algorithms for circuit breakers and transformers. Latest cyber-security standard developed for the substation environments are being integrated at product and system level and type tested with customers. Security of operation is being further developed through the usage of mobile technologies. Innovative services are being tested with utilities in order to improve grid performances. Electro-technical architectures have been optimized for data centers where power distribution increasingly uses medium voltage.

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. Schneider Electric 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 first ePAC - with Ethernet built right into its core, bridging the gap between the OT and IT worlds'. Thanks to Modicon M580 the customer can monitor and diagnose your installation in real-time from any location using standard tablet and smart phone, greatly improving the efficiency of maintenance teams. In automation projects enhanced with Foxboro Control Systems and Triconex Safety 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, customers can utilize engineering resources and subject matter experts anywhere in the world increasing collaboration and reducing time to first production.

Data Centers

Very Large (>10MW) data center builds are driving most of this segment growth as internet service providers continue to bring more and more capability to public and private cloud offerings. These cloud enabling data center designs are highly optimized and efficient, leveraging scale, unique power systems and software resilience to deliver exceptional performance with minimum overheads. While efficient data storage and computation benefits can be realized within cloud based solutions, requirements for low latency « edge computing » that supports real-time control and deterministic data handling will continue to be necessary for multiple reasons including reliability, data security and sovereignty.

Schneider Electric has continued its leadership in designing highly efficient UPS offerings with innovative ECOnversion mode (>98%) that are integrated into pre-fabricated power solutions which can be delivered ready to connect on-site, enabling cloud data centers to be reliably designed, built and commissioned in a matter of weeks vs. months or years. Additionally, expansion of the Group edge computing offerings includes 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 that combine a large network of smart on-site devices with powerful cloud based analytics. The first version of this micro data center, developed with CISCO for traditional business applications is already commercially available.

5.3 Improving the efficiency of R&D

While the deployment of technology platforms has allowed reductions in both cost and lead time of bringing new products to market, this new complexity requires an upgrade of development methods and tools. Schneider Electric's NextGen PLM program optimizes its Information Systems with a redefined architecture, data model, and tools for an end-to-end data flow. This will also reduce the risk of aging and obsolete Product Information Management Systems. The Group's pragmatic building block approach to PLM will be driven by building a strong data IT platform followed by incremental improvements based upon the identification of key capabilities; the choice of suitable solutions; and setting a feasible path to deliver the maximum impact on performance and costs in the shortest time.

The Group also builds Model Based Systems Engineering (MBSE) framework including processes, tools and data models for Schneider Electric. This MBSE framework enables the application of advanced modeling techniques throughout systems engineering stages to represent and test dynamic and static properties of a system. Starting with customer requirements expressed by marketing, a model of the product and/or system is developed. 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 mechanics, 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.

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

5.4 Growth through Innovation

This year the Group have embraced several ideas to grow its business through innovation so that we can operate like startup companies but scale like a global company. This program consists of the following principles:

- Spending more time with customers at every stage
- Managers are entrepreneurs, their teams are trained, dedicated, accountable
- Speed up innovation by practicing Open Innovation with universities, start-up companies, supplier, and customers
- Faster with time-boxed projects and empowered teams
- R&D investments to be selective, focused on the best growth opportunities, and sliced in to small projects
- Collaborating, platforming, and using the best tools to out-innovate the competition on technology
- Manufacturing and sales 'engines' turn innovation into growth
- As a result SE's innovative and patented offers are first to market

To leverage the Growth by Innovation Program and boost our core business, we are setting the best practices in the Customer's Voice Process, in Lean Innovation and in applying a Start-up model for disruptive offers.

Furthermore, we have stepped up our Open Innovation deployment with our eco-system (Universities; Start-ups and Venture Capitals; Customers and Suppliers) through incubating new businesses. We are practicing Open Innovation with startup companies such as OhmConnect, KGS, Autogrid, C3 Energy, VPS, and others. We are working with universities such as MIT, NC State University, Georgia Tech, Paris Tech, Uppsala University and the University of Grenoble Alpes.

5.5 Financing innovative start-ups

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 2015, one new investment was realized, joining the first thirteen companies already in the portfolio, including Lucibel, Iceotope and Digital Lumens.

After having successfully exited from Solairedirect (acquired by Engie in 2015), Aster's first fund currently still holds about eight equity interests, notably in Agilence, Jet Metal Technologies, Tronics and Casanova.

Eco GTB – EUR1.3 million investment in October 2015

Eco GTB provides a very light building management system to multi-site commercial buildings to save energy (average 1 to 2-year payback) and better operate and maintain distributed stores. The company, incorporated in 2013 and is headquartered in Paris, operates hundreds of stores in France.

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, more than 10 topics related to the energy and environment sectors have been covered and shared within Schneider Electric. An innovative element introduced last 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.

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) as we refined our organization to improve cohesion, while initiating our digital transformation journey. 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 into four business segments. Each business segment is responsible for specific technologies and addresses targeted end-market segments. The 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 technological scope is low voltage, building automation and renewables.
- **Infrastructure** business scope includes medium voltage and grid automation technologies.
- **Industry** business scope covers industrial automation, control and sensors technologies.
- **IT** business scope is critical power and cooling technologies for data centers as well as non-IT applications.

Each of these business segments 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 seven support functions, now known as Global Functions:

- Finance;
- Marketing;
- Supply chain;
- Human Resources;
- Strategy;
- Technology
- Information systems.

A substantial portion of the Global Functions' costs are 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 Organizational Regions: North America, China, France, Europe and the Rest of World which is comprised of seven international zones (South America, Africa, Middle East, CIS, India, SE Asia and Asia-Pacific. Each of these regions have empowered Zone Presidents and Country Presidents, which are appointed in each country to be the custodians of four Business in their countries: Industry, Infrastructure, Buildings & Partner and IT, including Field Services. In addition, they are responsible for monitoring the full transversal P&L of the country, deploying Schneider Electric's strategy in the country (including all local cross-functional topics such as increasing cross-selling among businesses) and pooling 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

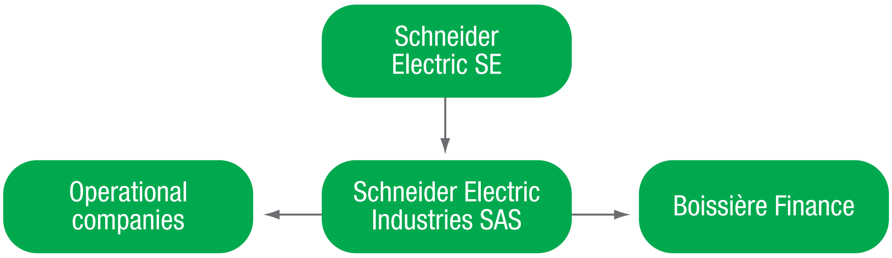
main representative in the country, most notably in dealings with employees and local officials.

- **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, Technology 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 240). Boissière Finance is the Group's centralized cash-management structure; it also centralizes hedging operations for all subsidiaries.

6.2 Manufacturing and supply chain: global redeployment

Schneider Electric has more than 220 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 is constantly re-balancing and optimizing its manufacturing and supply chain resources.

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 into account high-level environmental and staff health and safety criteria. 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 sites and products meet the strict requirements of both European regulations and international standards relating to the environment. A continuous assessment system to ensure compliance with regulations and their modifications is in place, relying mainly on internal and external auditors. On a regular basis, these norms and standards are exceeded by the specific requirements we set ourselves, for instance by replacing certain materials and substances used for our products well before the regulations require us to do so. Schneider Electric's plants and logistics centers are ISO 14001 (environment) certified, and almost half of these sites have also achieved ISO 50001 (energy efficiency) certification. In addition to the environment and energy efficiency, we implement an integrated management system also covering Quality (ISO 9001) and Health and Safety (OHSAS 18001). In 2015, Schneider Electric overhauled its Environmental Strategy, and defined some ten priority areas for action for the period 2015-2020. These attribute increasing importance, in particular, to eco-design by making it systematic and exhaustive, to our CO_2 reduction efforts for both ourselves and our customers, to our circular economy ambitions for our products and for the resources used, and to our ever-increasing energy efficiency objectives.

This strategy covers our entire value chain, from R&D to purchasing, manufacturing and logistics, not to mention sales and marketing, where we make specific efforts to always give our customers more capacity to objectify the environmental added value which our solutions offer them (energy efficiency and CO_2, lifetime and reparability, etc.). We take into account customer expectations concerning our products' environmental profile, the transparency of access to information, and even end-of-life product management.

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

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, and 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 has required the implementation of a more dynamic industrial strategy to restructure customer service practices, and the configuration of products, equipment, delivery methods and services offered to Group customers. In parallel, the Group has had to simplify its working approaches and focus on creating value for its customers by streamlining its decision-making processes and its 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) is 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 2015, Gartner, a leading IT research and advisory firm, ranked Schneider Electric's supply chain 10th in Europe and 34th worldwide, an improvement of 12 and 33 places respectively in one year.

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.

To achieve this, the Group intends to adapt its value chain to the wide-ranging requirements of its customers by implementing nine keys for transformation during the 2015 2017 period:

- reduce the release time to customers;
- basic logistics offering, customized according to type of channel;
- industrial planning customized according to customer segment
- development of the services offering, in line with our customers' installed base;

- improvement of the overall performance of the equipment logistics chain;
- involvement of preferred suppliers in all aspects of this transformation approach;
- continued optimization of the entire industrial system to offer customized customer service;
- focus on excellence of the logistics chain for growth activities;
- management of the release of new product offerings.

6.3 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 the new company program to optimize Purchasing, the Group is continuing to pursue its plan, launched several years ago, to seek to source its purchases from the top-performing suppliers (« recommended » suppliers) and aims to increase local sourcing in the new economies to more than 50%. The Group is rolling out the « Purchasing Excellence System » with a view to involving suppliers, as a component in the 'Complete Logistics Chain', in the achievement of our performance objectives focused on customer satisfaction.

Schneider Electric primarily purchases prefabricated components, raw materials (silver, copper, aluminum, steel and plastics), electronic and electrical products and services. The diverse 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 innovative capacity and their commitment to corporate social responsibility (CSR). As a participant of the UN Global Compact, Schneider Electric encourages its main suppliers to contribute to its sustainable development initiative according to the guidelines of standard ISO 26000, through ongoing improvement in the level required (to achieve 100% « recommended » suppliers by 2017).

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.

7.1 Operational risk

Schneider Electric operates worldwide, in competitive and cyclical markets

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

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

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

Schneider Electric has implemented procedures designed to protect it as far as possible from these risks, which are generally beyond our control, and to manage them as effectively as possible. These procedures include quarterly business reviews in which performance and projections are monitored, in terms of activity, action plans, results to date and forecasts, at all organizational levels of the Group (see 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.

Regarding cyber-security, a specific investment program has been launched to develop specific capabilities. Specialists 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 11,000 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 2015 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, who refers to the the board of directors, if necessary.

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 7.3% at December 31, 2015, slightly decreasing compared to the 2014 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.* 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 the 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 for their development and success at Schneider Electric.

During 2015 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.

7.2 Industrial and environmental risks

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 2014, no broad product recall was begun in 2015.

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 EUR459 million as of December 31, 2015 (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 all countries in which we operate.

To limit risks related to the environment, the Group is involved in a process to continuously improve the environmental performance of its plants and industrial activities, as well as in a review and follow up of possible environmental risks. In 1992, Schneider Electric issued 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 as quite stringent (e.g. those applicable to our Products, such as WEEE, RoHS and REACh Regulations). Regarding industrial activities , the Group has been deploying ISO 9001 , ISO14001, OHSAS18001 management systems, globally. An Integrated Management System (IMS) is being deployed, bringing together these three management systems and this helping to drive efficiency and effectiveness. Moreover, already more than 90 sites have implemented an ISO 50001 Energy Management System.The Group records environmental provisions when the risks can be reliably measured, or it is likely that clean-up work will have to be performed and related costs can be reasonably estimated. Provisions for environmental risks related to the Group's sites, totaled EUR348 million as of December 31, 2015. If no risk has been identified in a given location, Schneider Electric will not estimate the financial cost of environmental risks. We expect our spend 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.

7.3 Information systems risks

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.

7.4 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, 2015, 90% 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 EUR23 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, 2015.

Exposure to currency exchange risk

The Group's international operations expose it to the risk of fluctuation of exchange rates. 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, 2015 (Chapter 5).

In 2015, revenue in foreign currencies amounted to EUR21.2 billion, including around EUR7.0 billion in US dollar and 3.6 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% appreciation of the euro compared to the US dollar would have a negligible impact on operating margin (a translation effect of EUR32 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, 2015.

In 2015, purchases of raw materials totaled around EUR1.9 billion, including around EUR850 million for non-ferrous and precious metals, of which roughly 55% 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, 2015, the Group had hedged positions with a nominal value of EUR158 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, 2015, the Group had access to cash and cash equivalents totaling EUR3.0 billion. As of December 31, 2015, the Group had EUR2.7 billion in undrawn confirmed lines of credit, of which EUR2.5 billion matures after December 2016.

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- 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, 2015, 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, 2015, EUR5.5 billion of the Group's financing and lines of credit had these types of provisions.

7.5 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, customs 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 produvcts, 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 - 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.

7.6 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. However, the Group has been discussing the issue with SNCF and an agreement could settle the dispute in 2016.

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 and then introduced several legal actions in order to recover a total or partial reimbursement of the amount of this fine from its two former subsidiaries. After several legal actions, a decision on the entire issue was made on April 10, 2014, by the Court of Justice of the European Union (CJEU). A settlement was reached between Schneider Electric and its two former subsidiaries in 2015, ending this dispute trhough a balanced split of the fine between the three parties involved.

In relation to the GIS disputes, on May 21, 2010, British company Power Networks (LPN - 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 judicial developments in 2015. However, the defendants (including of wich Schneider Electric SE) have been conducting discussions with LPN and an agreement could settle the dispute in 2016.

In addition, some Group entities worldwide, including in 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 rended its decision on June 16 2015, discharging all the companies. However, the Bench appealed on this decision,wich is currently scheduled to judged by the Appeal Court of Paris in December 2016.

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

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

7.7 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

A new three-year insurance program was put in place effective January 1, 2015 with the same insurer. This program, deployed in 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 renewed in July 2014 for a duration of two years was continued in 2015. 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, modeling carried out by specialized companies.

Assets are insured at replacement value.

Transport insurance

The insurance program that covers all risks of loss or damage to goods while in transit, including intragroup shipments, renewed on January 1, 2014, was continued in 2015.

Erection all risk insurance

The erection all risk insurance program providing cover for damage to work and equipment for projects taking place at our clients' premises was continued in 2015.

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 captive insurance companies:

- A captive company based in Luxembourg provides property damage reinsurance worldwide capped at EUR5 million per year, and liability reinsurance outside the USA and Canada capped at EUR17 million per year;
- For the entities located in the USA and Canada, a captive insurance 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 global insurance programs, excluding premiums paid to captives, totaled around EUR23.5 million in 2015.

2 Sustainable development

1. Sustainable development at the heart of our strategy

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

The Group is committed to meeting energy challenges while 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 1.1 billion [1] 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 78-92), external commitments (see page 55), ethical code of conduct and the associated professional alert program (see pages 65-68) 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 93-103): 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 63-64), 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.

In November 2015, on the eve of the **United Nations Conference on Climate Change (COP21)**, Schneider Electric stepped up its sustainable development objectives with the goal of achieving a carbon neutral balance across all of its sites within the next 15 years. The Group presented its 10 commitments. In accordance with the Planet & Society barometer, Schneider Electric's sustainable development dashboard since 2005, these commitments are in line with the « two degree » climate change target and contribute to the United Nations sustainable development goals:

1. quantify the carbon footprint of 100% of major customer projects;
2. design 100% of new offers in accordance with the Schneider Electric ecoDesign Way™ and ensure that 75% of product revenue is labeled Green Premium™;
3. prevent the emission of 120,000 metric tons of CO_2 by setting up product « end of life » services in accordance with the principles of the circular economy;
4. facilitate access to lighting and communication for 50 million people at the base of the pyramid over the next 10 years thanks to low carbon solutions;
5. implement energy storage initiatives to develop renewable energies and micro-grids;
6. propose alternatives to the use of SF_6 gas over the next five years and phase out the use of SF_6 gas in Schneider Electric products over the next 10 years;
7. reduce Schneider Electric's energy intensity by 3.5% a year;
8. reduce Schneider Electric's CO_2 emissions due to transport by 3.5% a year;
9. invest EUR10 billion in innovation and R&D for sustainable development over the next ten years;
10. issue a « climate » bond to finance low carbon R&D for all of Schneider Electric's activities.

    For Schneider Electric, these 10 commitments are also a way of building a coherent industrial ecosystem by engaging suppliers and customers in two key challenges:

    - encouraging and supporting stakeholders in reducing their own energy consumption by 30% through the implementation of active energy efficiency solutions,
    - improving the lives of underprivileged individuals by bringing them access to clean energy or helping them out of fuel poverty.

The progress made on these commitments will be published either as part of the Planet & Society barometer or in a specific communication.

(1) Source: SE4All - Global tracking framework 2015 report.

1.1 Prioritizing actions with a materiality matrix

Materiality Analysis

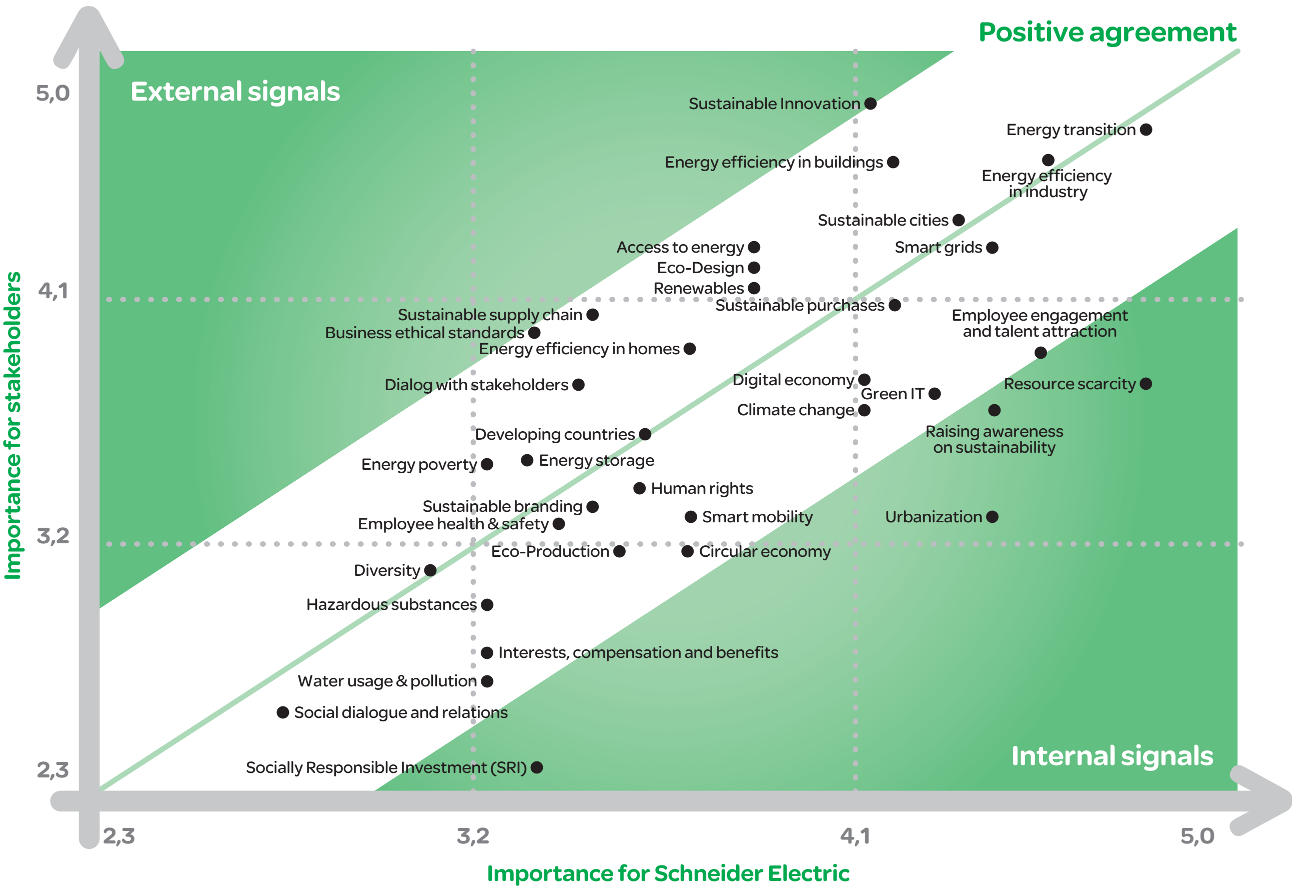
In 2013, Schneider Electric conducted a materiality [1] analysis by questioning relevant external stakeholders (*e.g.* clients, media, distributors, international organizations, experts, etc.), and top and senior managers within the Group (Environment, Global Supply Chain, Finance, Human Resources, Business, 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 to confirm the topics to be addressed in the 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.

Through quantified indicators and three-year objectives, the Planet & Society barometer for the period 2015-2017, covers the following challenges identified to be of highest importance by this analysis: sustainable innovation, access to energy, eco-design, sustainable purchasing, employee attraction and engagement, scarcity of resources, raising awareness on sustainability, climate change, and subjects linked to Schneider Electric's major customer projects (energy transition, energy efficiency in industry, in buildings, in homes, sustainable cities, digital economy, green IT). It does not cover green IT within the Group. This is 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

Planet & Society barometer (objectives for 2017)			Start 01/2015	Results 2015	Target 12/2017
Overall score (out of10)			3.00	6.33	8/10
PLANET	CLIMATE	**10%** energy savings	-	4.5% ▲	10%
		10% CO_2 savings from transportation	-	8.4% ▲	10%
	CIRCULAR ECONOMY	**Towards zero** waste to landfill for 100 industrial sites	34	64 ▲	100
		100% of products in R&D designed with Schneider ecoDesign Way™	-	13.3% ▲	100%
PROFIT	CLIMATE + DEVELOPMENT (Sustainability offers)	**75%** of product revenue with Green Premium™ eco-label	60.5%	67.1% ▲	75%
		100% of new large customer projects with CO_2 impact quantification	-	-*	100%
		120,000 tons of CO_2 avoided through maintenance, retrofit and end-of-life services	-	44,777 ▲	120,000
		x5 turnover of Access to Energy program to promote development	-	x 2.07 ▲	x 5
	ETHICS	**100%** of our recommended suppliers embrace ISO 26000 guidelines	48%	64.7% ▲	100%
		All our entities pass our internal Ethics & Responsibility assessment	-	88% ▲	100%
PEOPLE	HEALTH & EQUITY	**30%** reduction in the Medical Incident Rate (MIR)	-	17% ▲	30%
		One day training for every employee every year	79%	85.6% ▲	85%
		64% scored in our Employee Engagement Index	61%	61% ▲	64%
		85% of employees work in countries with Schneider gender pay equity plan	-	57% ▲	85%
	DEVELOPMENT	**150,000** underprivileged people trained in energy management	73,339	102,884 ▲	150,000
		1,300 missions within Schneider Electric Teachers NGO	460	878 ▲	1,300

The 2014 performance serves as a starting value for the Planet & Society barometer of the Schneider is On company program between 2015 and 2017

▲ *2015 audited indicators*

** This indicators will be followed from 2016*

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 51) 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 2015-2017 is part of the Schneider is On company program. It comprises 16 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 90.**

The table above shows Schneider Electric's sustainable development performance in 2015. When the barometer was launched on January 1, 2015 the overall score was 3.00/10. At the end of 2015, the Company exceeded its target of 4.5/10 and attained 6.33/10.

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 inform the sustainability fellows (see page 51) 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.

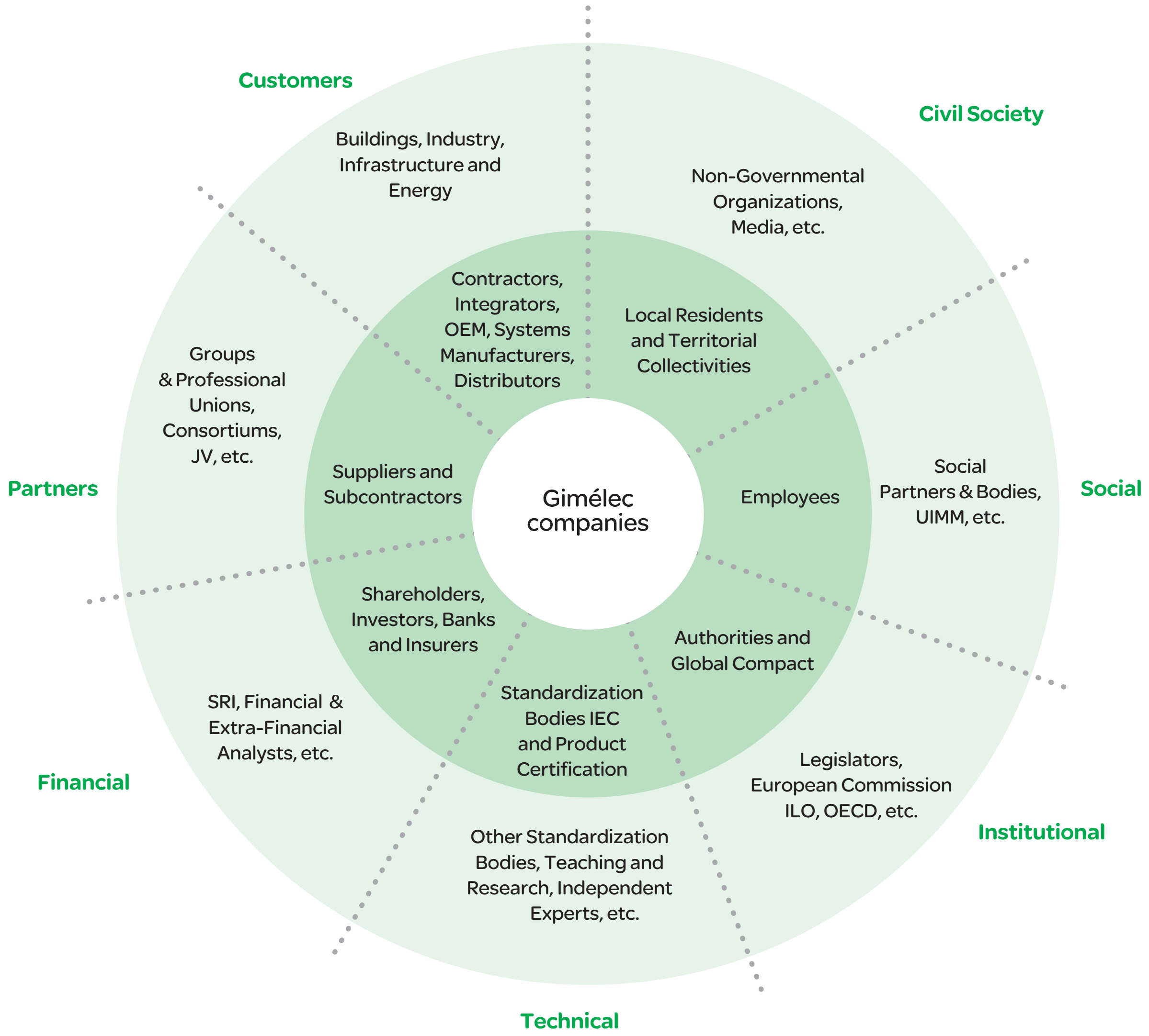
The publication of objectives and quarterly results is a way for Schneider Electric to engage with its internal and external stakeholders with regard to the objectives, to publicly disclose its sustainable development challenges through the choice of indicators, and to share progress made or difficulties 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 or reasonable 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 [(1)], 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
Customers	• Quarterly customer satisfaction surveys • Co-innovation programs • Online publication of environmental information on products	Quality, Customer Satisfaction, R&D, Sales, Eco-design
Financial	• Quarterly conference calls to present financial and non-financial information, meetings and plenary meetings • Regular meetings with individual shareholders • Quarterly newsletters to shareholders • Response to non-financial rating questionnaires • Individual meetings with SRI analysts • Response to SRI analysts' questions	Finance, Board's Secretary, Sustainable Development
Partners	• Purchaser/supplier meetings • Supplier's day • Supplier qualification process • Awareness raising about the Global Compact and ISO 26000 • Participation in the commissions and working groups on sustainable development of professional groups	Purchasing, Environment, R&D, Activities, Sustainable Development
Social	• Half-yearly employee satisfaction surveys • Social dialogue with employee representation bodies • Sustainablility Webradios	Human Resources, Sustainable Development
Technical	• Collaborative approach, creation and participation in competitiveness cluster initiatives, R&D programs, university chairs and professional associations • Active participation in international standardization bodies • PEP Ecopassport Program	R&D, Activities, Environment
Institutional	• Adhesion to and promotion of the Global Compact • Relationships with public authorities, legislators and the European Commission, especially in the field of energy efficiency	Sustainable Development, Purchasing, Influence
Civil society	• Participation in working groups and local and international organizations on challenges within our industry • Community programs • Partnerships with local NGOs	According to subject and audience, Foundation and Access to Energy program

Engaging employees in sustainable development: the Sustainability Fellows community

Schneider Electric believes 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 Webradio broadcasts focusing on sustainable development performance and related topics, the Sustainability Fellows grew from a few hundred people in early 2013 to 6,000 at the end of 2015.

The implementation of this community demonstrated that employees are willing to attend events or give some of their time to this subject. 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
Sustainable governance	**International:** World Business Council for Sustainable Development (WBCSD), United Nations Global Compact, International Chamber of Commerce (Environmental Commission). **France:** 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.
Energy/Energy efficiency	**International:** Alliance to Save Energy (Energy Efficiency), Clinton Climate Initiative (Buildings), Green Grid (Information Technology), The 2°C Challenge Communiqué (Corporate Leaders Network for Climate Action, CLN), eu.bac (the European association for building automation and controls – energy efficiency in buildings), Caring for climate (Global Compact). **France:** EpE (*Entreprises pour l'environnement*), National Energy Transition Council, signatory of the Green Building Plan Charter, Shift project, Promodule, Financing company for energy transition, member of the board of directors of Avere (Electric Vehicle Association), IFPEB (*Institut français pour la performance énergétique du bâtiment*), *Pacte écologique de Nicolas Hulot, Grenelle de l'Environnement.*
Smart grids	Research Triangle Cleantech Cluster (Raleigh, North Carolina), Grid Edge Executive Council (Greentech Media), Fort Collins (Colorado) Cleantech Cluster, Tenerrdis Energy Cluster (France), OpenADR Alliance, Smart Energy Demand Coalition (SEDC), Peak Load Management Alliance, North American Electric Reliability Council (NERC) Functional Model Demand Response Advisory Team, NEMA Smart Grid Council, IEEE (T&D and Power and Electronics Society), 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&D Europe (European Association of the Electricity Transmission and Distribution Equipment and Services Industry), European Smart grid task force led by the European Commission.
Smart cities	**International:** European Innovation Partnership for Smart Cities and Communities, Urban Infrastructure *Initiative* led by the WBCSD. **France:** Smart cities task force of AFEP (French Association of Private Sector Companies).
Access to energy	**International:** co-signatory of a white paper for the WBCSD (World Business Council for Sustainable Development) on business solutions for access to energy for all, the first major publication of the Access to Energy initiative of the WBCSD, Co-pilot of the « Low carbon electrification in remote areas » group, Sustainable Energy for all (Nations unies), Club ER, Alliance for rural electrification. **France:** supporting partner of the Social Business/Enterprise and Poverty Chair at HEC.

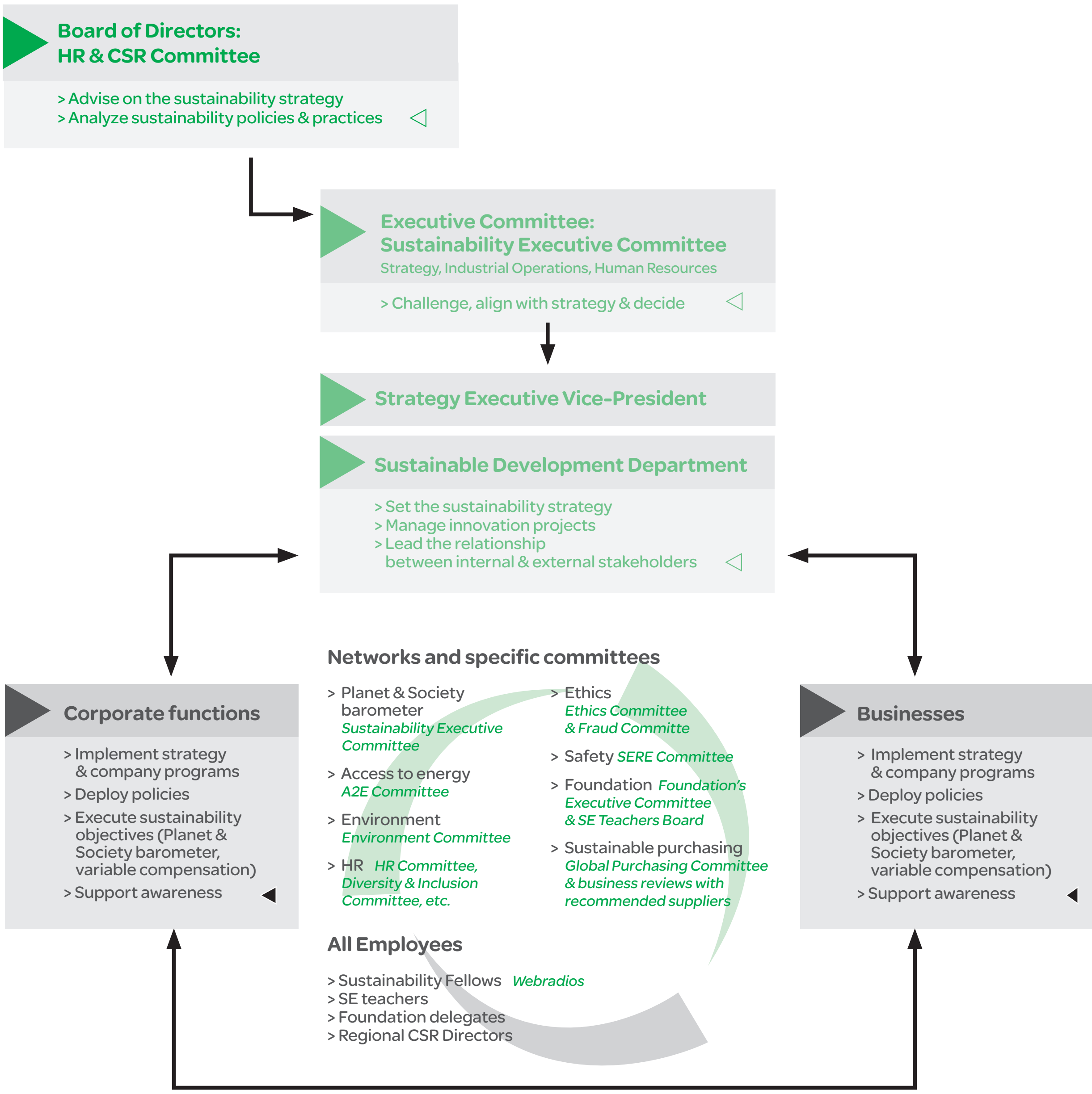
Diversity	**International:** signatory of the Women's Empowerment Principles (WEP) of the United Nations. **France:** Diversity Charter, Agreement for professional gender equality, Professional gender equality Label, Parenthood charter, Disability Agreement, Agreement on inter-generational mechanism, Apprenticeship Agreement, Framework Convention on Jobs for the Future (*Emplois d'Avenir*), Businesses and Neighborhoods (*Entreprises et Quartiers*) Convention.
Social policy	*Observatoire Social International.*
Education	**International:** training program in energy management for underprivileged people, in partnership with local vocational training centres and/or national or international NGOs. **France:** School Paul-Louis Merlin, framework agreements with the Ministry of National Education, Higher Education and Research, partnerships with the continuing education network of UIMM, *Ingénieurs Pour l'École network* (IPE), selected by the Ministry of Education for the Digital School project.
Ethics	**International:** Transparency International, *Cercle éthique des affaires* (Business ethics club).
Biodiversity	Livelihoods: Carbon offset fund for biodiversity and rural communities.
Philanthropy	**International:** member of the IAVE (International Association for Volunteer Effort), more than 70 NGOs supported each year in over 35 countries, partner of Ashoka for the development of social entrepreneurship primarily in Europe. **France:** active support of Admical (*Association pour le développement du mécénat industriel et commercial*, member of the European network CERES) and *IMS-Entreprendre pour la cité*.
Standardization	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 IEC (International Electrotechnical Commission), participates actively including in the roadmap for smart grids standards especially in the domain of Power Utility Automation; it is a member of Cenelec (European Committee for Electrotechnical Standardization), where it has the convener's role for standardizing the interface between smart buildings and smart grids, and where it leads a group in charge of defining the set of smart grid standards and the standardization roadmap; it is also a member of the French Committee for environmental standardization. It is member of the Council Board, the Conformity Assessment Board and the IECEE system of IEC. 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 heavily involved in the working group on sustainable development and in the work on the rational use of energy. Since February 2007, Schneider Electric has represented France on the IEC's Advisory Committee for Environmental Aspects (ACEA). The ACEA works to advise and coordinate the EIC's efforts to tackle environmental issues. The Group also participates in the Advisory Committee for Energy Efficiency (ACEE) created in 2013.

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 Baometer criteria in variable compensation page 90.**



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 65-68);
- social responsibility, specifically with the Schneider Electric Foundation as well as local economic and social development programs (see pages 98-103);
- access to energy, with responsibility for the Access to Energy program (see pages 93-98);
- supporting and developing the Group's performance, in particular by steering the Planet & Society barometer and the strategy and sustainability report (see pages 48-49).

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

(see page 70).

Human Resources organization

(see page 79).

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. 147)

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 66).

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 63 « 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 promotes a compromise involving different players from the public, private and non-profit sectors from around 100 countries, and a vision of how an organization should view societal responsibility. Schneider Electric's actions towards sustainable development are committed to 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 63 « 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 GRI and, until 2013, scored a B+ with respect to GRI 3.1. In 2014, the Group began to align with GRI 4, at the « In accordance – Core » level. A reference table with these indicators and the indicators proposed by 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 directives 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. They provide guidelines for conduct that the Group is committed to following, which includes consideration and respect for the various stakeholders. 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, 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 societal 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 65-68 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 (Diversity & Inclusion policy, Health and Well-being policy, Travel policy, etc.), Security policies, Safety policies, Social Media policy, Data governance and protection policies, Business integrity policies, Competition Law policy, Stock-market code of ethics, etc.

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, health and safety, and well-being. 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 Winter 2015-2016, Schneider Electric was listed as 12th (equal) for the global company with the most SRI funds in its capital (128 funds).

Ethical stock market indices

Dow Jones Sustainability Index (DJSI) World and Europe: Industry Leader

Schneider Electric is part of the 2015-2016 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 third year in a row, Schneider Electric ranks first in its sector. This year, it also became « Industry Mover », by showing the greatest progress in its sector.

Climate Performance Leadership Index (CPLI): member of the « Climate A list »

Schneider Electric was selected for the 5th year running in the CPLI and is among the 5% of companies to receive the « A » rating for their performance in activities to combat climate change. Group was also one of only five French companies to make it on to this list in 2015.

Climate Disclosure Leadership Index (CDLI): 100/100

With a maximum rating of 100/100, Schneider Electric was one of the companies selected in the CDLI this year for the quality of the information it produces on its carbon emissions and energy consumption. Schneider Electric was one of the nine companies listed in the CDLI in 2015.

Euronext Vigeo Indices

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. Schneider Electric was evaluated in late 2015. It is first in its sector, with a Robust rating. This evaluation will be taken into account in the indices in June 2016. On December 1, 2015, Schneider Electric was part of the Euronext Vigeo Europe 120 and Euronext Vigeo Eurozone 120 indices.

Other indices

Schneider Electric is rated Prime by Oekom, first in its sector and the only company in its sector to attain a B rating. It has been awarded an Outperformer rating by Sustainalytics. It has achieved an Advanced (and Gold) rating from EcoVadis.

In 2015, Schneider Electric was part of the following indices in particular:

- MSCI Global: Sustainability, SRI, Environment, and Climate;
- STOXX Global ESG from Sustainalytics: Leaders, Environmental Leaders, Social Leaders, Governance Leaders; and STOXX ESG European indices;
- STOXX Sustainability from bank Sarasin;
- STOXX Low Carbon, Low Carbon Footprint and Global Climate Change Leaders of the CDP (global and European indices);
- Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers;
- ECPI Equity: Carbon, Ethical, Renewable Energy, ESG Best in Class, Megatrend, and Climate Change (global and European indices).

Awards 2015

Among the recognitions for sustainable development received in 2015, the Group highlights the following:

- **Global 100 most sustainable corporations:** Schneider Electric reached 12th place in January 2016 in the ranking by Corporate Knights Inc., versus 9th in 2015, 10th in 2014 and 13th in 2013.
- **Ethisphere:** Schneider Electric was one of the 132 most ethical companies following ranking by Ethisphere in March 2015, for the fifth consecutive year (and for the sixth year in March 2016).
- **Enjeux Les Echos/Institut RSE** : Schneider Electric is the most sustainable company in the CAC40 for the second consecutive year.
- **Universum rankings – Global top 50 World's Most Attractive Employers**: in 2015, Schneider Electric was one of 50 global companies rated most attractive to engineering students.
- **World's Most Admired Companies:** Schneider Electric ranked seventh place in its sector (Electronics) in the list published by Fortune magazine.
- **Newsweek Green Ranking 2015:** Schneider Electric was the 25th greenest company in the world and first in its industry, 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:** Green Technology Award for the Schneider Electric micro-grid solution in India, Best CSR Activities for Schneider Electric India, Africa Best Employer Brand, CEMEFI certification for Schneider Electric Mexico, Top Employer in France, etc.

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

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

Moreover, the Group's products and solutions are sold worldwide, either directly to end customers or through 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_6, a powerful greenhouse gas.

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

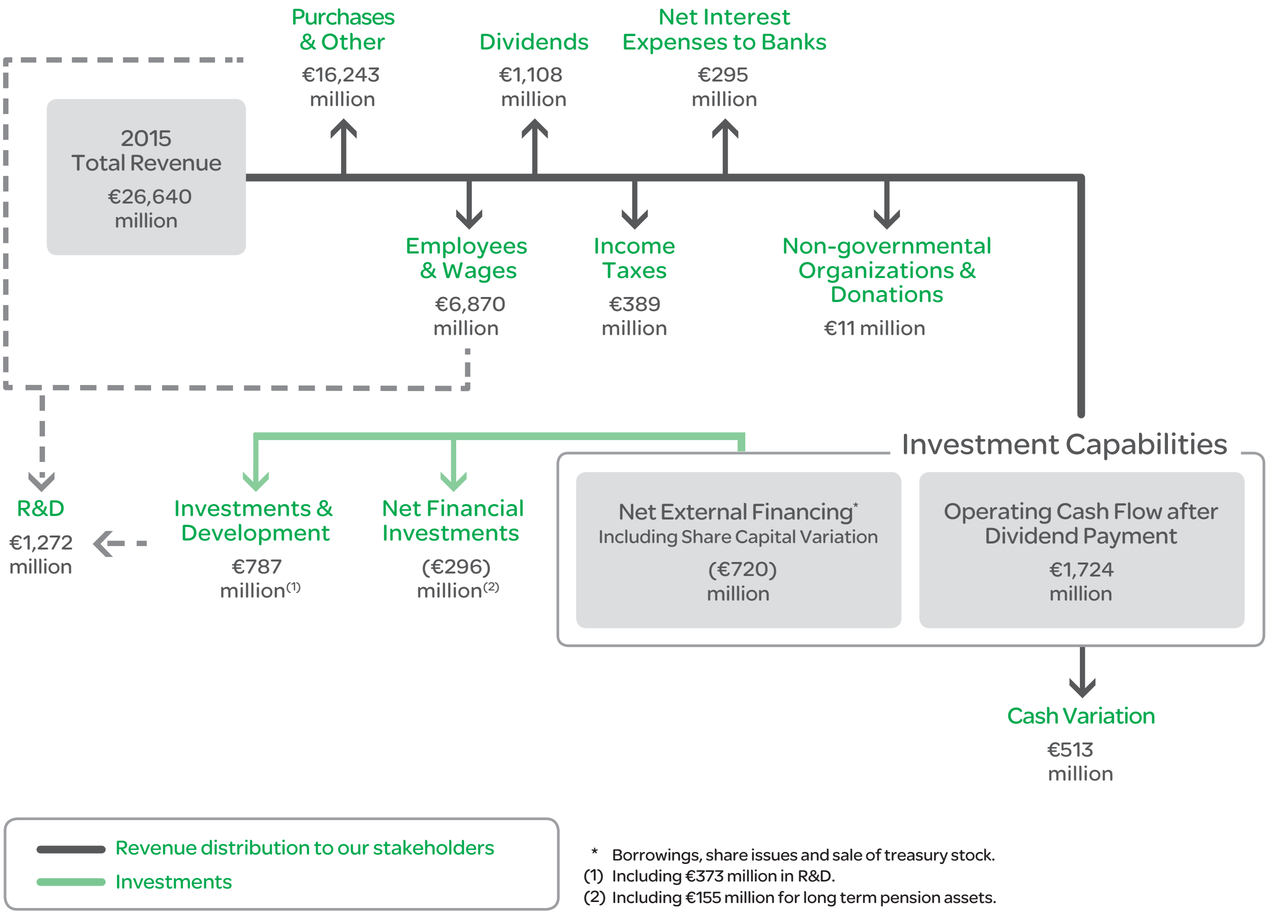
For this section, four key performance indicators have been set in the Planet & Society barometer for the duration of the *Schneider is On* program (2015-2017):

Objectives for year-end 2017	2015	2014
1. 100% of new large customer projects with CO2 impact quantification	-*	-
2. 120,000 tons of CO_2 avoided through maintenance, retrofit and end-of-life services	44,777 ▲	-
3. 100% of our recommended suppliers embrace ISO 26000 guidelines	64.7% ▲	48%
4. All our entities pass our internal Ethics & Responsibility assessment	88% ▲	-

The 2014 performance serves as a starting value for the Planet & Society barometer of the Schneider is On program between 2015 and 2017.
▲ *2015 audited indicators.*
* *Results measured from 2016 (measurement tools deployed in 2015).*
Please refer to pages 104 to 107 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 60-62 for indicator 1, 62 for indicator 2, 63 for indicator 3, and 65 for indicator 4).

Revenue breakdown

Every year for the last ten 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.



* Borrowings, share issues and sale of treasury stock.
(1) Including €373 million in R&D.
(2) Including €155 million for long term pension assets.

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

Our planet is facing an unprecedented energy challenge.

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 covering all areas. The software architecture provides tools at three layers to maximize customer efficiency: enterprise, operations and control. Whether our customer is a senior executive seeking control of his or her company's carbon footprint or a grid operator working to ensure reliability, with StruxureWare, Schneider Electric provides pionneering 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, marketing specialists, 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 adjust 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 enterprises, which covers homes, buildings, industrial facilities and datacenters, as well as electric vehicle 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 production: electrical equipment for solar farms, wind farms and hydro-electric power plants, supervision control and data acquisition (SCADA) systems, engineering, maintenance and management of the performance of equipment, automation of the energy production process, systems for optimal integration of renewables into the network. The purpose of all these systems is to improve the costs of running and operating customer infrastructures.

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

  Schneider Electric has received two international awards for the application called « StruxureWare Demand Side Operation » for the supervision and integration of resources distributed within connected microgrid.

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

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

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

  Finally, the variety of charging environments, whether public or private, individual or collective, requires information and invoicing systems to be put in place for businesses and car service providers;
- demand-response: consultancy and implementation of software and hardware platforms to share data and for load shedding aimed at energy operators;
- storage: energy storage systems which can be applied to grid services (operating reserves, integration of renewable energies, etc.) and the Ecoblade battery solution for electrical grids, data centers, commercial and residential buildings. A solution to empower energy consumers and producers to shift their usage over time.

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 rational, hands-on 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 ultimately add value:

- 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 vehicle 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 systems, digital city services platforms, street lighting management systems;
- 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 systems.

Recovery service for equipment containing SF_6

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

However, since the beginning of the 2000s, the first devices containing SF_6 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 devices containing SF_6 in order to completely extract the gas and recycle it.

Schneider Electric has structured and reinforced its commercial offers around the « EoL6 » program through partnerships with hazardous waste licensed holders and recycling companies.

At the end of 2015, 17 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), Italy and Turkey (2015). The 2015 objective was achieved. In the Planet & Society barometer, the objective of recovering 120,000 tons of CO_2 for 2015-2017 has been set. At the end of 2015, 44,777 tons have already been avoided.

Norway implemented a public recovery process in 2001. SF_6 recycling is a legally 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.

EoL6 is a service offer that can meet the need for timely or planned recycling of old appliances (standalone mode) or be grouped with an offer to upgrade ecoFit^{TM}-type installations (replacing old appliances with new, higher performance appliances).

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

As part of its new commitments to sustainable development, on the eve of the Paris Conference on Climate Change (COP21), Schneider Electric committed to proposing alternatives to the use of SF_6 gas over the next five years and to phase out the use of SF_6 gas in its products over the next 10 years.

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 purchasing volume represents more than 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). Since 2012, Schneider Electric has 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 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, Conflict Minerals regulations;
- 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 550 audits of this type in 2015. In 2014, the Group launched an e-learning program which covers expectations in these fields and defines the documents and proof 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.

Sustainable development has become one of the seven pillars used to measure supplier performance since 2011; allowing the highest-performing suppliers to become « recommended » suppliers. The performance resulting from the third party evaluation is one of the key points of the sustainable development pillar. In 2015-2017, the Group aimes to engage 100% of its recommended suppliers in a process of continuous improvement on this pillar. Recommended suppliers represent 56% of Schneider Electric's purchases volume. At the end of 2015, 64.7% of the recommended suppliers have passed the third-party evaluation process, representing over 80% of the purchasing volume of these suppliers. This indicator of the Planet & Society barometer is integrated into the performance incentive of the Purchasing employees receiving a bonus.

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 2015, the assessment process detected 21 suppliers with low performance on the sustainable development axis. This figure is down by around 30% compared to the previous year. At the initiative of the Group's buyers and with the involvement of its suppliers, a higher degree of maturity on these subjects has been achieved. In particular, the Group has set a target figure in 2015 of increasing the average score achieved in the assessment. This target was reached and the average score increased by 10% between 2014 and 2015.

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

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

These situations have been identified as material issues in Schneider Electric's supply chain and unacceptable for a supplier of the Group. 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 allows employees to learn how to question recommended suppliers during the business reviews (whether assessed by a third party or not).

For off-limit situations, Schneider Electric favores 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.

Conflict Minerals rule

In August 2012, the SEC (US Security and Exchange Commission) adopted the so called Conflict Minerals rule part as the Wall Street Reform and Consumer Protection Act. This rule requires companies to conduct a « reasonable country of minerals' origin inquiry » and due diligence to determine whether « conflict minerals », as defined in the rule, are used in their supply chain.

Although this rule does not apply directly to Schneider Electric - since we are not registered with the US SEC, we are deeply concerned about social and environmental conditions in some mines that could supply metals for our products. As part of our ongoing sustainable business practices, we are committed to increasing our responsible metal sourcing efforts.

In working towards these commitments, we have taken a number of steps including:

- updating our purchasing terms and conditions to reflect our expectations from our suppliers;
- establishing a « Conflict Minerals Compliance Program » supported and sponsored by our top leadership. This program was developed based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and other appropriate international standards;
- identifying the use of conflict minerals in our products;
- engaging with our suppliers so that they respond in a timely manner to our requests for evidence of compliance.

We are working with an expert third party, collecting information from our suppliers to identify the source of the minerals in question and ensure they are recognized as « Conflict Free » within established International standards such as CFSI (Conflict Free Smelter Initiative), London Bullion Market Association (LBMA) or others.

We are aware of the complexity of this task, and we know it will take time to collect the needed information but are commited to contributing to this responsible sourcing initiative as well as responding to our customers potential concerns.

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. In addition to data collection, Schneider Electric put in place a review process for this data to guarantee the quality. Thanks to this process, the level of verification required for a given supplier can be adjusted, particularly in order to make the controls more stringent in cases where deviations have been detected.

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.

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.

2.4 Ethics and Responsibility

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

The Group currently has around 160,000 employees worldwide. Following the Group's various acquisitions, it has been able to integrate this exceptional professional and cultural diversity. Driven by Group values, the Responsibility & Ethics Dynamics program forms the basis of common references 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 general guidelines to be adopted. They are complemented by global and local policies to provide a precise response to the specific legal 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. Moreover, in 2015, managers were requested to sign a letter of acknowledgment to comply with and promote *Our Principles of Responsibilty*. At the end of 2015, 15,900 managers had signed this letter. This deployment went hand in hand with the launch of a new online training module in September 2015. Finally, training and awareness-raising actions are organized on a regular basis, particularly for the functions and geographical areas where ethical challenges are most present.

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 one's manager and/or a member of the concerned department (Legal, Financial, Human Resources (HR), Environment, etc.),
  3. contacting the entity's *Principles of Responsibility* advisor;
- an alert process to guide employees towards the right bodies:
  1. contacting one's manager, or
  2. using existing internal departments (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. In 2015, a new module was launched, with the active participation of members of the Executive Committee. Based on the MOOC methodology, this module comprises four chapters: 1) introduction to *Our Principles of Responsibility* and to the R&ED program; 2) integrity in business activities; 3) human rights in the workplace; 4) ethical management.
- 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. In 2015, specific training sessions were introduced for the Purchasing and Finance Departments.

A professional alert system: the R&ED Line

When an employee is a victim of or witness to 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 sanction 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 damage, unfair competition, corruption, conflicts of interest, accounting manipulation, document forgery, insider trading, theft, fraud and embezzlement.

242 ethical alerts were escalated in the R&ED line system in 2015: 47% of them were related to potential violations of our code of conduct in the field of business integrity; 35% were related to potential discrimination, harassment or unfair treatment cases; the 18% remaining were related to potential violations of other Schneider Electric policies.

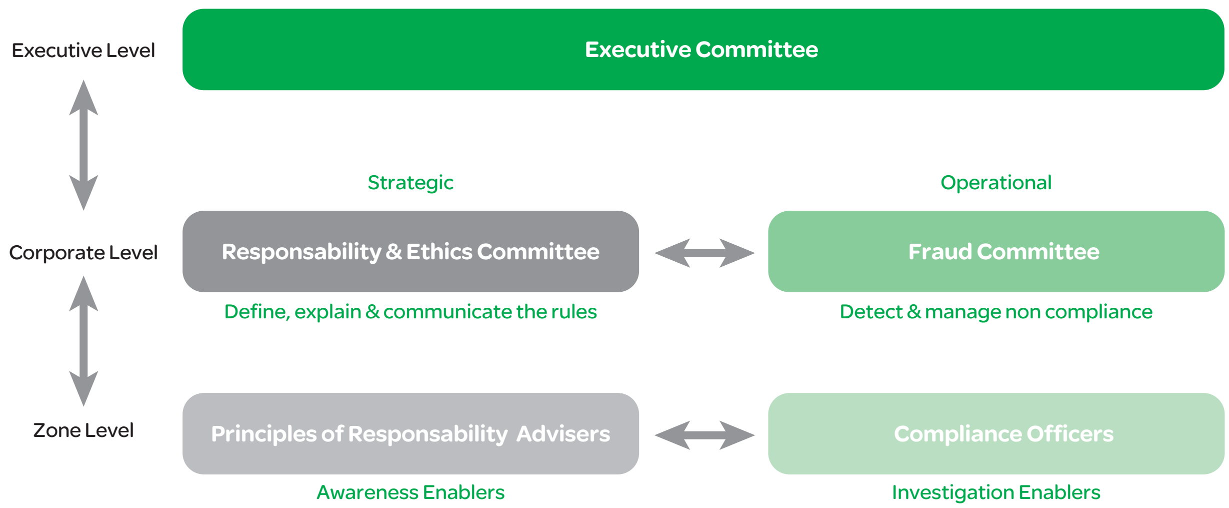
Dedicated teams and organization

The program requires implementation of an organization including the following:

- a Responsibility & Ethics Committee responsible for setting program priorities and the company's ethical vision;
- a network of *Principles of Responsibility* Advisors that brings together about 30 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.

The annual questionnaire concerning the implementation of the program was also reviewed and audited in 2015. This questionnaire is a self-assessment of each entity and the results are verified by the internal control teams (between 5 and 10% of entities). The results of this assessment are then analyzed by the team responsible for ethics, which supports entities in need of help and shares the best practices of those achieving the highest scores. This assessment is now used as a reference for the Ethics indicator on the Planet & Society barometer 2015-2017: « All our entities pass our internal Ethics & Responsibility assessment ». At the end of 2015, 88% of entities had successfully completed this assessment.

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.

2015 was marked by a step-up in training actions with awareness-raising sessions for top management and the Marketing, Purchasing, Human Resources and IT functions.

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 Directors of the various functions (Purchasing, IT, Security, Human Resources, Marketing, Legal, Audit, etc.) and Activities, ensures global governance of personal data and monitors compliance with this fundamental right in all digital projects. This governance will be strengthened in 2016 with the creation of a global dashboard consolidating all the actions undertaken by the entities to improve protection of personal data across the world and the creation of a work group on « Privacy by Design » in the development of products and solutions.

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.

2015 Award for excellence

The Group is proud to have been selected by *The Ethisphere Institute* for its 2015 *World's Most Ethical Companies* index for the fifth year running (and in March 2016 for the sixth year).

Schneider Electric is one of just 130 international companies recognized for their commitment and approach to ethics. Performance is measured based on the existence and depth of governance, the company's reputation and influence, the quality of actions to promote citizenship and societal responsibility, the culture and actions carried out to promote ethics.

2015 achievements

The program's implementation has continued through various lines of action:

- for the second year running, two days dedicated to ethics and responsibility, the *R&ED Days*, were organized based on two main topics: « Ethics in our business » and « Ethics with our employees ». This event was organized in 35 countries with the support of Country Presidents, *Principles of Responsibility Advisors* and Compliance Officers: Albania, Germany, Australia, Bosnia, Bulgaria, Chile, China, Colombia, South Korea, Croatia, Egypt, Spain, France, Greece, Hungary, India, Italy, Japan, Kazakhstan, Kosovo, Macedonia, Malaysia, Mexico, Morocco, Myanmar, New Zealand, Philippines, Poland, Romania, Russia, Serbia, Slovenia, Sweden, Taiwan, Thailand, Turkey and Vietnam. More than 50 workshops were organized over the course of the two days, on October 6 and 7, 2015: discussions on ongoing ethical challenges within the Group using Educational Kits; distribution of *Our Principles of Responsibility*; introduction to the R&ED program and the whistleblowing system. Once again, this event met with great success and strong interest from the employees;
- the Letter of acknowledgment with *Our Principles of Responsibility* signed by managers;
- the new online training module;
- the introduction of the Ethics indicator to the Planet & Society barometer 2015-2017;
- the continuation of the training program for the most exposed functions and geographical areas, with a special mention for employees coming from recently acquired companies;
- the continuation of implementing simple measures to enable employees to understand ethical dilemmas in an operational context and to help them to position themselves on the risk level to which they may be exposed;
- the update or creation of policies or directives, particularly the Business Agent policy, the Personal Data Management policy, the Gifts & Hospitality policy, and the Internal Fraud Investigation directive. This directive refers in particular to the whistleblowing system and the investigation process, as well as the protection given to whistleblowers;
- a first step being taken within the implementation of the UN Guiding Principles on Business and Human Rights (Ruggie): the formalization of a Human Rights policy.

2.5 Anti-corruption

To promote and develop integrity in business activities, various anti-corruption initiatives have been created or strengthened:

- after becoming a member in 2014, Schneider Electric became an active member of Transparency International France;
- over 50% 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, Nigeria, 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;
- to promote integrity and reinforce the message from top management, a video module has been specially created and integrated into the new e-learning module dedicated to *Our Principles of Responsibility*;
- the Compliance Department rolled out the new Business Agent policy and strengthened due diligence;
- specific training and educational materials have been developed for the attention of a certain number of functions, such as the Purchasing function; the Tender response and project implementation centers; and the Finance Department;
- communications in the form of Lessons Learned were conducted with the Country Presidents in cases of alerts 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 strengthen integrity in business. Transparency International is a leading NGO which aims to stop corruption and promote transparency, responsibility and integrity at all levels and across all sectors. The Group participates in inter-company exchanges organized 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 the association *Cercle Éthique des Affaires* and the firm Ethic Intelligence.

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 60).

3.1 Overview

Context and aims

Schneider Electric has defined a clear 2020 environmental strategy defining 15 priority initiatives and related goals across 6 environmental domains, fully aligned and supporting our *Schneider is On* program and our sustainable growth strategy. At Schneider Electric, environmental considerations go far beyond our efforts towards the sustained reduction of our footprint on the planet, as they really embed everything we do, from strategy, R&D, down to the value we bring to our customers. The tagline of our Global Environment Day on June 4, 2015, inviting all our 160,000 employees to celebrate their achievements and innovations for the environment was « A Passion for Green Growth »: it really summarizes how we see the environment at Schneider Electric.

Briefly introducing the six domains of our environmental strategy, our 2015 achievements and key aspirations:

1. **CO_2 and resources strategy towards a climate-compatible and planet-compatible growth path**. We have defined a CO_2 strategy and roadmap (with 2020 and 2030 time horizons), allowing us to remain « COP21 and +1,5°c compatible » with a sustained and step-by-step decoupling of our growth journey and supply chain transformations from climate implications. Furthermore, through our efforts in R&D and ecoDesign, we design a broad range of products, services, and solutions bringing significant CO_2 gains to our customers, thus avoiding millions tons of CO_2 in addition to our own supply chain efforts. Our climate bond issued in October 2015 was precisely focused on the financing of such R&D efforts towards low-CO_2 offers for

customers. On the resource side, we have mapped our overall resource footprint (copper and other metals, plastics, packaging, wood, gases, other resources), and have a clear understanding of the major impacts and stakes, and areas for further resource decoupling are prioritized.

2. **Building an increasingly Greener Supply Chain**. Resource efficiency and productivity are our mottos. This report contains specific sections about our efforts and sustained achievements towards energy and water efficiency, reduction of transportation and manufacturing externalities, green Best Available Techniques adoption in our plants and distribution centers. Additionally, all key Schneider Electric processes embed environmental considerations, making environmental performance and resource productivity key dimensions of major decisions (e.g. through our SPS/Schneider Production System framework). On the energy front, leveraging our own solutions and expertise, this year again our sites delivered a further 4.5% improvement of their energy efficiency compared to 2014, which is beyond our ambitions set for the year, and despite many years of prior energy efficiency improvements. We invested and commissioned significant equipment to keep on reducing SF_6 leakages in our factories, and we are heading towards the 0.2% target set for 2020.
3. **Considering Waste as Worth**. We drive an « obsession towards zero waste » across our 1,600 facilities globally. Waste minimization, reuse, recycling, and land avoidance have become an integral part of our plants and distribution center performance scorecards, and we see constant progress. This year, we are proud to have 64 plants receiving the 'Towards Zero Waste to Landfill' designation. We are successfully diverting thousands of tons of waste from landfill, year after year, and saw in 2015 a strong increase (+4%) of our waste recovery ratio globally. Our efforts in ecoDesign and industrialization space also add to our ability to generate less waste and be smarter with our resource use. We awarded innovations in this area in 2015, with sites from across the globe implementing smart practices towards zero waste.
4. **Promoting Green attributes and value-addition to our customers, and our Green Premium™ ecoLabel**. An increasing share of our customers is increasingly valuing our offers' environmental credentials, and keen to quantify their environmental (e.g. kWh, CO_2, water) benefits on their end. Towards this goal, Schneider Electric has been investing significant resources for many years to design and implement an innovative ecoLabel, Green Premium™, which by end 2015 covered more than EUR9 billion (which is more than 67%) of our product-based turn-over. This label benefited in 2015 from a set of further innovations, such as a smartphone App with QR Code capacity, allowing customers, channel partners, and electricians alike to 24/7 access to digitized environmental information (REACH, RoHS, Product Environment Profile/PEP, End of Life Instructions/EoLI). We also developed tools and communication materials for our customers as well as front-office teams to articulate in non-technical terms the value-addition for our customers of our offers environmental differentiators: beyond superior transparency or digital access to data, many of our offers go beyond regulations and provide « super-safe » products to our customers globally, and peace of mind. Quantification of CO_2 gains for concerned solutions has also made some good progress in 2015, towards our target of 100% of large solutions being provided with full CO_2 impact and gain assessment for customers by end 2017.
5. **Implementing a Circular Economy in a variety of ways for our customers' satisfaction**. Schneider Electric circularity expresses itself in many ways. On the resource and waste sides, we have covered above how we work towards wasting less and reusing more, and progress is underway. On the offer side, we have innovated in a variety of ways. We grew our field services and Retrofit (ecoFit™) revenues again in 2015. Such services help us prolong our products' lifetime, and it helps our customer enjoy energy management and automation services using fewer resources, 'Doing more with less'. We also grow our services towards the management of our products' end-of-life, for low and medium voltage equipment, or UPS (Uninterrupted Power Supply) systems, for instance. We see circularity as based on common sense, as much as a fantastic lens to drive further innovation and value-addition for our customers and the planet alike.
6. **Constantly strengthening our efforts towards robust environmental governance**. Besides the five strategic and transformational dimensions summarized above, we should also stress our constant efforts towards environmental stewardship in the way we select and grow our supplier base (more than 600 assessments, plus hundreds of field visits and audits), in the way we assess environmental risks in our supply chain, how we comply with changing regulations, or report to a variety of external stakeholders and analysts, not forgetting our efforts towards the embedding of environmental considerations across other functions' processes, such as purchasing, investment, manufacturing, logistics, acquisition, Human Resources management, etc. While improving the strategic alignment of our environmental journey with our corporate strategy and *Schneider is On* program, we meanwhile strive to address key risks and changing expectations of our global ecosystem.

For this section, five key performance indicators have been set in the Planet & Society barometer for the duration of the *Schneider is On* program (2015-2017):

Objectives for year-end 2017	2015	2014
1. 10% energy savings	4.5% ▲	-
2. 10% CO_2 savings from transportation	8.4% ▲	-
3. Towards zero waste to landfill for 100 industrial sites	64 ▲	34
4. 100% of products in R&D designed with Schneider ecoDesign Way™	13.3% ▲	-
5. 75% of product revenue with Green *Premium™ éco-label*	67.1% ▲	60.5%

The 2014 performance serves as a starting value for the Planet & Society barometer of the Schneider is On program between 2015 and 2017.
▲*2015 audited indicators.*
Please refer to pages 104 to 107 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 72 for indicator 1, 73 for indicator 2, 77 for indicator 3, 74 for indicator 4 and 74 for indicator 5).

Organization

At Group level, the Environment Director determines the Group's environmental strategy covering subjects including the definition of offers (ecoDesign), manufacturing and logistics, and the impacts and benefits for customers, including marketing and communication actions for customers on these matters. It has defined the Group's Resources, CO_2, and Substances strategy.

The network of environmental manager consists of:

- for the design and development of new offers: environmental managers in each Business Unit in charge of integrating key environmental issues into the development of offers, environmental managers in charge of customer focus, followed by taking into account and communicating relevant environmental characteristics, finally ecoDesign managers with expertise in taking into account environmental aspects in product design;
- for the management of sites and the global supply chain: environmental managers in each of the geographical areas, with teams mobilized to coordinate groups of sites (clusters), and in each of the industrial or logistical sites. The regional organization within the Global Supply Chain is as follows: EMEA (Europe – Middle East – Africa), North America, South America, India, China, EAJP (South-East Asia – Japan – Pacific). A Safety and Environment Officer is nominated in each of these regions. He/she is responsible for implementing the Group's policies in these areas across all sites (including plants and distribution centers, integral parts of the Global Supply Chain Department, and services sites, namely national and regional headquarters, commercial entities and R&D centers) within his/her geographical perimeter and for reporting on performance as well as coordinating progress plans;
- for logistics: the Logistics Director and his/her teams, within the Global Supply Chain Department, are in charge of reducing and measuring CO_2 emissions from freight at Group level;
- for countries and commercial entities: environmental managers for each country, responsible for local reporting actions where necessary, monitoring regulations, taxes and national opportunities as applicable (e.g. national transcriptions of the WEEE in relation to end-of-life product management, monitoring of RoHS China, etc.), the proactive management of local environmental initiatives, and relations with local stakeholders;
- for the other functions: environmental managers or, at least, correspondents, in functions such as: Purchasing, Finance, Insurance, Marketing, Industrialization, Security, Mergers and Acquisitions, Sustainable Development.

Various governance bodies enable these communities of experts and leaders within the Environmental function to meet every month or every quarter, depending on the topics and entities, to ensure coherent application of Environment policies and standards throughout the Group. To implement these policies, these leaders coordinate networks of more than 400 managers responsible for the environmental management of industrial, logistical and administrative sites, including ecoDesign managers and environmental correspondents in the various countries.

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

To educate all employees on environmental issues, and to give them the necessary skills, e-learning modules have been developed, notably regarding the eco-responsible management of energy and the environment, the circular economy, CO_2 and ecoDesign. These modules complement the existing technical training employees receive. Additionally, an Environment Intranet site is accessible by all employees and expanded continuously to inform everyone at all levels about our ongoing programs, best practices, results, goals and upcoming deadlines. In June 2015, Schneider Electric organized its annual 'Global Environment Day' event involving tens of thousands of Group employees across hundreds of sites, inviting them to celebrate and demonstrate innovations in the areas of CO_2 and the circular economy, for innovations both internal to the Group and in the areas surrounding the sites in association with the local community.

3.2 Reduction of CO_2 Emissions

Approach

CO_2 reduction has been a focus for Schneider Electric for many years. Periodical measurement of our end-to-end CO_2 footprint has been done, transformation programs to progressively reduce CO_2 externalities from our operations are underway, and new offers with better (positive) CO_2 impacts have been designed and launched. In this COP21 year, in addition to our corporate teams' involvement in a variety of key multi-stakeholders initiatives, we can mention the following initiatives and achievements:

- articulation of a CO_2 roadmap with 2020 and 2030 horizons;
- issuance of a EUR300 million Climate Bond dedicated to financing low-CO_2 innovations providing more than 10% CO_2 gains compared to reference solutions;
- issuance of a Materials and Substance directive for our R&D and Purchasing teams, pushing for lower-carbon resources in our products wherever possible;
- design and pilot (15 projects) of our rejuvenated ecoDesign Way process, with a systematic consideration of CO_2 impacts in product profiling at time of design, build, and launch;
- constant reduction (-4,8%) of our energy & logistics related CO_2 footprints compared to previous years;
- provision of Product Environment Profile information, containing CO_2 data, for more than 150,000 SKUs (stock-keeping units) and available in a smartphone App-enabled solution;
- commissioning of renewable (solar in most cases) energy and lighting sources on some of our key manufacturing and commercial sites, enabled by Schneider Electric solutions;
- further development of CO_2 quantification tools to allow easy calculation of CO_2 impacts and the benefits of our solutions for our customers;
- articulation and communication of our 10 CO_2 commitments ahead of COP21.

While we know our solutions help homes, offices, industries, data centers and utilities alike to save energy, reduce carbon emissions, and allow enhanced use of low-CO_2 energies, we want to still be cautious in claiming our CO_2 positive contribution to the world. Our current plan of action towards that end is as follows: we first work towards the constant reduction of our own CO_2 impacts across our supply chains, from raw materials extraction, energy use, to products end-of-life management. Second, we constantly work towards improving and quantifying in a more precise manner our various forms of CO_2 avoidance contributions to our customers, thus to the world. We clearly aspire to carbon neutrality, and will in 2016 clarify the exact nature of how we both impact the planet's climate through our supply chains and how, at the same time, we have a massive positive impact against climate change, through our innovations and solutions for our customers.

Action plans

Reduction of SF_6 emissions

In manufacturing processes with SF_6 gas, a Failure Modes and Effects Analysis (FMEA) has been deployed. Improvements have also been implemented in filling, tightness testing processes and measurements processes, across all sites handling SF_6 gas.

From the end of 2008 to the end of 2015, the SF_6 leakage rate in production processes has been divided by a factor 10, falling from 4% to 0.40% of SF_6 gas quantities included in our products.

Overall, the CO_2 emissions avoided thanks to SF_6 leakage reduction in factories during this 2009–2015 period reached over 150,000 metric tons.

Specific and significant investments have been made to bring SF_6 gas closer to filling machines, to reduce leakage risks. Specific training has been rolled-out, a worldwide community of SF_6 experts created, and a bespoke continuous improvement management system has been designed and rolled-out.

In order to meet our continuous reduction goal and to get closer to zero emissions, an initiative towards SF_6 leakage rate reduction in field services activities was launched in 2015, as well as in R&D laboratories (where SF_6 gas is handled for new product testing) and global monitoring has been put in place.

Finally, through our SF_6 end-of-life recovery and recycling program (EoL6 for End of Life 6) we have been able to recover, in 2015, 1905.4 kg of SF_6 equivalent to 44,777 metric tons of CO_2, up from the 998.5 kg of SF_6 recovered in 2014, *i.e.* 23,465 metric tons of CO_2 equivalent.

The EoL6 program is gradually being deployed worldwide, meanwhile Schneider Electric already provides SF_6 EOL services in 17 countries as of end 2015.

Energy savings

In general, Schneider Electric sites are low consumers of energy, compared with other industries. Our industrial activities have a high proportion of manual or automatic assembly, and few of our processes are highly energy intensive. However, Schneider Electric wishes to set an example in the reduction of energy consumption, and uses its own technologies and software and applies 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 the Group's CO_2 footprint, as part of our ambitions for continued reductions in greenhouse gases and in line with our COP21 commitments;
- reducing all forms of energy consumption (electricity, heat, gas, 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 how they can contribute themselves to their optimal use or even their future improvements.

Around 10% of total Group emissions come from energy consumption at its sites (according to the carbon footprint). 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.

During previous company programs One (2009-2011) and Connect (2012-2014), the Group set itself the goal of achieving a reduction in its energy consumption of 10% (on each program), *i.e.* a total of 20% in six years.

At the end of 2014, the goal was achieved and exceeded thanks to a 10% reduction over the 2009-2011 period, and a 13% reduction over the 2012-2014 period.

In 2015, the new company program *Schneider is On* was launched and the goal to reduce energy consumption was renewed with an identical objective of a 10% reduction during the period from 2015 to 2017, despite a level of consumption of already reduced sharply over many years.

The 2015-2017 company program, *Schneider is On*, includes the following objectives:

- reduction of energy consumption by 10% over three years compared to 2014;
- deployment of certification for energy management systems in accordance with standard ISO 50001 for 150 industrial sites (*i.e.* a major part of the Group's industrial scope) by 2017;
- identification of opportunities to reduce energy consumption over all sites as a result of the Energy Action audits;
- promotion of renewable energy adoption on our own sites (mainly solar), integrating Schneider Electric solutions, and purchasing renewable energy when it is available locally.

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.

At the end of 2015, this program enabled the following achievements:

- 4.5% reduction in consumption compared to 2014 was achieved (climate and level of production standardized) for the 218 sites with the highest consumption, covering 82% of the total energy consumption published by the Group; this result is in line with the overall objective, exceeding by 1 point the target given for 2015 (3.5%);
- 91 sites are ISO 50001 certified in line with the 2017 objective of 150;
- about 3.5 million euro and 47 million kWh were saved in 2015, thanks to the 4.5% energy savings;
- about 3.4 million euro was invested, of which 3 million in capital costs and 0.4 million in operating costs.

Note: Energy consumption and bills are managed in *Energy Operation* and *Resource Advisor* respectively.

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 provides secure access to data, reports and summaries to drive energy efficiency programs.

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 provides reduced solution cost, increased data storage capacity, and a flexible and mobile energy solution enhanced by Schneider Electric expert services.

The Green IT program

Green IT is a worldwide 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, so as to also help reduce their carbon footprint.

Main objectives of this initiative are:

- to optimize the number of data centers and their energy management features, 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 clouds where appropriate.

In 2015, Schneider Electric;

- established a Cloud Services operating model; leveraging its partners, the Group sustainably grew the consumption of cloud services and the number of virtual machines in the cloud;
- continued infrastructure transformation across all geographies including virtualization, consolidation, centralization and decommissioning of the Group's servers, storage and associated infrastructure;
- consolidated various regional/local data centers to a single outsourced operating model and data center supporting 60,000 users across the Europe, Iberia, South America and Middle East regions;
- transformed the majority of China IT operations into a single managed energy efficient data center, utilizing Schneider Electric's IT Business power solutions;
- decommissioned over 1,400 servers globally as part of the Windows Server Upgrade program;
- continued digitization including increased utilization of new corporate social media solutions and devices, improving the Group's collaboration and communication process while reducing paper, email exchanges and further leveraging cloud data storage.

Priorities and initiatives which will significantly contribute to optimizing the corporate IT infrastructure footprint and hence energy usage over the coming years:

- implementation of a Global Unified Communication Strategy leveraging the cloud to improve messaging, web conferencing, audio, video and virtual presence services globally which will include the decommissioning of our current legacy messaging servers;
- badge enabled printing, triggering a significant reduction in paper consumption.

Actions to reduce emissions linked to freight

Target at Group level

From 2012 to end-2014, reduction in CO_2 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 has contributed to saving 250,000 tons of CO_2 and EUR5.8 million since the end of 2011, while the investment required was close to zero (no special equipment was required, and a professionalization of the staff on the program was conducted).

As part of the new three-year company program Schneider is On and the Planet & Society barometer, it has been decided to renew the CO_2 transport emissions reduction program Group-wide for 2015-2017. A goal of a relative reduction in emissions of 3.5% during the first year was validated, with the target of achieving a reduction of 10% over three years.

At the end of 2015, the objective of 3.5% was achieved and surpassed with a reduction of 8.4%. However, this figure varies significantly across the different modes of transport: reduction of 24.5% on long-distance freight (air/sea) and increase of 5.4% on short-distance freight (road).

See indicators page 114.

Long-distance freight

Our Air/Sea tool, which 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 the best compromise between economic and environmental constraints.

In 2015, air freight tonnage represented on average 13% of joint air and sea tonnage, versus 14.3% in 2014. The reduction in CO_2 emissions on long-distance freight was 24.5% in 2015 versus 2014.

Local and central initiatives have been conducted in 2015, such as:

- implementation of the manager approval tool to question any decisions to use air transport, with validation by the only manager authorized to modify the shipment method; deployment planned in 2016 in all major shipment centers;
- launch of an optimization program for the fill rate of sea transport containers which will bring about a relative reduction of the number of containers transported and in turn a decrease in CO_2 emissions;
- 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 now incorporating the ITB activity which will lead to in a change in scope.

Short-distance freight

At the end of 2015, CO_2 emissions on road transport had increased 5.4%.

The main initiatives launched in the previous program must be reinforced and amplified:

- accelerate the consolidation of volumes for some providers of strategic logistics services equipped with transport optimization functionalities; a platform in Europe implemented, two very advanced projects in North America and South America;
- in some regions (China, India) which cannot benefit from consolidation involving several providers of strategic logistics services, deployment of the Oracle OTM tool (transport management system) to optimize delivery rounds and the truck load factor.

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.

Discussions are ongoing with an external partner concerning the industrialization and automation of the report on CO_2 emissions from transport in Europe.

3.3 Eco-Design

Approach

In the context of Schneider Electric's environmental strategy, the eco-design of the products and solutions the Group offers to its customers is a major component for participating in the fight against climate change, reducing the growing scarcity of raw materials, and ensuring respect for and the protection of the health of those using its products and solutions.

Moreover, all countries, particularly the European Union, the United States and China are increasingly working to develop regulations to implement a legal framework for eco-design.

For example, the European Union has established eco-design directives for certain product groups over the last several years.

The Schneider Electric policy on eco-design is organized around the following components:

1) Management of the substances used in the products

   The strategy for materials and substances is reflected in a directive and applied as follows. Since 2008, Schneider Electric has anticipated and modified the design of its products in order to comply with and go beyond European regulations: RoHS and REACH. Schneider Electric has expanded the application of these regulations to all its production in all countries in which the products are marketed.

   Schneider Electric has made this effort a reality with the Green Premium ecoLabel by making Product Environmental Profiles (PEP) and end of life instruction guides (EoLi documents) available to its customers.

2) Product design

   Since early 2015, the design teams working on new products and solutions have been committed to the ecoDesign Way.

   The objective by 2017 is that all projects to design new Schneider Electric products will have implemented this method, which is intended to measure the improvement in the environmental footprint of the products in all its offers over the entire life cycle of the products.

   The method is strongly driven by Schneider Electric's desire to place on the market products that are part of the circular economy by offering greater maintainability, reparability, capacity for retrofitting, and reprocessing at the end of the life cycle.

   The purpose of this approach is to highlight Schneider Electric's commitment and make it concrete by marketing products that are always increasingly respectful of the environment. This approach is integrated within an ongoing improvement process backed by ambitious objectives, particularly those coming from the « substances and materials » directive, and by anticipating the regulations of the various geographic regions. Schneider Electric's commitments to reduce the CO_2 impact and resources of its product lines are strong and ambitious. This design method forms a central way to achieve them.

   The Group's customers benefit from these commitments which allow them in turn to achieve a portion of their own commitments with regard to CO_2, the environment, energy efficiency or other.

   Schneider Electric also finds that a growing percentage of its customers expect these commitments, welcome its progress, and use the digital tools from which the Group provides them with all the environmental information for more than 150,000 SKUs (stock-keeping unit).

3) WEEE Regulations

   Schneider Electric has for a long time been engaged in a process that protects the environment and the health of people in the treatment and recycling of its products at the end of the life cycle.

   In the context of the application of the Waste Electric and Electronic Equipment (WEEE) directive, Schneider Electric is implementing product identification and selection actions, establishing recycling streams and pricing the taxes to be applied in compliance with the regulations of each country in which products are sold.

Action plans

Substance Management

In 2015, Schneider Electric updated its Substance and Materials strategy to better meet growing customer expectations, perpetuate compliance with the most stringent regulations and directives and, finally, anticipate the obsolescence of materials or components to secure its supply chain.

This strategy is deployed globally through an internal directive based on the REACH regulation (EC 1907/2006), the RoHS Directive (2011/65/EU), the regulation on substances that weaken the ozone layer (EC 1005/2009), the fluorinated gases regulation (EC 517/2014), the ban on halogenated flame retardants in plastics and, finally, the increased use of recycled or bio-sources plastics and, more generally, the promotion of the use of non-fossil and recycled materials when pertinent.

In 2015, Schneider Electric conducted a vast plan to replace four phthalates (subject to authorization by the REACH regulation and prohibited by the RoHS Directive beginning in 2019) and the HBCDD. This replacement plan has drastically reduced the number of products containing phthalates or HBCDD.

The RoHS and REACH programs, initiated in 2006 and 2008 respectively, are supported by a project to collect environmental declarations from materials and component suppliers, which are updated every six months, in order to maintain the environmental declarations for Schneider Electric products up to date. Based on standard EN50581, the collection of standardized environmental declarations also expands the field of knowledge of the substances directly in the information systems for designing an offer in order to anticipate their potential obsolescence or ban.

The RoHS program is intended to eliminate the six substances cited 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.

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 in all its markets (China, India, South Korea, Japan, etc.).

The REACH program is intended 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 that are listed in Schedule XIV (marketing 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 for substitution;
- notify the quantities of SVHC placed on the EU market when they are over one ton per year and by legal entity in each EU Member State;
- adapt the Safety Data Sheet management process based on REACH requirements.

In 2015, 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 2015, the communication of the presence and content of these substances included 163 hazardous substances.

Green Premium EcoLabel

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 has been developing Green Premium, a unique eco-Label, based on clearly defined criteria, either in terms of environmental regulations or international standards. These criteria include *ad hoc* environmental information on its products that can be accessed on line.

A product is declared Green Premium if it meets the following four criteria:

- it complies with the European RoHS directive;
- has information concerning the presence of Substances of Very High Concern (SVHC) under the European REACH regulation and refers to the most recent list;
- has a Product Environmental Profile (PEP) providing a material assessment, a recyclability rate and the calculation of environmental impacts including the consumption of raw materials and energy, the carbon footprint and damage to the ozone layer; this environmental profile is established over the entire product life cycle, from manufacture to the end of life;
- has a guide that identifies and locates the sub-assemblies or components that require 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 design and development process as critical deliverables for marketing product offers.

As part of its new 2015-2017 company program, Schneider Electric is strengthening its Green Premium eco-brand by giving it new impetus and expanding its scope of application to offers resulting from acquisition, and is renewing communication on its deployment through the Planet & Society barometer. The objective at year-end 2015 of recording 65% of product revenues with offers labeled Green Premium was exceeded, with more than 67% of products (revenue of nearly EUR9 billion covered by products that carry the Green Premium label).

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.

For Schneider Electric customers, Green Premium is a pledge of transparency, environmental responsibility, and reduced toxicity, including in relation to stringent regulations such as RoHS and REACH.

3.4 Eco-efficient manufacturing

Approach

Schneider Electric has rolled out 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 112-114:

- energy consumption;
- CO_2 emissions (derived from energy consumption and SF_6 emissions);
- amount of waste produced, percentage of waste recovered and number of sites achieving « Toward zero waste to landfill »;
- 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 large tertiary sites with more than 500 people was launched in 2010. For instance, the Groups' headquarters in Rueil-Malmaison, France was certified in 2010.

At Group level, the scope of certification covers about 60% of employees.

The challenge for the coming years is to maintain this performance level by certifying all new industrial and 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 for several years.

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

The Group has 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 « EverBlue » project was launched 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 defined, site by site.

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

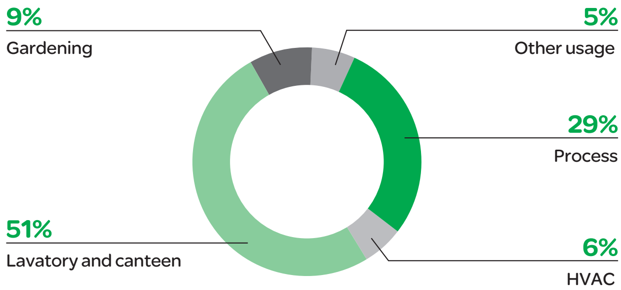
Schneider Electric measures and analyzes the quantities of water consumed by its sites on a monthly basis and the different usages made of it (process, HVAC/Heating Ventilation and Air Conditioning, lavatory, canteen, gardening). The Group continues to monitor the *per capita* consumption of water on a like-for-like basis in order to evaluate the improvement in performance from one year to the next.

Following the success of EverBlue, the company program 2015-2017 has set the goal of continuing to reduce global water consumption by 5% *per capita* by 2017 compared to 2014 (at constant scope).

At the end of 2015, *per capita* water consumption stood at 20.6 m^3 at constant scope compared to 2014, up 2.3%, a slight deterioration after the 23% savings with Everblue from 2012 to 2014.

The global EverBlue program has become regional with the aim of implementing best practices and increasing the innovation dynamics of the sites in their specific water contexts.

Thanks to a new reporting system, the detailed water usage is reported. The diagram below prensents 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.

Lavatory, canteen, and gardening usage represents 60% of the total. Industrial processes represent 29%.

This information can be used to improve the targeting of action plans dedicated to water consumption reduction efforts. It also helps to standardize information for more accurate performance management: for instance, water used in lavatories and canteens will be impacted by headcount changes and water used for processes will be impacted by changes in production levels.

Energy consumption

See the Group's energy consumption action plans page 72.

Raw material consumption

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

For more information on the Schneider Electric global action plan relating to PEP and to end-of-life instructions, see the Eco-design and Green Premium chapter on pages 74-75.

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 2015-2017 target of 100 sites achieving the requirements of « Towards zero waste to landfill » (see page 77) and by providing End-of-life instruction for its products, which can be accessed easily by customers on the Internet.

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 of the Group has been to recover more than 85% of industrial waste (hazardous and non-hazardous). Schneider Electric has been working since 2012 to identify the main reasons for the 15% not recovered. In 2013, the Group embarked on a general consolidation process of its hazardous waste, and, thanks to a specific study enabled by its new reporting system, the Group confirmed the recovery of almost 100% of its metal waste.

This data is processed to ensure local traceability. All waste is channeled to the appropriate treatment facility.

At the end of 2015, the overall approach to eco-efficient manufacturing enabled the percentage waste recycled to be increased from 87.2% to 91% at constant scope.

In 2015, a new environmental strategy was put in place, focused mainly on a step up in waste recovery through its program « Waste as Worth ». This program, which will be rolled out throughout the period of the 2015-2017 *Schneider is On* company program, includes:

- the goal of achieving 100 industrial sites sending « Zero(*) Waste to Landfill » by 2017; this indicator is now published in the Group's Planet & Society barometer (*Zero in this case means « over 99% of metallic waste and over 97% of non-metallic waste sent to recycling);
- the implementation of a maximum recovery of metal waste program, including on the sites that generate the most;
- the implementation of a program to re-use a maximum of thermoplastic, metal and transport packaging waste on the sites concerned.

Conditions of use and release into 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 must be systematically stored and handled in areas equipped with retention tanks, in compliance with regulations. As a result of developments in legislation, retention systems are increasingly being designed to take into account new risks of malfunctions or emergencies, such as fires.

In 2015, Schneider Electric conducted its annual review of pollution risks at all manufacturing sites as part of ISO 14001 monitoring. No major incidents were reported in 2015.

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 discharges are tracked locally as required by current legislation. No major spills or discharges were reported in 2015.

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

The VOC emissions have been identified as material at Group level and are therefore included in the Group's reporting.

Finally, the CFC and HCFC emissions are monitored through our air conditioners in accordance with regulations. 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 environmental risks 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 2015, no new material environmental impacts were identified. Studies, in particular associated with the Invensys acquisition, are conducted. As a result of all of these actions, no compensation has been paid out in application of legal rulings in 2015.

The Group's industrial sites, in line with 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 accompanying 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.

For this section, four key performance indicators have been set in the Planet & Society barometer for the duration of the *Schneider is On* program (2015-2017):

Objectives for year-end 2017	2015	2014
1. 30% reduction in the Medical Incident Rate (MIR)	17% ▲	-
2. One day training for every employee every year	85.6% ▲	79%
3. 64% scored in our Employee Engagement Index	61% ▲	61%
4. 85% of employees work in countries with Schneider gender pay equity plan	57% ▲	-

The 2014 performance serves as a starting value for the Planet & Society barometer of the Schneider is On program between 2015 and 2017.
▲2015 audited indicators.
Please refer to pages 104 to 107 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 79 for indicator 1, 83 for indicator 2, 81 for indicator 3, and 88 for indicator 4).

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, customers and contractors as a core value. We strive to be recognised as the leading reference company in the electrical industry. 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 2015, Schneider Electric based its action plan on hazards and employee injuries, focusing on the following areas:

- fall prevention;
- non-routine work & customer worksites;
- electrical safety and LOTO (Lock-Out Tag-Out);
- road safety.

The resulting action plans have improved the processes and procedures involving working at heights, job site safety, electrical safety, and the safe working on customer worksites, which has led to consistent, global application of these practices.

Additional actions for 2015 included:

- continuation of the Global Safety Alert program – the system to quickly communicate serious events and their associated corrective actions;
- Global Integrated Management System (IMS - Includes ISO 9001, ISO 14001 and OHSAS 18001) – Certification was received in Asia Pacific in 2014. North America received certification in 2015 and the rest of the world will receive certification in 2017;
- the third year of the Global Safety Standardization deployment – the program to standardize safety best practices globally; in 2015, five initiatives were approved for standardization – scissors lift usage, ladder usage, customer worksite activity, LOTO (Lock-Out Tag-Out), motorized pedestrian PIT (powered industrial trucks);
- the third 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 compliance with standardized OHS and environmental processes, practices and procedures;
- Leading Proactive Indicators have been integrated into the Schneider Production System (SPS). The SPS is a tool to evaluate and drive continuous improvement in our manufacturing and logistics processes. A review of the safety component of the SPS has taken place and the next version of SPS has a much stronger safety component;
- a new release of GlobES (Global Environment and Safety data management system) has been deployed globally from September 2015 and enables us to better track and manage our safety program and to meet or exceed our key performance indicators;
- in our commercial organisation, 49 Country Presidents completed 90 customer site safety audits and over 200 safety communications;
- the DuPont safety cultural assessment survey was rolled out to all Global Supply Chain sites in EMEA; the program has been used to identify opportunities to make further improvements in safety and move towards an interdependent safety culture;
- in 2015, in EMEA, a proactive indicator was added which measures the number of near misses reported. The target is to have one near miss reported per five employees; this is very much in line with the move towards proactive reporting which will continue in 2016.

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 hours worked. This measure allows for an in-depth 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 on 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 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 on year.

The 2015 results for MIR, LTIR and LTDR are as follows:

- MIR 2014 = 1.85; MIR 2015 = 1.53 reduction of 17%;
- LTIR 2014 = 0.93; LTIR 2015 = 0.92 reduction of 1%;
- LTDR 2014 = 29.98; LTDR 2015 = 25.10 reduction of 16%.

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).

Training and Communication

Training and communication are key components of the Health & Safety program at Schneider Electric. The Group is committed to 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 and there are currently 41 safety e-learning courses available. The global training database is called My Learning Link, which tracks course requirements and course completions. As the specialists in all things relating to electrical application, in 2015 we launched a team of « Edison Experts » to further advance our internal competencies in electrical safety, contractor safety, customer worksite safety and Lock-Out Tag-Out.

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 2015 include a new Safety, Environment and Real Estate (SERE) intranet. A new global quarterly SERE newsletter has the cover story written by one of the Schneider Electric Senior Leadership team and is distributed to all employees through the new SERE intranet. Training and communication have also been improved through the use of webinars covering safety related training topics, performance reports, and action plan updates. The Global Safety Lead has presented several global webinars emphasizing the importance of proactive activities including near miss reporting.

Each quarter, a safety topic is selected as a focus area for the quarter. A global community work together for a number of weeks to prepare a wide range of communication material including CCTV monitor slides, training slides, bulletins, posters, leader briefing cards, video and promotion images on the topic. The material is promoted through each region and widely used.

Focus on Well-Being

In 2015, the HR team led a program called Employee Well-being. The program takes a holistic view of well-being including the four dimensions Physical, Mental, Emotional and Social. It deals with this under five pillars: 1) Health & Wellness, 2) Workplace (« Cool sites 2.0 »), 3) Organisation Culture, 4) Leadership, 5) Flexibility @ work. The program used « crowdsourcing » to collect ideas from as many employees as possible. Actions from the program will be visible in 2016.

Accomplishments

For the third year, Schneider Electric set aside a day to recognize and celebrate safety in all of its locations globally. The theme for Global Safety Day 2015 was Road Safety, with the slogan « Stay Alert and Stay Alive ». Two activities were promoted. The first was a solutions sharing campaign where all sites were invited to share the best solution that they had implemented in 2015. We received over 600 solutions and selected the top 5, which we shared through our company social media portal, called Spice, where we received over 1,000 hits.

The second activity was #Arrivealive campaign, where all employees were invited to share their road safety pledge on Spice. 2,114 pledges were posted, including a pledge from our CEO on road safety. A survey was carried out afterwards to measure the participation rate. The results were amazing, 456 sites participated in the Global Safety Day event.

4.3 Employee engagement and talent attraction

Approach

Attracting and developing talent is crucial to the ongoing success of Schneider Electric. The Group is working to become the « best company » to work for, and constantly strives to provide the environment and motivation for its employees to take control of their own career progression, through access to training and development and the latest job opportunities, and through readily available resources.

The Group is also looking to establish a strong name as an employer, and communicates around its Employer Value Proposition, which is closely aligned with the values of the Schneider Electric brand. As a global organization, Schneider Electric offers opportunities across a wide spectrum of career paths that make a real difference personally, socially and commercially. By constantly defining the « essence » of Schneider Electric, careers can be enhanced and potential delivered in line with corporate objectives and values.

Schneider Electric brand values

Schneider Electric's values are the core principles that define the Group and its brand:

- we Care for our customers, our planet and one another;
- we Connect our people through a collaborative work environment, focused on our customers' needs;
- we Challenge ourselves to be open and flexible and our teams to be innovative and find the right solutions for our customers;
- we Commit to make the most of your energy to offer sustainable development to our planet.

Total Employee Experience

The Total Employee Experience program is a collaborative approach that enables employees to take ownership of their own careers. Total Employee Experience provides managers with the tools to manage motivated employees and enables 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

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 73% in 2015;

Employees are asked to fill out a short questionnaire evaluating their engagement, six drivers such as diversity, learning, well-being, etc. 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 3,500 managers receive a customized report. Following communication of the results, they have to organize feedback sessions with their team in order to foster dialog 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 2015, 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 2015, the result was 76% (compared to 68% at end of 2012, 73% in 2013).

Flagship program: Cool Sites

Employee welfare is boosted *via* the « Cool Sites program » to promote stimulating workplaces (offices, factories, R&D centers, hubs, etc.), which are attractive, inspiring, energizing and distinctive *via* those small details that make a huge difference to our employees' daily work lives. 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 creates 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 quality of the program over the long term. The program now has a proven positive and sustainable impact on the engagement and satisfaction scores: Engagement index of Cool Sites in second year: +8 pts (vs +1 pt for Non Cool Sites), ENPS of Cool Sites in second year: +17 pts (vs -1 pt for Non Cool Sites), One Voice Action Plan Awareness of Cool Sites in second year: +13 pts (vs 0 pt for Non Cool Sites).

The program now reaches over 114,000 employees working on 384 sites in over 60 countries around the world.

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 and male graduates for internship and/or ongoing talent fulfillment objectives. From 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 are asked to present a case study on the subject of efficient energy solutions in the cities. In pairs with at least one woman, students propose viable solutions for energy management sectors critical to cities, such as: homes, universities, retail, water and hospitals.

The Go Green in the City competition has received a total of around 30,000 participants in the last five years and expanded its scope from eight countries in 2011 to 168 countries in 2015. In these last five years, Schneider Electric has seen strong and increasing interest from students for this contest, especially from the new economies. First time participants Bhutan and the Democratic Republic of Congo had an impressive representation in this year's challenge and there was a surge in entries from India and Indonesia.

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 provided over 850 junior profiles from 70 different nationalities with truly diverse assignments in 56 different countries.

University partnerships

Schneider Electric continues 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. Relationships have primarily been developped with universities with specialisms that align with 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.

Our employer brand and social media

Over the last two years, 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;
- 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.

Further recognition

External validation of our ongoing employer branding strategy is crucial in validating Schneider Electric as a potential « employer of choice ». In 2015, recognition was received by achieving for the 4th year running, a ranking in the top 50 (44th place) globally in Universum's « World's Most Attractive Employers » results among engineering students; the rankings are based on the nominations of almost 240,000 business and engineering students from top universities in the world's 12 largest economies.

4.4 Fostering talent and skills

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 *Schneider is On* 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 *Schneider is On* 2015-2017 company program. Within this program, « Step-up » defines strong ambitions in training, fosters a culture where employees take the initiative to learn, grow their skills 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 ».

In 2015, the Group redefined its training strategy around three components:

- a culture of inclusive training by pursuing its goal of one day training per year and per employee;
- the development of the best experts by function; this includes the definition of a training pathway for the positions deemed critical and also a strengthening of the « on boarding » process based on the principle of a « driver's license », which consists in a series of training and interviews to be performed in the first three months after arriving in the company;
- digital in the service of training; a willingness to offer more digital content that is richer and more social (in the social network meaning of the term), and take advantage of the My Learning Link platform to measure the activity as well as the impact of the training programs on employee productivity and commitment.

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 allows 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 out from 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 2015 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 were 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, the Schneider Electric learning catalogue encompasses 20,000 learning objects including 11,500 on-line courses (e-learning, quizzes, tests and videos).

Secondly, Schneider Electric has successfully tested new approaches:

Launch of a COOC (Corporate (Massive) Online Open Course): in the context of the launch of Schneider is On, the management of the Group wants to train all managers in the new organization and its impact on work methods. To do this, the Group decided to use an MOOC type platform known as « Schneider IQ ». Consisting of nine modules running for around 20 minutes each, which contain questions, videos and a chat and integrated social network module, Schneider IQ gives employees the chance to discover transversal topics key to the success of the strategy through a mechanism that is innovative, fun and mobile. With nearly 5,000 participants at the end of June 2015 (*i.e.*, ¼ of the managers), the platform was opened to all employees in July 2015. Schneider IQ has more than 14,000 users at year-end fin 2015 and about fifteen MOOC type modules.

Learning week: for the second consecutive year, the Group organized a Learning week, which was held worldwide from October 13 to 17, with three 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 38,000 employees actively participated. Consolidated results from the Learning week confirm our success:

- 75% of respondents satisfied (2,428 answers, including 620 managers and 1,808 individual contributors);
- 74% are likely to recommend the Learning week to a friend or colleague;
- 92% of respondents think that Learning weeks should continue to be organized in the future;
- 415,000 training hours were registered in October, which is the highest monthly record of 2015 (average monthly progression: 192,000 hours), and an increase by 6% compared to 2014.

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 existing individual development practices at local level. 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 individual employee 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 86). 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. For example:

- Global Supply Chain (GSC): the Global Supply Chain Academy provides every professional within the GSC function with 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 2015, 40 new learning offers where launched on strategic topics, 90% of them being e-learning; more than 95% of GSC employees did more than one day training and 85% of white collars did more than five 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 skills » for all sales people in contact with customers and « advanced courses » to address more complex sales environments or coaching skills; in 2015, the academy merged with the Marketing academy to provide even more support for the transformation of the Group in these businesses;
- Solutions: the Solutions University offers a comprehensive portfolio with a flexible approach including 18 blended certification curricula and 15 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 2015, around 13,000 enrolled candidates from 95 countries have taken the Solutions University learning paths, delivering 7,554 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 attended these regionally run programs in 2015.

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 2015 continued to be the front line managers' population (22,000 people).

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 15,000 modules of learning content are available in seven languages;
- 140,000 employees have access to the system;
- 85% of employees followed at least one day training (instructor-led training and digital learning) in 2015.

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 2015, the Partner Relationship Management (PRM) program was deployed in 10 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

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 implications for workforce needs and skills. 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 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 on boarding 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. The Group continues 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 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

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 the following 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 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,
  - 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 situations.

Governance

Diversity ambassadors have been appointed in more than 30 countries and entities of the Group, each of whom has put in place a Diversity action plan. This Diversity core community convenes to share best practices every month.

Communication

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; 16,000 employees had completed this module at the end of 2015.

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.

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 21st century. Schneider Electric shares the conviction that gender differences in the workplace (leadership style and personality, among others) complement each other, foster innovation and provide a wealth of benefits to customers.

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.

It has four 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 careers;
- become a gender balanced company.

Programs supporting women's professional development

A specific program, « Women in leadership » (three days' coaching), has been deployed in three regions (Asia, Europe and North America). At the end of 2015, more than 400 women had benefited from this program.

More than 10 Schneider Electric local women's 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 attended this workshop. In 2015, thanks to a step up in its deployment, 39 workshops were held and more than 580 leaders/managers had the opportunity to take part in these reflection and action sessions on the topic of diversity.

HeForShe movement: Reputation and community commitment

In June 2015, UN Women selected Schneider Electric for inclusion as the pilot group in HeForShe IMPACT 10x10x10. This selection followed the Leadership 2015 prize awarded to Schneider Electric at the headquarters of the United Nations for its actions to promote gender equality, in line with the women's empowerment principles (WEP) of UN Women and the Global Compact.

HeForShe is a solidarity movement to promote gender equality initiated by UN Women. The purpose of HeForShe is to encourage men to support change in favor of women's rights and diversity. Its main objective is to mobilize « a billion men by July 2015 » to help communities across the world to design sustainable change programs which promote equality.

This campaign was launched internally, and by the end of 2015, more than 24,300 male employees of Schneider Electric had joined the movement.

Pay equity

An important commitment for 2017 has been made in relation to pay equity between men and women.

As part of our continued focus on gender balance Schneider Electric introduced a gender pay equity indicator which measures the percentage of employees who work in countries where there is an operating gender pay equity plan and where corrective actions are in place.

Schneider Electric uses a common global standard methodology to identify gender pay gaps within comparable groups of employees and uses a country driven approach to address gaps with appropriate corrective actions.

In 2015, the process was extended to 16 countries and covered 56% of our employees. Our target by 2017 is to extend this process around the globe to reach 85% of our global workforce.

Nationalities

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

In 2015, eight nationalities are represented within the Executive Committee. 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.

Gender diversity

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 was renegotiated and signed in 2012, and again in 2015. It sets four priorities:

- recruitment: through raising the awareness of managerial teams as regards the interest of diversity within teams, and an upstream action plan involving schools and young graduates;
- professional and career development: through the announcement of career opportunities, the analysis of career paths for operators, the preparation of personal career plans for engineers and executives, the development of women towards positions of responsibility;
- actual remuneration and the closing of so-called « inexplicable » gaps through the allocation of an annual budget to reduce salary gaps between men and women, creating a framework of individual increases, individual salary review for employees returning from maternity or adoption leave;
- work-life balance: by facilitating a work-life balance (remote working, meeting scheduling, management of the use of electronic messaging, part-time - or « flexi-time »), by offering support to parents (company crèches - increase from 78 to 83 places, support to pregnant women, specific support for maternity, adoption, paternity (or « settling in ») child-care leave, authorized absences to support pregnant women in three prenatal examinations).

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. It is currently in the process of renewal for 2016.

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. Regional agreements are currently being signed.

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 2015, 14 people with disabilities were recruited on work-study contracts and four on permanent contracts. In all, employees with disabilities accounted for 6.13% of employment at Schneider Electric in France in 2015, 3% of these in indirect employment (subcontracting to the protected and adapted sector) and 3.13% 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 EUR31.5 million in 2015, including: EUR15.7 million in France, EUR11.3 million in Spain, and EUR4.5 million in other European countries. The new dynamic for subcontracting services launched in 2014 in France is confirmed: these subcontracts represent 15% of the total.

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 2015 Schneider Electric signed:

- as part of the GPEC (workforce planning) 2015-2017 agreement, an 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 sponsors' missions;
- the Jobs of the Future *(Emplois d'Avenir)* Agreement (renewal) signed with the Ministry of Labor, Employment and Social Dialog, which aims to assist the recruitment for 70 Jobs of the Future in favor of young people or those with few qualifications (64 contracts at the end of 2015);
- 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 develops assistance in disadvantaged areas.

4.7 Compensation and Benefits

Approach

Schneider Electric is committed to 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 long-term investment 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.

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 Businesses).

Sustainable development criteria also apply to the main zone and Country Presidents (20 in 2015) and to the heads of central functions (Finance, HR and Business Development) in 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_2 reduction targets have been taken into account for the performance incentives of all Global Supply Chain personnel who receive a bonus and are 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 the 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 2015 for 2014 annual grant). As a reminder, the Planet & Society barometer is published externally and its components are audited.

Since 2012, the profit-sharing incentive plan for the French entities Schneider Electric Industries and Schneider Electric France 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 shareholding

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 held around 4% of the capital in 2015. Employees in 60 countries have already benefited from a share ownership plan over the years.

Employee share ownership plan 2015

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 for employee shareholders and employee shareholder representatives and the 2014 prize for the best governance by FAS (Fédération Française des Associations d'Actionnaires Salariés et Anciens Salariés). In view of the dynamism of the employee share ownership program, the « 2015 Plan » was again enlarged and proposed in 33 countries with a unique Classic Offer. More than 43,000 employees subscribed shares for a total of EUR135 million.

The employee shareholding as of December 31, 2015, represented 3.84% of Schneider Electric SE's capital and 6% of the voting rights. 66% of the Group employees shareholders were located outside of France.

In 2016, the Group expects to launch a new global Plan which will cover 120,000 employees.

Socially responsible investment fund

In November 2009, Schneider Electric created the « Fonds Schneider Énergie Solidaire » (a dedicated mutual fund). Information sessions on this social wellfare fund have been 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 93-97).

Investment in this fund has reached EUR11 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 dialog and relations

Approach

Schneider Electric considers freedom of association and collective bargaining as fundamental rights that must be respected everywhere and therefore in its *Principles of Responsibility* commits to complying with local laws 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 rights is expressly mentioned on page 10 of the *Principles of Responsibility*, through Principle three 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 dialog 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 dialog at international level.

Action plans in major localizations

European Works Council (EWC)

In 2015, Schneider Electric's new European Works Council worked for its first full year. It was set up at the end of 2014 following an agreement negotiated and agreed with employee representatives from all European countries, in the framework of Schneider Electric SA's transformation into a European Company.

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.

The changes that were made to the European Works Council significantly enhanced the intensity and the impact of social dialog at European Level. This European channel for dialog 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 of more than 50,000 employees.

In 2015, the European Works Councils met seven times, including six Core Council Meetings and one plenary session. This allowed an active social dialog at European level throughout the year, as well as in-depth discussion on key topics. The June plenary session hosted presentations and discussions on the company's strategy with ExCom members including whom Schneider Electric's CEO. One meeting took place in Schneider Electric's new headquarters in the Netherlands, where our solutions have been deployed and were presented to the European employee representatives through a most valuable « Tech Tour », along with a presentation of our business and HR initiatives by our Country President and HR VP.

Group Works Council, France

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

In 2015, the Group Works Council for France enhanced its transversal information and understanding of business stakes and strategy of Schneider Electric, through three meetings during the year which dealt, among other topics, with Schneider Electric's *Schneider is On* company program, the merger of two industrial entities in southeastern France, and the integration of Invensys.

For the same purposes, the Group Works Council also went to Poland to visit our Bukowno plant and our shared services in Warsaw, as well as one of our major manufacturing entities in Grenoble.

Social dialog 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.

2015 was not a contract year for most of the union facilities in the United States so the focus was on maintaining the relationship with the union leadership. Meetings are held twice a year with the international representatives of these unions to maintain communications and to review business strategies. However, we do have a small facility in Greensboro, NC that did have a successful contract negotiation during the third quarter of 2015.

Social dialog in Mexico

In Mexico, Schneider Electric leaders conduct regular communication with 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 2015, 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.

Moreover, we were audited for compliance with the EICC Code, confirming our compliance on social, environmental and ethical standards, including the Universal Declaration of Human Rights, ILO International Labor Standards, OECD Guidelines for Multinational Enterprises, ISO and SA standards and many more.

This certification confirms previous awards that had been granted in previous years to Schneider Electric Mexico in relation to social responsibility, diversity and family policy.

Social dialog 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 local policy relating to employees' remuneration. Unions also take a key role in leading employee events and activities. The Group has discussed the terms of a collective contract with Unions for several plants. Four entities have already signed the collective contract.

Social dialog in India

Schneider Electric India has a strong social dialog culture with both unionized and non-unionized employees. In 2015, Schneider Electric India maintained cordial Industrial relations throughout its factories.

This harmony has been achieved through a time-tested collective bargaining process involving Unions or Workers Representative Committees. In some of the units where there are no recognized unions, this bargaining process is conducted with elected employees on committees such as Welfare (Works Committee), Health & Safety, Canteen, Sports and Transport, etc., including a special committee for women employees (fully compliant with the prevention of sexual harassment as per local laws), duly represented by external women with specialist knowledge of the subject and 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 dialog 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 laws 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 on 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 any changes in 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, 1.1 billion [(1)] people do not have access to electricity; 634 million of these live in Sub-Saharan Africa, 237 million in India and 120 million in South-East Asia.

In general, these underprivileged people live on less than USD2 per day.

Their families' energy costs may run to more than USD15 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 underprivileged 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 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

To achieve its goals, the Access to Energy program operates through its local presence in the countries concerned by the energy access problem. 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: SE4All - Global tracking framework 2015 report.

For this section, three key performance indicators have been set in the Planet & Society barometer for the duration of the *Schneider is On* program (2015-2017):

Objectives for year-end 2017	2015	2014
1. x5 turnover of Access to Energy program to promote development	x2.07 ▲	-
2. 150,000 underprivileged people trained in energy management	102,884 ▲	73,339
3. 1,300 missions within Schneider Electric Teachers NGO	878 ▲	460

The 2014 performance serves as a starting value for the Planet & Society barometer of the Schneider is On program between 2015 and 2017.
▲ *2015 audited indicators.*
Please refer to pages 104 to 107 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 95 for indicator 1,97 for indicator 2, and 100 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, 2015, the following amounts were managed by the fund:

- EUR3,000,000 in capital invested by Schneider Electric;
- EUR1,800,000 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:

- helping jobless individuals create businesses in the electricity sector;
- the development of businesses that fight against fuel poverty in Europe by promoting energy efficiency and the provision of efficient housing;
- promoting the development of businesses that provide access to energy in rural or suburban areas in developing countries;
- supporting 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 2015, 5,000 Group employees in France showed their interest in the Access to Energy program by investing EUR11 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.

Envie Sud Est is a social integration company, which is a member of the ENVIE network. Its main activity is the collection and treatment of Waste Electrical and Electronic Equipment (WEEE). Studies are currently under way into partnerships with this company for the management and treatment of waste produced at Schneider Electric sites in Rhône-Alpes (France).

IncubEthic SAS is an approved social enterprise, which mainly provides energy efficiency advice services.

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:

- to help individuals who have, in some cases, been out of the workforce for several years to create their own jobs in a promising industry;
- to contribute to the local economy;
- to promote the electricity sector.

The project targets entrepreneurs and project owners 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 2015, 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 underprivileged 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. The shareholding in this company was sold to its majority shareholder during 2015.

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 fulfill domestic needs. Products and solutions are developed to meet a range of both individual and community needs across the energy chain, from portable lamps and solar home systems to decentralized small power plants, water pumping systems and street lighting.

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. In 2013, Mobiya TS120S was launched, a portable solar light-emitting diode (LED) lamp that is both robust and affordable and offers up to 48 hours of lighting without recharging as well as offering a charging solution for cell phones. 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 and income-generating activities. The central component of 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 phones. In 2014, the Access to Energy program extended its offering to provide Homaya MS, a range of SHS dedicated to individual income-generating activities which use higher-power alternating-current equipment (miller, tailor, hairdresser, restaurant, grocery, cinema, etc.).

Collective electrification: Schneider Electric originally developed Villaya Villasol, a micro solar power plant dedicated to the electrification of remote villages to meet collective needs, both domestic and entrepreneurial. In 2012, its range was extended with Villaya Villasmart, a micro hybrid power plant for optimized management of an energy source derived from an engine-generator through a combination of photovoltaic cells. The Group's new facility in East Africa, following the acquisition of Power Technics Ltd., has boosted our production and assembly capacity in Kenya and in the region to develop customized decentralized rural electrification solutions.

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. 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 motor 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. These integrated street lighting solutions boost personal safety and support social and economic activities.

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. In 2015, Schneider Electric worked in collaboration with *La Poste du Bénin* (Benin postal service) to retail the Mobiya TS120S portable lamp through several hundred post offices. This partnership was part of the *Poste Verte* (Green Post Office) initiative aimed at bringing essential energy, health, transport and Internet services to Benin and Togo in an initial phase, before rolling the initiative out to all of West Africa.

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. Schneider Electric set up off-grid solar power stations that powered community buildings and charging equipment. 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, 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. In 2014, Schneider Electric partnered with Golden Key Company (GKC) in Myanmar to electrify three villages in the province of Irrawady. Some 800 households have been electrified through an experimental microgrid solar solution, all with direct current that enables them to power two LED lights, a cell phone charger and a radio 24 hours a day. In 2015, Schneider Electric was involved in the electrification of 60 villages in Indonesia as part of a government program. Micro-networks with 15 to 75 kW in power supply each village consisting of 80 to 520 households. In the same year, Schneider Electric also electrified 128 schools across Kenya. Solar electrification solutions can be customized for each school and can power up to 30 computers to facilitate the teaching process. At the same time, the success of the first village electrifications in the province of Ogun in Nigeria, has given rise to a collaboration between Schneider Electric and the company Arnergy Solar Limited to electrify new villages in the province of Osun. Thanks to the support of the Bank of Industries and the UNDP, the partners are implementing economically viable and sustainable solutions, particularly thanks to the installation of pre-paid meters in each of the homes and businesses connected to the micro-networks.

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 a trade in a safe and responsible way, providing them and their families with the means for satisfactory 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 underprivileged populations in the energy sector includes three key priorities:

- basic training over a few months, which is free and accessible to a large number of people, and adapted as much as possible to the local situation; these training courses lead to the issuing of a certificate of competence by Schneider Electric;
- single or 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 in June 2014, in partnership with the French Ministry of National Education.

Two international agreements were signed this year; the first with the company Cummins and the second with NGO Don Bosco Mondo. Efforts to identify potential global partnerships will continue in 2016.

Entrepreneurship is now part of 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 102,000 people have been trained in more than 25 countries, giving hope for decent standard of living 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 2016, 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

Under the aegis of *Fondation de France*, Schneider Electric works on a daily basis to implement solutions to reduce the energy gap that affects underprivileged people the world over.

By developing training and entrepreneurship programs in the energy sector in emerging countries and supporting families that are affected by fuel poverty in the most developed economies, the Foundation is active in the field and seeks to serve as many people as possible. In supporting symbolic, inspiring projects, such as *Refuge du Goûter*, or as part of COP21, it also demonstrates a positive vision and is committed to helping to create a better future.

The Foundation's mission: share energy between those who have it and those who do not.

This means being able to intervene effectively and methodically under all circumstances, including in times of crisis or natural disaster.

It means benefiting from the involvement more than 30,000 employees, 900 volunteers, and 100 delegates to create positive relationships with the local communities and partners in every country where Schneider Electric operates. It means imbuing all our ecosystems with our energy to work together to build concrete solutions.

With a EUR4 million annual budget, the Schneider Electric Foundation contributes to partnerships given more than EUR7 million in support from Schneider Electric's entities; employees are also involved in these partnerships. In total, more than EUR11 million are invested to help local communities.

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.

Each year, around 35,000 employees in 50 countries take part in these campaigns.

Governance

A legal connection to the *Fondation de France*

The Schneider Electric Foundation was created in 1998 under the aegis of *Fondation de France*.

Fondation de France is a nonprofit organization that, since its creation in 1969, has been promoting relationships among donors, founders, and field structures in order to support projects in a range of general-interest areas. *Fondation de France* supports more than 9,400 projects annually with the donations it receives. In addition, it supports other foundations (more than 775 in 2014), whose operations are governed separately from *Fondation de France* but that are legally part of it. It is responsible for ensuring that their actions comply with its bylaws and the legal framework of the sponsorship. The Schneider Electric Foundation has an Executive Committee that determines the major focuses of its actions and the projects it supports. The committee then informs *Fondation de France* of its decisions, and *Fondation de France* verifying the projects' compliance and implements them (by approving and signing all the agreements with the partners, by paying funds to the beneficiaries after checking the documents that prove the proper functioning of their organizations and their eligibility for the sponsorship, by inspecting 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 Rosenczveig (external expert), François Tarricone (staff representative, Schneider Electric), Jean-Pascal Tricoire (Schneider Electric).

An operational team and a selection committee

The members of the operational team are: Gilles Vermot Desroches, General Delegate; Patricia Benchenna, Director of Programs; Leslie Zambelli, Commitment and Fuel Poverty Project Manager; Morgane Peloille, 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

The Schneider Electric Foundation focuses on the development and involvement of the company's employees in all the initiatives it enacts. In particular, it draws on a network of 130 volunteer employees, who are also known as delegates. These delegates, who cover 75 countries, are tasked with selecting local partnerships in the areas of professional training in the energy sector or the prevention of fuel poverty, proposing the partnerships to the employees of their entity and then to the Foundation, and monitoring the progress of the projects after they are launched. Each project proposed is studied by the Schneider Electric Foundation and then *Fondation de France* on the basis of administrative and financial information before funds are paid.

At each site, the delegates are chosen on a recognized volunteer basis, and the selection is made official by a letter of undertaking that is signed by the site manager and the head of the Foundation and that has a two-year term.

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

Finally, they organize the Schneider Electric Foundation's annual international mobilization campaign, which is known as Communities Days. This important event in the existence of the Foundation and the company took place in December 2015. These days put local partnerships in the international spotlight. The delegates also take over campaigns that are organized after natural disasters.

Programs

Energies, poverty, and commitment are the three keywords that connect the three major programs that aim to reduce the energy gap in all corners of the globe.

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 55% 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. Since 2009, more than 102,000 underprivileged people have been trained in the energy management sector in more than 25 countries. The goal is to train 150,000 people by 2017 and 1 million between now and 2025.

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.

- multiparty programs that make it possible to better understand the phenomenon of fuel poverty, to bring about solutions, and to connect actors;
- projects to support families affected by fuel poverty;
- projects that seek to develop social innovations related to public housing and its facilities, and to follow up with families.

This program corresponds to 13% of the activities of the Schneider Electric Foundation.

2

Spotlight on Ashoka partnerships

To reduce the energy gap in our society, models need to be examined, innovations must be created, and new solutions must be proposed along with hybrid models that capitalize on the strengths of each stakeholder in our society. Ashoka and the Schneider Electric Foundation are convinced that the best way to give underprivileged people access to affordable energy is to invest and to involve social entrepreneurs who create innovations that contribute to changing the system.

To this end, in September 2015, Ashoka and the Schneider Electric Foundation, under the auspices of *Fondation de France*, launched Social Innovation to Tackle Fuel Poverty, a request for proposals in six European countries: Belgium, France, Great Britain, Italy, Poland, and the Czech Republic. In November 2015, a selection committee comprised of national and international experts gathered in order to review more than 200 applications and select 14 representative projects from among the proposals; the winning solutions were those that seemed the most promising for the coming years.

To help the 14 winners with their strategies to broadly implement their projects, Ashoka will provide 300 hours of mentoring over three months beginning in February 2016. The winners will also benefit from inspiring dialogue within a European network of peers, and visibility they will gain throughout the program. Schneider Electric's international employees will be able to contribute their expertise and skills to the social entrepreneurs' projects that are chosen as part of the Schneider Electric Teachers association. All this progress will be presented at a global Ashoka event in June 2016.

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 among 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.

Spotlight on COP21

At COP21, which was held in Paris from November 30 to December 15, 2015, the Foundation created important partnerships with two main objectives:

- Co-create innovative solutions:
  - Social innovation to fight fuel poverty-Europe (France, Great Britain, Belgium, Italy, Poland, Czech Republic): announcement of 14 winners of a European request for proposals with Ashoka to identify social entrepreneurs working to fight fuel poverty,
  - Place to B - Paris and World: a site in Paris where the way of discussing climate change and its solutions is changed,
  - Caire Game - World: a game to reduce one's individual carbon footprint;
- Raise awareness among as many people as possible:
  - *Arche de Noé Climat* - France: 140 animals traveling through France in order to build French people's awareness of climate change,
  - *Lumières d'Afriques* - France: an exhibition of 54 African artists focusing on the importance of light and energy in Africa,
  - Our Life 21 - World: a web series that gives citizens of the world a voice, allowing them to share their vision of life in 2050,
  - COY (Conference of Youth): France, Morocco: a COP for young people held three days before COP Paris and on every continent.

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 go even further to support the voluntary participation of current and retired Schneider Electric employees in the Foundation's programs:

- teaching programs and professional training programs for access to energy;
- support of families affected by fuel poverty. In 2015, 418 projects were carried out. Since the creation of Schneider Electric Teachers, 878 projects have been completed.

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. The latter includes: Christian Wiest (President), Dominique Devinat (Vice-President), François Milioni (Secretary, Head of Training Program), Christophe Poline (Treasurer, Head of SEEA Social Welfare Investment Fund), Emir Boumediene (member, representing volunteers), Bernard Lancian (member, representing partners), Gilles Vermot Desroches (member, Sustainable Development Manager). The board met seven times in 2015, and one General Meeting was held in December 2015.

After less than two years in existence, 41 partners in 25 countries had joined the initiative. The community of volunteers included 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 mainly:

- missions involving job training and teaching facilities or entities that participate in fighting energy poverty (courses, assistance, practical works, equipment installation, finding of an occupation, instructor training, optimization of standards, etc.);
- volunteer missions with associations and entrepreneurs:
  - that have benefited from the support of the Schneider Electric Energy Access social welfare investment fund, or
  - that have been established following training (management audit, finance, communications, financing research, management, Human Resources, engineering, etc.).

To learn more, see: www.fondation.schneider-electric.com and www.teachers.schneider-electric.org

Highlights of 2015 for the Schneider Electric Foundation

January - Commitment Finalisation of mobilization campaign for Typhoon Haiyan - Philippines

March - Participation in 20 years of Unis-Cité

April - Launching of Mobiya Product Sharing operation

May - Commitment 300 missions with Schneider Electric Teachers

June - Signing of the WWF energy efficiency partnership

July - Launching of calls for Ashoka energy poverty projects

August - Professional Training white paper publication

September - Member of the Belgian Energy Poverty Institute

October - Commitment First Communities days, employees mobilization campaign

November - Energy Poverty white paper publication

December - Participation in COP21

Initiatives in North America

The North American culture confers a particular importance on commitment to the community. Schneider Electric North America has the following commitments:

- Matching Gift program is one of the flagship programs of the Schneider Electric North America Foundation. It consists of matching the donations from employees for associations of their choice. In 2015, the Schneider Electric North America Foundation accordingly contributed USD4 million in financing to various charitable associations working with communities through matching the donations of employees.
- Thanks to the volunteer efforts of thousands of employees in North America, large contributions were made to Habitat for Humanity, United Way and the American Red Cross. The Schneider Electric North America Foundation also forms other partnerships in communities in which Schneider Electric is established in North America.

Initiatives in India

Schneider Electric India is committed to promoting development among underprivileged people through various projects. In 2008 Schneider Electric India created a Foundation to carry out all Corporate Social Responsibility activities in the country. The Schneider Electric India Foundation devotes itself to the following areas as a priority:

- education: development of skills among young people without jobs who have left school and college; scholarships for deserving students coming from the most underprivileged social classes; training of school children in energy saving and environmental protection;
- entrepreneurship: support of young people trained under the Schneider Electric Energy Access program with a view to founding a business;
- entrepreneurship: support of young people trained in the context of the Schneider Electric Energy Access program so that they can find a job;
- electrification: electrification of underprivileged households in remote areas;
- emergency support: restoration of the electricity grid after a natural catastrophe.

The Schneider Electric India Foundation works in partnership with more than 30 NGO's and with the involvement of the employees and commercial partners of Schneider Electric.

Accomplishments of the Schneider Electric India Foundation from 2009 through 2015:

- 250 electrician training centers in 21 Indian states;
- training of 52,000 unemployed young people;
- 95 academic scholarships;
- 243 volunteer missions with Schneider Electric Teachers;
- 27,639 schoolchildren registered in the 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. It comes resolutely within the development of a spirit of entrepreneurship.

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 owners 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 2015. The support of the Sales Department is also provided to electrical designers from other spin-off structures such as 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, *Boutiques de Gestion*, *Réseaux Entreprendre*, *France Initiative* and other local structures.

SIE is very active in the promotion of spin-offs, 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-Pryvé-St-Mesmin, Barentin and soon Dijon, 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 underprivileged populations around the world) to prepare for the establishment of an independent business in electricity. So far six countries are classified as priority and the programs are being rolled out.

Similarly, 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 operation of these training modules.

Job creation for underprivileged young adults in France

The diversity of backgrounds, cultures, profiles and experience is always a source of wealth, sharing, new ideas and innovation. In prioritary uban 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 General Interest Association « 100 opportunities - 100 jobs » created by Schneider Electric supports young adults from 18 to 30 years of age who have few qualifications or diplomas and are likely to encounter discrimination and who come primarily from certain underprivileged areas of the city and who are ready to pursue a path enabling them to enter the job market.

The objective is to facilitate access to long-term employment thanks to a personalized course of qualification with the help of numerous associated companies led by one or two pilot companies (Schneider Electric in Angoulême, Dijon, Grenoble, Chambéry, Marseille, Rouen, Rennes, Rueil-Malmaison (CAMV)).

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 or diploma training, of which more than 50% in work/study programs.

The «100 opportunities-100 jobs» system was implemented for the first time in Chalon-sur-Saône in 2005, and by the end of 2015 more than 3600 young people had been assisted.

The 3-year renewal of a framework cooperation agreement was signed on March 26, 2015 with the Ministry of Labor, Employment, Professional Training and Social Dialog and the Ministry of the City, Youth and Sports.

The municipalities involved in the « 100 opportunities-100 jobs » are: Angoulême, Blois, Chalon-sur-Saône, Chambéry, Cognac, Dieppe, Dijon, Évreux, Grenoble, Marseille, Mont-Valérien (CAMV, Rueil, Suresnes, Nanterre), Montereau, Montpellier, Nemours, Nice, Plaine Commune, Rennes, Rouen, Rueil-Malmaison, Strasbourg, Sud Seine et Marne (CASE) and Valence.

The following are currently being studied: Bordeaux, Longwy, Sisteron and Valenciennes.

The inclusion of **occupational integration clauses** in our contracts encourages our suppliers to become committed to an approach of vocational integration of persons who are having difficulty finding job.

With the help of employment agencies, our industrial establishments in France have therefore put in place temporary occupational integration contracts (CIPI), which accompany the unemployed towards long-term employment and encourage temporary work that integrates people.

Concerning the GreenOValley construction project in Grenoble, an objective of 8,000 hours of work for people newly integrated into the job market was set, and more than 3,000 hours have already been completed in connection with the demolition of old buildings.

In such a dynamic context, after the **Future Employment** Framework Agreement signed with the Ministry of Labor, Job Training and Social Dialog, Schneider Electric recruited more than 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 2e Chance*, etc.

6. Methodology and audit of indicators

6.1 Methodology elements on the published indicators

In the absence of any recognized and meaningful benchmark for companies involved in manufacturing and assembling electronic components, Schneider Electric has drawn up a frame of reference with reporting methods for the Planet & Society barometer's indicators and for Human Resources, safety and environment data.

This frame of reference includes the scope, 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 » or « reasonable » level of assurance for certain Human Resources, safety and environment indicators, and all of the key performance indicators from the Planet & Society barometer (See Independent verifier's report pages 110). The audit work builds on that conducted since 2006.

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 an agreement stipulates that the Safety data will not be included for two years. A difference can thus be recorded with respect to the scope of financial consolidation. Some small locations (sales/service teams) may not be included in the reporting or may be consolidated with larger locations. However, they represent less than 1% of Schneider Electric's permanent headcount.

Breakdown of workforce data (by gender, category, age and seniority), sites declaring employee representation and the number of collective agreements cover 96% of the total workforce. Performance or career interviews have taken place with 87% of the workforce. Training programs cover 76% 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 of 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 difference can be thus recorded with respect to 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% energy savings

The objective is to reduce energy consumption by 3.5% each year, for a total reduction of 10% over the whole duration of the Schneider is On company program (2015-2017) using Schneider Electric solutions. The program addresses all of Schneider Electric sites, and has a particular focus on major energy consumers (218 sites in 2015).

Any newly acquired sites will be included in the program the year after acquisition.

Supply chain and operational entities are the internal customer and the Energy & Sustainability Services teams are the internal provider.

Energy savings are calculated versus a baseline year: 2014 for the whole duration of the *Schneider is On* company program (2015-2017). In order to ensure a fair calculation of the savings, the actual consumption of a site is normalized versus the baseline year. This normalization is based upon a site-specific model enabling climate and changes in production levels to be taken into account.

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

This indicator was audited by Ernst & Young.

10% CO_2 savings from transportation

This indicator includes emissions from the transport of goods purchased by Schneider Electric, covering 81% of the Group's total transport costs (coverage rate in 2014, assumed unchanged for 2015). The objective is to reduce CO_2 emissions each year (2015-2017) by 3.3%, or 10% over the whole period of the program.

The measurement of CO_2 equivalents combines the impact of the following greenhouse gases: CO_2, CH_4, N_2O, HFCs, SF_6, PFCs, NOx and water vapor.

Two methods, developed in partnership with a specialized firm, are used by carriers to measure CO_2 equivalent emissions: energy-based method (calculation based on fuel combustion – preferred method) and activity-based method (calculation based on the mileage and the quantity of transported goods – accepted method).

The data is corrected for activity, in tons transported.

This indicator was audited by Ernst & Young.

Towards zero waste to landfill for 100 industrial sites

A site achieves « Towards zero waste to landfill », if it recovers, by weight of its annual waste production, more than 99% of its metal waste and more than 97% of its non-metallic waste.

A waste is considered not landfilled if it is sent to a waste provider for recycling or disposal in any manner except landfill (composted, for example) or if it is recovered by an energy recovery system.

This indicator relates to production sites and distribution centers. Sites with a small volume of waste are not included in the indicator, *i.e.* those generating less than 100 metric tons per year. In a transparent approach, the sites that do not produce industrial waste are excluded from the calculation.

This indicator was audited by Ernst & Young.

100% of products in R&D designed with Schneider ecoDesign Way™

The indicator measures the percentage of new product development projects following the new EcoDesign Way™ method by Schneider Electric to ensure that the environmental impact of new products has improved compared to the external reference product or previous Schneider Electric range. Smaller projects are excluded from the scope.

The approach is to measure improvement according to different weighted indicators regarding:

- the impact on climate change including CO_2 footprint;
- the consumption of raw materials;
- the reduction of chemicals that are hazardous to health;
- the energy efficiency;
- the serviceability of the product (repair, recycling, reuse, etc.);
- the circularity for recyclability at end of life;
- the product packaging.

The weight of these different aspects on the environmental performance of the product is customized for each product based on their appropriateness.

This method is now part of Schneider Electric offer's creation process.

This indicator was audited by Ernst & Young.

75% of product revenue with Green Premium™ eco-label

A product is declared Green Premium if it meets the following four criteria:

- it complies with the European RoHS directive;
- has information concerning the presence of Substances of Very High Concern (SVHC) under the European REACH regulation and refers to the most recent list;
- has a Product Environmental Profile (PEP) providing a material assessment, a recyclability rate and the calculation of environmental impacts including the consumption of raw materials and energy, the carbon footprint and damage to the ozone layer; this environmental profile is established over the entire product life cycle, from manufacture to the end of life;
- has a guide that identifies and locates the sub-assemblies or components that require a particular recycling process, referred to as the « End-of-Life Instruction » (EoLI).

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 Green Premium scope for 2015-2017 covers all four Schneider Electric Businesses: Industry Business (including former Invensys), IT Business, Infrastructure Business (including Areva former), Partner Business (including North America offerings - NEMA).

This indicator was audited by Ernst & Young.

100% of new large customer projects with CO_2 impact quantification

The indicator will be measured in 2016 and audited by Ernst & Young by end-2016.

120,000 tons of CO_2 avoided through maintenance, retrofit and end-of-life services

Through collection of equipment containing SF_6 at the end of their lives, by Schneider Electric Field Services teams (End of Life, ecoFit™ centres, Maintenance), and adequate handling and treatment, Schneider Electric is able to recycle significant quantities of SF_6 (thus CO_2 equivalents) every year.

This indicator is the result of the arithmetic addition of SF_6 quantities recovered from equipment. CO_2 equivalent is calculated based on global warming potential of SF_6 (1 ton of SF_6 being equivalent to 23,500 tons of CO_2).

This indicator was audited by Ernst & Young.

x5 turnover of Access to Energy program to promote development for underprivileged people

This indicator tracks the growth rate of the Access to Energy program's annual turnover, based on the actual 2014 turnover.

It covers the sales in Africa, Asia and South America of all products and solutions which contribute to providing access to modern energy for populations living in rural and peri-urban areas: individual lighting, individual and collective electrifications, energy services and training equipments and training contracts. Sales are aggregated every quarter based on invoicing data from operational entities.

This indicator was audited by Ernst & Young.

100% 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 not considered embracing ISO 26000. The assessments are monitored during business reviews with the Schneider Electric buyers, with a view to continuous improvement according to the guidelines of ISO 26000.

The list of recommended suppliers to take into account for the year is fixed at the beginning of the year. The number of recommended suppliers assessed during the year is set at January 31 of year n+1 in order to take into account the assessments still in progress on December 31 of year n.

Sustainable development has become one of the seven pillars used to measure supplier performance since 2011, allowing the highest-performing suppliers to become « recommended » suppliers.

This indicator was audited by Ernst & Young.

All our entities pass our internal Ethics & Responsibility assessment

The calculation is based on an annual internal survey performed by the entities. It consists in ten self-assessment questions, two of which are not applicable to all entities (the internal control team determines which sites are concerned with the HR and supplier-related internal control questions). Entities are considered passing the test if they have at least 80% positive answers among applicable questions. Entities have to provide supporting documents for all positive answers, and the internal control team then performs an audit for 5 to 10% of entities. The results are published at the end of Q3, and entities have the opportunity to take action in order to improve their score before the publication of the results at the end of Q4.

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 (*i.e* average hours of 500 employees working for one calendar year), including injuries and occupational illnesses. Incidents may or may not have resulted in a day off.

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.

The focus of the Medical Incident Rate (MIR) is on the identification and evaluation of workplace hazards. 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 it by 10% year over year.

This indicator was audited by Ernst & Young.

One day training for every 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 Training information system are included in the indicator. Subcontractors, fixed-term contract employees, trainees, apprentices and employees close to leaving the company (e.g. pre-retirement) or employees who have left the company permanently or temporarily during the past 12 months are excluded. Individual new arrivals are counted after three months in the company since end of 2015; 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.

This indicator was audited by Ernst & Young.

64% scored in 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 other employees. The survey is administered by an external party.

This indicator was audited by Ernst & Young.

85% of employees work in countries with Schneider gender pay equity plan

This indicator measures the percentage of employees who work in countries where there is an operating gender pay equity plan, *i.e.* measurement of pay equity and, if pay gaps, corrective actions in place.

Schneider Electric uses a common global standard methodology to identify gender pay gaps within comparable groups of employees and uses a country driven approach to address gaps with appropriate corrective actions.

In 2015, the process covers 16 countries and 56% of employees. The target by 2017 is to extend this process around the globe to reach 85% of the global workforce.

All permanent employees are included. Supplementary workers, fixed-term contracts, trainees, apprentices are excluded.

This indicator was audited by Ernst & Young.

150,000 underprivileged people 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 standard of living.

In partnership with local and international NGOs and local authorities, 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 full-time vocational training courses: a minimum of three months, (or totaling 100 hours), with diploma or certification in energy management.

These courses must benefit underprivileged 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 training equipment, knowledge transfer through trainers training, and support for future entrepreneurs training. As a technical partner, Schneider Electric does not pay long-term operating expenses.

This indicator was audited by Ernst & Young.

1,300 missions within 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.); in NGOs fighting fuel poverty; in organizations and/or companies supported by the Schneider Electric Energy Access Fund; primarily aimed at underprivileged young people; depending on the skills of the volunteer and the needs of the beneficiary (technical or non-technical needs); in the country of origin and/or abroad for variable periods of time. 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 the Access to Energy Training teams, the Fighting fuel poverty teams, the Schneider Electric Energy Access fund and Human Resources. Schneider Electric Teachers develops partnerships with local NGOs (ESF, ADEI, etc.).

This indicator was audited by Ernst & Young.

6.2 Concordance of indicators with article 225 of the Grenelle 2 Act

The table below indicates the page numbers of the report in which the various indicators are mentioned.

1° Social information	Pages
a) Employment	
Total workforce and breakdown of employees by gender, age and region	116-117
Hiring and layoffs	117-118
Remuneration and its development	89-90, 151-165
b) Organization of work	
Organization of working time	116,119
Absenteeism	119
c) Social relations	
Organization of social dialog – particularly information and personnel consultation procedures and personnel negotiation procedures	91-92, 119
List of collective agreements	91-92, 119
d) Health and safety	
Health and safety conditions in the workplace	79-81
List of agreements signed with unions or employee representatives regarding health and safety in the workplace	119
Work accidents, particularly their frequency and their seriousness…	119
… as well as occupational illnesses	81, 90, 119
e) Training	
Training policies implemented	83-85
Total number of training hours	120
f) Equality of treatment	
Measures taken towards gender equality	87-88
Measures taken towards employment and involvement of persons with disabilities	88-89
Anti-discrimination policy	86-89, 65-68
g) Promotion and respect of the provisions of the International Labor Organization’s fundamental agreements relating to:	
• respect of the freedom of association and the right to collective bargaining; • eradication of discrimination in employment and profession; • eradication of forced or obligatory labor; • effective abolition of child labor.	55, 63-64, 64-67, 92

6.3 Independent verifier's report

Year ended December 31, 2015

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC [1], under the number No. 3-1050, and as a member of the network of one of the statutory auditors of the company Schneider Electric SE, we present our report on the consolidated social, environmental and societal information established for the year ended on December 31, 2015, presented in chapter 2 of the management report, and on the Planet & Society barometer indicators, hereafter referred to together 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 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, 2015 (hereafter referred to as the « Criteria »), and of which a summary is included in at the end of chapter 2 of the management report (the « Methodological Note ») and which is 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 of 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 as to whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial Code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria (Considered opinion on the fairness of the CSR Information);
- to express, at the request of the company, a reasonable assurance conclusion that the indicators « One day training for every employee every year » and « 75% of product revenue with Green Premium™ eco-label » and have been established, in all material aspects, in accordance with the Criteria.

Our verification work was undertaken by a team of five people between September 2015 and March 2016 for an estimated duration of 18 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 [2].

1. Attestation of presence of CSR Information

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We compared the information presented in the management report with the list as provided for article R. 225-105-1 of the French Commercial Code *(Code de commerce).*

In the absence of certain consolidated information, we 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 CSR Information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with in the meaning of the Article L. 233-1 and the entities which it controls, with the meaning of article L. 233-3 of the French Commercial Code *(Code de commerce)* with the limitations specified in the Methodological Note at the end of chapter 2 of the 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.

(1) Scope available at www.cofrac.fr
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook approximately 20 interviews with the people responsible for the preparation of the CSR Information in the different departments involved, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry best practices;
- 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 [(1)]:

- at the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a sample, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- at the level of the representative selection of sites that we selected [(2)], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 13% of the fixed-term contract and permanent contract personnel and between 13% and 9% 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 selected 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.

3. Reasonable assurance on a selection of CSR Information

Nature and scope of work

Regarding the two indicators « One day training for every employee every year » and « 75% of product revenue with Green Premium™ eco-label », 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 « One day training for every employee every year » and « 75% of product revenue with Green Premium™ eco-label » have been established, in all material aspects, in compliance with the Criteria.

Paris-La Défense, March 11, 2016

Independent Verifier
ERNST & YOUNG et Associés

Eric Mugnier Partner, sustainable development	Bruno Perrin Partner

(1) **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).*
Social information: *information and indicators marked with a « tick » ▲ in the text of chapter 2 « Sustainable Development » of the management report.*

(2) *Gagret LPT1 (India), Gagret LPT2 (India), Middletown (United States), Foxboro Neponset (United States), Lexington (United States), Universal Enclosures Capellades (Spain), Sarel (France), Manisa (Turkey), HR Services France (fixed-term and permanent contract personnel).*

7. Indicators

7.1 Environmental indicators

The indicators below have a Group scope. They illustrate our industrial and logistics sites' environmental consumption, emissions and waste in addition to certain major tertiary sites. The scope of environmental reporting is that of ISO 14001 certified sites, and certain non-certified sites on a voluntary basis and without interruption in time. All of the industrial and logistics sites with more than 50 people and the major tertiary sites with more than 500 people must be ISO 14001 certified within two years after their acquisition or creation. A difference can, therefore, be noted with respect to the scope of financial consolidation. The scope of environmental reporting covers about 70% of the Group headcount.

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

- 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.

ISO 14001 certification of the sites

	2015	2014	2013
Number of ISO 14001 Certified Sites	259 ▲	270	279
Industrial and logistics sites	244	252	UP
Tertiary sites	15	18	UP
New sites certified this year	15	12	20
Certified sites that have closed or consolidated this year	26	21	20

▲ *2015 audited indicators.*
UP = Unpublished.

Group sites consumption, emissions and waste

		Current Scope			Constant Scope	
GRI	Indicators	2015	2014	2013	2015	2014
	Number of participating sites	297 ▲	266	281	246	246
	Total employees	114,074 ▲	103,886	108,126	96,509	99,047
G4-EN23	Waste produced (in t)	142,091 ▲	132,171	139,044	134,242	131,420
	of which hazardous waste[1]	7%	6%	4%	UP	UP
G4-EN23	Waste produced per employee (in t/p)	1.2 ▲	1.3	1.3	1.4	1.3
G4-EN23	Waste recovered (in t)	129,644 ▲	115,166	120,490	123,040	114,607
G4-EN23	Share of waste recovered	91.2% ▲	87.1%	86.7%	91.7%	87.2%
	of which metal waste recovered	99%	UP	99.4%	UP	UP
G4-EN8	Water withdrawn for consumption (m^3)	2,335,670 ▲	2,055,999	2,377,680	1,983,971	2,000,092
	of which public water (m^3)	1,793,714	1,678,518	1,928,151	UP	UP
	of which ground water (m^3)	462,423	299,481	397,843	UP	UP
	of which surface water (m^3)	18,230	20,300	20,667	UP	UP
	of which other sources (m^3)	61,303	57,700	31,019	UP	UP
G4-EN8	Water consumption/employee (m^3/p)	20.5 ▲	19.8	22.0	20.6	20.1
	Change in water consumption per employee	-	-	-	+2.3%	-
	Target consumption of water per employee	-	-	-	-1.66%	-
G4-EN8	Water withdrawn for cooling (m^3) restituted w/o impact	611,508 ▲	603,876	727,679	UP	UP
G4-EN21	VOC emissions (kg) (estimates)	349,431 ▲	314,258	415,352	305,485	314,920
G4-EN21	VOC/employee (kg/p) (estimates)	3.1 ▲	3.0	3.8	2.7	3.2
G4-EN3-6	Energy consumption (MWh equivalent)	1,222,176 ▲	1,111,359	1,207,613	1,016,628	1,042,201
	Electricity (indirect consumption)	860,197	792,793	841,495	711,427	734,373
	District heating (indirect consumption)	31,783	34,815	33,122	29,778	33,378
	Fuel oil (direct consumption)	11,867	8,354	22,740	5,513	7,275
	Gas (direct consumption)	318,269	272,255	306,783	269,849	264,319
	Coal (direct consumption)	0	0	3,091	0	0
	Renewable energy (direct consumption)	60	3,142	382	60	2,855
G4-EN3-6	Energy consumption per employee (MWh)	10.3 ▲	10.7	11.2	10.5	10.4
G4-EN15-16-19	CO_2 emissions linked to energy consumption (in t) (estimates)[2]	445,963 ▲	395,110	431,019	344,846	357,653
EN16	Electricity (indirect emission)	364,994	323,120	348,845	276,457	288,288
EN16	District heating (indirect emission)	12,639	14,006	12,317	11,637	13,288
EN15	Fuel oil (direct emission)	3,085	2,172	5,912	1,433	1,891
EN15	Gas (direct emission)	65,245	55,812	62,891	55,319	54,186
EN15	Coal (direct emission)	0	0	1,054	0	0
EN15	Renewable energy	0	0	0	0	0
G4-EN15-16-19	CO_2 per employee (in t/p)	3.8 ▲	3.8	4.0	3.6	3.6
G4-EN15	SF_6 emissions (in tCO_2 equivalent)[3]	21,724 ▲	26,069	33,807	21,724	25,304
	SF_6 leakage rate	0.38% ▲	0.47%	0.56%	UP	UP
	Target SF_6 leakage rate	0.40%	0.65%	0.75%	-	-

GRI	Indicators	Current Scope 2015	Current Scope 2014	Current Scope 2013	Constant Scope 2015	Constant Scope 2014
G4-EN15	Total scope 1 CO_2 emissions (direct energy consumption and SF_6 emissions in t) of reporting perimeter	90,054 ▲	84,053	103,664	78,476	81,381
G4-EN16	Total scope 2 CO_2 emissions (indirect energy consumption in t) of reporting perimeter	377,633 ▲	337,126	361,162	288,094	301,576
G4-EN15-16-19	Total scopes 1 and 2 CO_2 emissions (in t) of reporting perimeter	467,687 ▲	421,179	464,826	366,570	382,957
	Total scopes 1 and 2/Turnover (t/€)	0.000018	0.000017	0.000019	0.000014	0.000014

▲ 2015 audited indicators.
UP = Unpublished.
(1) Estimates. Rules currently being refined.
(2) The CO_2 emissions linked to energy consumption are considered estimates, because the indirect emissions are calculated on the conversion factors per country.
(3) 17 sites in 2013; 16 sites in 2014; 15 sites in 2015.
Constant scope emissions are not corrected for activity level.

CO_2 emissions in transportation (scope 3)

GRI	Indicator	2015	2014	2013
G4-EN17	CO_2 emissions on transportation paid by the Group (in tCO_2 equivalent)	532,222 ▲	494,987	484,012

▲ 2015 audited indicators. Calculation based on an estimated coverage of 81% (coverage rate in 2014, assumed unchanged for 2015) extrapolated to 100%.

For complete carbon footprint of Schneider Electric (scopes 1, 2 and 3), please refer to our website

Key performance indicators from the Planet & Society barometer

Objectives for year-end 2017	2015	2014
1. 10% energy savings	4.5% ▲	-
2. 10% CO_2 savings from transportation	8.4% ▲	-
3. Towards zero waste to landfill for 100 industrial sites	64 ▲	34
4. 100% of products in R&D designed with Schneider ecoDesign Way™	13.3% ▲	-
5. 75% of product revenue with Green *Premium™ eco-label*	67.1% ▲	60.5%
6. 100% of new large customer projects with CO_2 impact quantification	-*	-
7. 120,000 tons of CO_2 avoided through maintenance, retrofit and end-of-life services	44,777 ▲	-

The 2014 performance serves as a starting value for the Planet & Society barometer of the Schneider is On program between 2015 and 2017.
▲ 2015 audited indicators.
** Results measured from 2016 (measurement tools deployed in 2015).*
Please refer to pages 104 to 107 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 72 for indicator 1, 73 for indicator 2, 77 for indicator 3, 74 for indicator 4, 74 for indicator 5, 60-62 for indicator 6, 62 for indicator 7).

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 an agreement stipulates that the Safety data will not be included for two years. A difference can be thus recorded with respect to the scope of financial consolidation.

Some small locations (sales/service teams) may not be included in the reporting or may be consolidated with larger locations. However, they represent less than 1% of Schneider Electric's permanent headcount.

HR data cover 100% of the workforce from integrated companies (see rules page 104). Certain indicators cover 87%, 96% or 76% 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 one country to another, 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 corresponding 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 2017	2015	2014
1. 30% reduction in the *Medical Incident Rate* (MIR)	17% ▲	-
2. One day training for every employee every year	85.6% ▲	79%
3. 64% scored in our *Employee Engagement Index*	61% ▲	61%
4. 85% of employees work in countries with Schneider gender pay equity plan	57% ▲	-

The 2014 performance serves as a starting value for the Planet & Society barometer of the Schneider is On program between 2015 and 2017.
▲ *2015 audited indicators.*
Please refer to pages 104 to 107 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 79 for indicator 1, 83 for indicator 2, 81 for indicator 3, and 88 for indicator 4).

Workforce

GRI	Indicators	2015	2014	2013
	Workforce			
G4-10	Average workforce[1]	181,361 ▲	185,965	163,033
	Blue collar (VDC)	97,925	95,213	81,712
	White collar (non-VDC)	83,437	90,752	81,322
G4-10	Average supplementary workforce	17,525 ▲	16,875	14,849
G4-10	Fixed-term contract and permanent contract personnel[2]	160,843 ▲	167,124	152,784
	Permanent contract	91.6%	91.8%	90.5%
	Fixed-term contract	8.4%	8.2%	9.5%
G4-10	Share of temporary personnel (fixed-term contracts and temporary workers)[2]	16.5%	16.8%	17.7%
G4-10	Organization of working time[3]			
	Full-time	98%	94%	98%
	Part-time	2%	6%	2%
G4-LA1	Hires[4]	28,358 ▲	28,830	23,079
G4-LA1	Departures[4]	32,840 ▲	29,460	21,600
	Layoffs	6,916 ▲	6,454	5,071
	Resignations	18,259 ▲	15,826	10,909
	Others (retirement, end of contract, etc.)	7,665	7,180	5,743
G4-LA1	Voluntary turnover	11.1% ▲	9.4%	7.4%
G4-10	Breakdown of workforce by region[2]			
	Asia-Pacific	35%	34%	30%
	Europe	36%	37%	40%
	North America	19%	19%	20%
	Rest of the world	10%	10%	10%
G4-10	Breakdown of workforce by country (the most significant countries)[2]			
	France	11%	11%	12%
	United States of America	12%	12%	13%
	China	16%	15%	10%
	India	9%	9%	9%
	Mexico	5%	5%	6%
	Spain	3%	3%	4%
	Brazil	2%	3%	4%
	Germany	3%	3%	3%
	Australia	2%	2%	2%
	Indonesia	3%	3%	3%
	United Kingdom	3%	3%	2%
	Russia	6%	7%	8%
G4-10	Annual change in workforce by country (the most significant countries)[2]			
	France	-3%	-2%	-1%
	United States of America	-5%	+8%	+2%
	China	+2%	+61%	+1%
	India	-4%	+12%	+3%
	Mexico	+2%	-7%	+13%
	Spain	-10%	-15%	-9%
	Germany	-3%	+7%	-3%
	Brazil	-20%	-8%	+7%
	Australia	-7%	0%	-3%
	Indonesia	-6%	-4%	+9%
	United Kingdom	-1%	+29%	-5%
	Russia	-11%	0%	+269%
G4-10	Breakdown of workforce by gender[2]			
	Men	70% ▲	70%	70%
	Women	30% ▲	30%	30%

GRI	Indicators	2015	2014	2013
G4-10	Breakdown of workforce by gender and by category[2]			
	White collar	46%	54%	53.7%
	Men	70%	70%	71%
	Women	30%	30%	29%
	Blue collar	54%	46%	46.3%
	Men	69%	70%	69%
	Women	31%	30%	31%
G4-10	Breakdown of workforce by age[2]			
	14/24 years	5.5%	8.0%	8.4%
	25/34 years	29.1%	31.9%	32.5%
	35/44 years	29.9%	27.8%	27.8%
	45/54 years	21.6%	20.8%	20.9%
	55/64 years	12.6%	10.7%	9.9%
	> 64 years	1.1%	0.8%	0.5%
G4-10	Breakdown of workforce by seniority[2]			
	< 5 years	42.1%	44.2%	42.6%
	5/14 years	34.6%	33.6%	34.9%
	15/24 years	12.8%	12.2%	12.6%
	25/34 years	7.5%	7.2%	7.1%
	> 34 years	3.0%	2.8%	2.8%
G4-10	Breakdown of workforce by function[2]			
	Marketing	3.2%	3.6%	3.7%
	Sales	10.4%	10.4%	10.6%
	Services and projects[6]	18.4%	17.9%	16.0%
	Support	18.2%	18.4%	19.5%
	Technical	6.2%	6.9%	7.6%
	Industrial	14.4%	6%	6%
G4-10	Direct variable costs (cost of employees under production or business costs)[7]	51.5%	49.1%	47.4%
	Hires[4]			
G4-LA1	Breakdown by type of contract			
	Permanent contract	72%	68%	67%
	Fixed-term contract	28%	32%	33%
G4-LA1	Breakdown by category			
	White collar	28%	37%	44%
	Blue collar	72%	63%	56%
	Breakdown by gender			
	Men	61%	66%	UP
	Women	39%	34%	UP
	Breakdown by age			
	14/24 years	35%	42%	UP
	25/34 years	38.7%	36.1%	UP
	35/44 years	17.2%	14.1%	UP
	45/54 years	6.6%	5.9%	UP
	55/64 years	2.1%	1.7%	UP
	> 64 years	0.3%	0.2%	UP
G4-LA1	Breakdown by region			
	Asia-Pacific	54%	47%	38%
	Europe	17%	19%	22%
	North America	22%	24%	25%
	Rest of the world	8%	10%	15%

GRI	Indicators	2015	2014	2013
	Layoffs[4]			
G4-LA1	Breakdown by type of contract			
	Permanent contract	84%	84%	85%
	Fixed-term contract	16%	16%	15%
G4-LA1	Breakdown by category			
	White collar	41%	38%	41%
	Blue collar	59%	62%	59%
G4-LA1	Breakdown by Region			
	Asia-Pacific	36%	33%	30%
	Europe	16%	21%	23%
	North America	29%	29%	28%
	Rest of the world	19%	17%	18%
	Resignations[4]			
G4-LA1	Breakdown by seniority[5]			
	< 1 year	28.9%	38.4%	33.5%
	1/4 years	40.1%	39.6%	42.7%
	5/14 years	19.9%	18.4%	20.4%
	15/24 years	4.7%	2.5%	2.5%
	25/34 years	3.2%	0.8%	0.7%
	> 34 years	3.3%	0.3%	0.2%
	Departures			
G4-LA1	Breakdown by gender			
	Men	64.6%	65.8%	UP
	Women	35.1%	34.2%	UP
G4-LA1	Breakdown by age			
	14/24 years	22.4%	30.3%	UP
	25/34 years	35.4%	34.1%	UP
	35/44 years	19.4%	17.4%	UP
	45/54 years	11.0%	9%	UP
	55/64 years	9.7%	8%	UP
	> 64 years	2.1%	1.3%	UP
G4-LA1	Breakdown by region			
	Asia-Pacific	50.5%	34.1%	UP
	Europe	21.9%	26.7%	UP
	North America	19.7%	25.3%	UP
	Rest of the world	7.9%	13.9%	UP
	Average supplementary workforce			
G4-10	Breakdown by category			
	White collar	20.1%	18.5%	18.4%
	Blue collar	79.9%	81.5%	81.6%
G4-10	Breakdown by region			
	Asia-Pacific	61.3%	63.2%	59.6%
	Europe	24.5%	21.7%	26.9%
	North America	7.5%	10.1%	4.1%
	Rest of the world	6.7%	5.0%	9.3%

Health and safety of employees and subcontractors

GRI	Indicators	2015	2014	2013
G4-LA6	Number of medical incidents[8]	514 ▲	568	733
	of which Schneider Electric employees	433	481	640
	of which subcontractors	81	87	93
G4-LA6	Number of lost-time accidents[8]	310 ▲	287	366
	of which Schneider Electric employees	263	245	317
	of which subcontractors	47	42	49
G4-LA6	Number of fatal accidents	2	1	3
	of which Schneider Electric employees	2	1	3
	of which subcontractors	0	0	0
G4-LA6	Medical Incident Rate[9]	1.53 ▲	1.85	2.37
	of which Schneider Electric employees	1.63	2.01	2.65
	of which subcontractors	1.14	1.29	1.38
G4-LA6	Lost-Time Injury Rate (LTIR)[9]	0.92 ▲	0.93	1.18
	of which Schneider Electric employees	0.99	1.02	1.31
	of which subcontractors	0.66	0.62	0.73
G4-LA6	Lost-Time Day Rate (LTDR)[9]	25.10 ▲	29.98	38.67
	of which Schneider Electric employees	27.98	33.45	45.04
	of which subcontractors	14.27	17.60	15.81
G4-LA6	Number of lost days	8,444 ▲	9,209	11,961
	of which Schneider Electric employees	7,434	8,023	10,896
	of which subcontractors	1,010	1,186	1,065
G4-LA6	Number of hours worked	336,442,896 ▲	307,213,189	309,279,615
	of which Schneider Electric employees	265,646,667	239,828,768	241,930,530
	of which subcontractors	70,796,232	67,384,423	67,349,085

Dialog and social relations

GRI	Indicators	2015	2014	2013
G4-11	Sites stating they benefit from employee representation[5]			
	Unions	69.2%	67.2%	44%
	Works Council	52.4%	46.4%	51.3%
G4-LA5	Health and Safety Committee	75.1%	80%	69.1%
G4-11	Number of collective agreements[5]	127	217	265
G4-11	Employees covered by collective bargaining agreements	83.3%	79.6%	UP
G4-LA5	Employees represented by Health and Safety Committees	75.1%	80%	UP

Talent development and training

GRI	Indicators	2015	2014	2013
G4-LA9	Number of training hours(10)	3,383,318 ▲	2,756,292 ▲	2,416,766
G4-LA9	Average hours of training per person(10)	27.7	21.3	20.3
	White collar	30.8	24.2	24.4
	Blue collar(7)	24.3	18	15.3
	Average hours of training per person(10)			
	Men	28.7	26.6	UP
	Women	25.0	22.9	UP
G4-LA9	Breakdown of hours by category(2)			
	White collar	59%	60.5%	60.3%
	Blue collar(7)	41%	39.5%	39.7%
LA10	Employees taking one day training (7 hours or more)	85.6%	79%	UP
	Breakdown by country			
	France	82%	75%	UP
	United States of America	78%	72%	UP
	China	91%	87%	UP
	India	93%	87%	UP
	Mexico	96%	94%	UP
	Spain	91%	73%	UP
	Brazil	89%	79%	UP
	Germany	85%	86%	UP
	Australia	79%	58%	UP
	Indonesia	77%	70%	UP
	United Kingdom	73%	70%	UP
	Russia	88%	80%	UP
	Breakdown of hours by training type(2)			
	Health, safety and environment	18.1%	UP	18.4%
	Technical	9.5%	UP	25.2%
	Languages	4.1%	UP	9.5%
	IT	1.0%	UP	2.4%
	Products, Solutions and Services	10.7%	UP	5.8%
	Management and Leadership	7.2%	UP	14.6%
	Personal Development	20.6%	UP	UP
	Others	19.8%	UP	19.8%
	Breakdown of costs by category(2)			
	White collar	76.4%	UP	76.1%
	Blue collar	23.6%	UP	23.9%

GRI	Indicators	2015	2014	2013
G4-LA11	Employees having had a performance interview(3)	62.4%	54.8%	59.5%
G4-LA11	Breakdown by category			
	White collar	75%	95%	UP
	Blue collar	25%	5%	UP
G4-LA11	Breakdown by gender			
	Men	75%	76%	UP
	Women	25%	24%	UP
G4-LA11	Employees having had a career interview(3)	52.3%	51.2%	68%
G4-LA11	Breakdown by category			
	White collar	75%	97%	UP
	Blue collar	25%	3%	UP
G4-LA11	Breakdown by gender			
	Men	75%	73%	UP
	Women	25%	27%	UP

▲ 2015 audited indicators.
UP = Unpublished
(1) Temporary workforce included.
(2) Based on spot workforce year end.
(3) The data relates to 87% of the Group's workforce at 12/31/2015.
(4) Acquisitions/disposals and temporary staff are not taken into account in the calculation.
(5) The data relates to 96% of the Group's workforce at the end of December 2015 (annual survey).
(6) Part of the VDC services on total workforce: 13.5% in 2015; 12.1% in 2014; 11.5% in 2013. 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 26% of all VDC in 2015; 25% in 2014; 24% in 2013.
(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 76% of the Group's wokforce.

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 EUR11.5 million in 2015, 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

	2015
FOUNDATION'S INTERVENTION BUDGET	**4,000,000**
Breakdown by program *(in %)*	
Training and opportunities for young adults	55%
Fuel poverty	13%
Raising awareness about sustainable development	20%
Entrepreneurship	8%
Employees' volunteering/skills-based sponsorship	2%
Other	2%
Breakdown by region *(in %)*	
Africa & Middle East	9%
America	16%
Asia	25%
Europe	50%

Breakdown of contributions from employees and Schneider Electric entities to the Foundation actions

	2015
TOTAL FINANCIAL CONTRIBUTION *(in euros)*	**5,461,023**
From employees	955,859
From the Schneider Electric entity	4,426,120
From partners	79,044
Financial contribution per region *(in %)*	
Africa & Middle East	3%
America	72%*
Asia	12%
Europe	13%
DONATIONS IN PRODUCTS OR SERVICES FOR A PARTNER/PROJECT OF THE FOUNDATION *(in euro)*	**1,967,488**
Number of employees involved in the Foundation's actions	**35,000**

* *Of which Square D/Schneider Electric North America.*

Total budget for the Foundation's actions

FOUNDATION BUDGET, FINANCIAL CONTRIBUTIONS AND DONATIONS IN KIND *(in euros)*	11,428,511

Key performance indicators from the Planet & Society barometer

Objectives for year-end 2017	2015	2014
1. x5 turnover of Access to Energy program to promote development	x2.07 ▲	-
2. 150,000 underprivileged people trained in energy management	102,884 ▲	73,339
3. 1,300 missions within Schneider Electric Teachers NGO	878 ▲	460

The 2014 performance serves as a starting value for the Planet & Society barometer of the Schneider is On program between 2015 and 2017.
▲2015 audited indicators.
Please refer to pages 104 to 107 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 95 for indicator 1, 97 for indicator 2, and 100 for indicator 3).

For more information:

- www.schneider-electric.com (> About us > Sustainability or > Foundation)
- http://energy-access.schneider-electric.com
- www.teachers.schneider-electric.org

To contact us:

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Sustainable Development Department – 35, rue Joseph-Monier, CS 30323 – 92506 Rueil-Malmaison Cedex, France

3 Corporate Governance

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 exercice 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 more than 70 % 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 a 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.

On April 21, 2015, the board of directors reiterated this decision, due to the efficient governance which was emphasized by the annual board self-assessment carried out at the end of 2014 and the very high level of transparency of the Chairman & CEO towards the board of directors.

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.

1. The board of directors

This section is part of the Chairman of the board of directors' report.

1.1 Membership of the board of directors (by 31st December 2015)

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 one-third of the directors may be aged 70 or over.

As of December 31, 2015, the board of directors had 16 directors and one non-voting member, Cécile Cabanis.

Director	Year first term began	Year current term expires	Independent under AFEP/MEDEF criteria
Jean-Pascal Tricoire *Chairman*	2013	2017	NO (assumes an executive role at the head of the Group)
Léo Apotheker *Vice-Chairman Independent Lead Director*	2007	2016	YES
Betsy Atkins	2011	2019	YES
Xavier Fontanet	2011	2016	YES
Noël Forgeard	2005	2016	YES
Antoine Gosset-Grainville	2012	2016	YES
Magali Herbaut	2012	2017	NO (bound by a work contract with the company)
Jeong Kim	2011	2019	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	2017	NO (board member for more than 12 years)
Lone Fønss Schrøder	2014	2018	YES
Greg Spierkel	2015	2019	YES
Richard Thoman	2007	2016	YES

The average age of the directors is 61.5.

Eight directors, or 50% of the directors, are of non-French origin or nationality (German: Mr. Apotheker, who also has French nationality; US: Ms. Atkins and Ms. Knoll and Mr. Thoman, Canadian: Mr. Spierkel, Korean American: Mr. Kim; Danish: Ms. Fønss Schrøder; 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 provided under AFEP-MEDEF corporate governance code of listed companies, the board of directors, on the report of the governance and remunerations committee, dedicates one of the points on its agenda about the qualification of its members as independent.

With regard specifically to independence in terms of business relations, the board of directors noted that, due to:

(i) The nature of Schneider Electric activities and those of the companies in which members of the board of directors are employed or serve as directors,

(ii) The amounts, either unitary or global, of operations performed or that may be performed between Schneider Electric and these companies that are agreed at arm's length and that are by no means likely to be raised to the board of directors, the existing business relations between Schneider Electric and these companies in which the members of the board of directors are employed or serve as officers are not likely to prejudice their independence, indeed, when such operations exist, they are agreed at arm's length and their amounts are without a doubt insignificant for each party, in particular with regard to respective size of the groups concerned.

As of December 31, 2015, there are 16 directors, 11 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 Schrøder, Gregory Spierkel and 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, is therefore 74%.

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 by the secretary of the board of directors.

In 2015, self-assessment was carried out by means of a detailed questionnaire, the responses to which were obtained in interviews conducted with each of the directors between October and December 2015. The summary of these responses was subject to an in-depth review by the Governance and Compensation Committee. It was reviewed at the board of directors meeting on February 16, 2015 on the basis of the Governance and Compensation Committee 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. The directors highlighted the great transparency of management, the openness of discussions, and the remarkable fit with the board members.

As regards areas for improvement identified during the 2014 self-assessment process, the board of directors determined that the work of the board, which was already deemed of a very high quality, was further improved by better reporting by the committees to the board of directors, enabling the latter to further develop its thinking. The directors also noted that Mr. Apotheker, who took up his position as Vice-Chairman independent lead director on May 6, 2014, had, during 2015, performed his duties in their entirety and had acted as an excellent liaison between the Chairman and the directors. The board's cohesion and effectiveness have thus increased.

On the proposal of the Governance and Compensation Committee, the board has adopted the following points for improvement:

However, progress can still be made, and after proposition of the governance and compensation committee, the Board of Directors namely decided to :

- pursuit the « Regeneration » Policy of the Board;
- review of the Organization of the Strategic Committee's were along the Board's missions;
- thoroughly inform the Board on the Competitive environment and its evolution.

1.2 Proposal to the Annual Shareholders' Meeting on the composition of the board of directors

Seven directors' terms are expiring following the Annual Shareholders' Meeting on April 25, 2016, namely those of Messrs. Apotheker, Fontanet, Forgeard, Gosset-Grainville, Kissling, Lachmann and Thoman.

The Board Meeting of 16 February 2016, acknowledged Messrs. Noël Forgeard, Henri Lachmann and Richard Thoman, not to be renewed in their functions. It also acknowledged Mr. Jeong Kim and Mrs. Lone Fønss Schrøder resignation.

It is proposed that the Annual Shareholders' Meeting of April 25, 2016 appoints Cécile Cabanis and Fred Kindle as directors and renew the terms of office of Messrs. Léo Apotheker, Xavier Fontanet, Antoine Gosset Grainville et Willy Kissling. If the Annual Shareholders' Meeting approves the proposals submitted to its vote:

(i) Cecile Cabanis, who was appointed as a non-voting member by the board of directors on October 28, 2015, will be appointed as a director for a term of four years. She will be an independent director. Ms. Cabanis, aged 44, who is Chief financial officer of Danone will bring to the board her perfect knowledge of Marketing Technologies and her experience acquired not only in France but also abroad, within a multinational company.

(ii) Fred Kindle, who was appointed as a non-voting member effective February 16, 2016, will be appointed as a director for a term of four years. He will be an independent director. As the former CEO of ABB, and the current Clayton Dubilier Rice private equity fund senior advisor, Mr. Kindle will bring to the board his perfect and deep knowledge of activities and markets of the Group his international experience and strong operational and financial expertise. Mr. Kindle will be a member of the Audit and risk committee and of the strategy committee.

The renewed board would have:

- 13 members;
- a 75% 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 percentage of women which will rise to 38% before reaching at least 40% in 2017; and
- balanced representation between directors of French origin (54%) and directors of non-French origin (46%).

1.3 Composition of the board of directors at December 31, 2015

Chairman of the board of directors and Chief Executive Officer

Jean-Pascal Tricoire

Age: 52 years

Business address:
Schneider Electric
35, rue Joseph-Monier
92500-Rueil Malmaison, France

239,362 Schneider Electric SE shares

First appointed: 2013/Term ends: 2017

Directorships and other functions

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 and rejoined 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.

Vice-Chairman independent lead director

Léo Apotheker*

Age: 62 years

Business address:
Flat A, 15 Eaton Square
London SW1W 9DD, England

2,038 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) and Director of P2 Energy Solutions (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,** Chairman 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 **Planet Finance.**

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 firms specializing in information systems 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 various appointments within SAP as Regional Director, in 2002 he was appointed as a member of the Executive Committee and Chairman of Customer Solutions & Operations, then in 2007 as Chairman CSO and Deputy CEO of SAP AG and in 2008 CEO of SAP AG. In 2010, he became CEO and Chairman 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.

Note: bold indicates the names of companies whose securities are listed on a regulated market.
* *An independent director within the meaning of the AFEP/MEDEF corporate governance guidelines for listed companies.*

Betsy Atkins*

Age: 62 years

Business address:
BAJACORP10 Edgewater Drive,
Ste 10A Coral Gables, FL 33133, United States

1,000 Schneider Electric SE shares

First appointed: 2011/Term ends: 2019

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE** and member of the Strategy Committee.

  - Other directorships or functions at a listed company:

    Chairman of the Compensation Committee and member of the board of directors of **Polycom Inc.** (United States); member of the board of directors of Volvo Cars AB (Sweden) (since January 2016); member of the board of directors of **HD Supply Holdings, Inc.** (United States); Chairman of the advisory board of SAP, member of the Audit Committee and member of the board of directors of **SL GREEN REALTY CORP** (United States) (since April 2015.)

  - Other directorships or functions:

    Chairman and 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.** (United States), of **SunPower Corp.** (United States), of **Vonage** (United States), of **Wix** (Israel) and of **Ciber** (United States); Chairman and CEO of Clear Standards, Inc. (United States), Chairman of the Governance Committee and member of the board of directors of **Darden** (United States).

Experience and 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: 67 years

Business address:
3, rue Charles-Lamoureux
75016 Paris, France

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 and of ANSA (French National Association of Joint-Stock Companies).

- 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); Chairman 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 CEO for Bénéteau beginning in 1981. Between 1986 and 1991, he was in charge of central management of catering for the Wagons-Lits group. In 1991, he joined Essilor as Executive Vice-President and then served as Chairman and CEO from 1996 to 2009 and Chairman of the board of directors until the beginning of 2012.

Note: bold indicates the names of companies whose securities are listed on a regulated market.

* *An independent director within the meaning of the AFEP/MEDEF Corporate Governance Code for listed companies.*

Noël Forgeard*

Age: 69 years

Business address:
Financière de Courcelles
63, avenue Franklin-D.-Roosevelt
75008 Paris, France

1,000 Schneider Electric SE shares

First appointed: 2005/Term ends: 2016

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE**, Member of the Audit and Risk Committee and the Strategy Committee.

  - Other directorships or functions:

    Associate Partner, Financière de Courcelles SA; Member of the committee of France Galop; Chairman of the supervisory board of ASCOMETAL SA.

- 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); Senior Associate, Arjil SAS; Director of the PMU Economic interest group.

Experience and qualifications

A graduate of the École Polytechnique and the École des Mines in Paris, Noël Forgeard began his career in the French civil service before joining Usinor's subsidiary Compagnie Française des Aciers Spéciaux. In 1986, he served as an advisor on industrial issues in Prime Minister Jacques Chirac's office. In 1987, he joined the Lagardère Group, where he headed the Defense and Space divisions of **Matra.** Five years later, he became Chairman and CEO of Matra Haute Technologie and joint Vice-President of the **Lagardère** Group. In 1998, he was appointed director and general manager of GIE Airbus-Industrie, and in 2000, CEO of Airbus SAS (an Airbus consolidated company). From July 1, 2005 to July 1, 2006 he was co-Executive Chairman of EADS. In 2015, he joined La Financière de Courcelles (FdC) as an Associate Partner.

Antoine Gosset-Grainville*

Age: 49 years

Business address:
BDGS Associés
44, Avenue des Champs-Élysées
75008 Paris, France

1,000 Schneider Electric SE shares

First appointed: 2012/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.**

Experience and qualifications

Antoine Gosset-Grainville, is a graduate of the Institut d'études politiques in Paris and holds a DESS post-graduate degree in banking and finance from University Paris IX Dauphine. After graduating from France's École nationale d'administration, he began his career at the Inspection Générale des Finances (1994-1997). Then, he became Deputy General Secretary of the European Monetary Committee and later of the Economic and Financial Committee of the European Union (1997-1999). He was appointed Adviser for Economic and Monetary Affairs in the office of the European Commissioner in charge of Trade (1999-2002). He is a member of the Paris and Brussels Bars, and was a partner at the Brussels office of the Gide Loyrette Nouel law firm (2002-2007) before becoming Deputy Director in the office of Prime Minister François Fillon (2007-2010). From May 2010 to May 2013, he was Deputy Managing Director of the Caisse des Dépôts et Consignations. In June 2013, he became a partner at BDGS Associés law firm.

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* *An independent director within the meaning of the AFEP/MEDEF Corporate Governance Code for listed companies.*

Magali Herbaut

Age: 44 years

Business address:
Schneider Electric Industries SAS
2 Chemin des sources
38240 Meylan, France

5,478 (1) 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; Member of the board of directors of the Cercle Ethique des Affaires (CEA).

- 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. She joined Schneider Electric in 1996 as a management controller for Schneider Electric Automation GmbH. Ms. 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), then 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. Ms. Herbaut is a member of the supervisory board of the FCPE Schneider Actionnariat.

Jeong H. Kim*

Age: 55 years

Business address:
Jurie Holdings LLC7735
Old Georgetown Road, Suite 1200
Bethesda, MD 20814, United States

1,000 Schneider Electric SE shares

First appointed: 2011/Term ends: 2019

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE** and member of the Strategy Committee.

  - Other directorships or functions:

    Chairman and CEO of Jurie Holdings LLC (United States); Chairman of Kiswe Mobile Inc. (United States); member of the board of directors of **ARRIS Group Inc.** (United States); member of the board of directors of Nuclear Threat Initiative (United States); member of the advisory board for the Chairman of the Korea Advanced Institute of Science and Technology (KAIST) (South Korea).

- Previous directorships and functions held in the past five years:

  Non-voting member of the board of directors of **Schneider Electric SA** (May 2013-October 2013) (France); member of the supervisory board of **Schneider Electric SA** (France); Chairman 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); member of the board of directors of Washington 2024 (United States).

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 Chairman and CEO of a high tech start-up to senior executive of a Fortune 500 corporation. He also served as the Chairman 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 John Hopkins University. He has sat on the board of directors of various companies, universities and other not-for-profit organizations. He is currently a member of the board of directors of **Schneider Electric SE, ARRIS Group, Inc.,** KAIST and the Nuclear Threat Initiative. He is involved in the National Academy of Engineering and the Washington Chamber of Commerce Business Hall of Fame. In January 2014 the French government awarded him membership of the Legion of Honor for his services in global technology.

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(1) Held directly or through the FCPE.
** An independent director within the meaning of the AFEP/MEDEF Corporate Governance Code for listed companies.*

Willy R. Kissling

Age: 71 years

Business address:
Poststrasse n° 4 BP
8808 Pfaeffikon, Switzerland

2,000 Schneider Electric SE shares

First appointed: December 12, 2001/Term ends: 2016

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE,** and member of the Governance & Compensation 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 R. Kissling, a Swiss citizen, holds diplomas from the Universities of Bern (Dr. Rer.pol) and Harvard (P.M.D). He has extensive experience and recognized expertise in both CEO and director positions in multinational companies based in Switzerland, and particularly in the following fields: 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). Willy R. Kissling has also been a member on various supervisory boards including those of Pratt & Whitney and Booz Allen Hamilton.

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 payment methods for payphone operators. 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: 55 years

Business address:
CNH Industrial N.V., 6900 Veterans Boulevard,
Burr Ridge, Illinois 60527, United States

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 and 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

Linda Knoll holds a Bachelor of Science Degree in Business Administration from Central Michigan University. After a career in the land systems division of General Dynamics, Ms. Knoll joined **CNH Industrial** 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 20 plants in 10 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 Chair of CNH Parts & Service, in addition to her duties as Executive Vice-President, Global Human Resources.

Note: bold indicates the names of companies whose securities are listed on a regulated market.
* *An independent director within the meaning of the AFEP/MEDEF Corporate Governance Code for listed companies.*

Cathy Kopp*

Age: 66 years

Business address:
22, square de l'Alboni
75016 Paris, France

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 de la rue d'Ulm in Paris; member of the Haut Conseil à l'Intégration.

Experience and qualifications

After studying mathematics, Cathy Kopp joined IBM France in 1973. In 1992, she became Human Resources Director at IBM France before being appointed Vice-President of Human Resources in the storage systems division of IBM Corp in 1996. In 2000, Cathy Kopp became Chairman and CEO of IBM France. In 2002 she joined the Accor group as HR Director and served until 2009. Cathy Kopp was Chairman of the Social Committee of the Service Providers Group at MEDEF until 2009. She headed up the cross-sector negotiations on diversity at MEDEF in 2006, and the negotiations on modernizing the labor market in 2007.

Gérard de La Martinière

Age: 72 years

Business address:
18, allée du Cloître
78170 La Celle-Saint-Cloud, France

6,856 Schneider Electric SE shares

First appointed: 1998/Term ends: 2017

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE** and Chairman of the Audit and Risk Committee.

  - Other directorships at a listed company:
  - Other directorships or functions:

    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:

  Director of **Air Liquide;** Director of the simplified joint-stock company Standard & Poor's Credit Market Services France; Member of the supervisory board of **Schneider Electric SA.**

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.

Note: bold indicates the names of companies whose securities are listed on a regulated market.

* *An independent director within the meaning of the AFEP/MEDEF Corporate Governance Code for listed companies.*

Henri Lachmann

Age: 77 years

Business address:
Schneider Electric
35, rue Joseph-Monier
92500 Rueil-Malmaison, France

108,940 (1) 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 or functions at a listed company:

    Honorary Vice-Chairman of the supervisory board of **Vivendi;** Member of the supervisory board of the **XPO Logistics** group; Director of **Carmat;** Non-voting member of **Fimalac.**

  - Other directorships or functions:

    Chairman of the board of directors of Centre Chirurgical Marie Lannelongue; member of the Steering Committee of the Institut de l'Entreprise; Director of the Association Nationale des Sociétés par Actions; Chairman of the Institut Telémaque; Director of Planet Finance and Fondation Entreprendre; Chairman of the Advisory Council of Campus d'Excellence au Commissariat Général à l'Investissement (Grand Emprunt).

- Previous directorships and functions held in the past five years:

  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; 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, where from 1981 to 1997 he served as Chairman and CEO. He was elected to the **Schneider Electric SA** board of directors in 1996 and was appointed Chairman on February 25, 1999. On May 3, 2006, he became Chairman of the supervisory board of **Schneider Electric SA.** On April 25, 2013, following the change in mode of governance of the Company, he was appointed Vice-Chairman lead director, a function he held until May 2014.

Lone Fønss Schrøder*

Age: 55 years

Business address:
Klosterrisvej
63100 Hornbæk, Denmark

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 Risk Committee.

  - Other directorships or functions at a listed company:

    Vice-Chairman of the board of directors of **Akastor** (Norway), director of **Bilfinger SE** (Germany), **Valmet Oy** (Finland), **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:

  Director of Heidelberg AG (Germany), of Handelsbanken, of Volvo and Vattenfall AB (Sweden), of Yara ASA (Norway); Chairman 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 Chairman 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 whose securities are listed on a regulated market.
(1) Held directly or through the FCPE.

Gregory Spierkel

Age: 58 years

Business address:
325 Weymouth Place,
Newport Beach, California, United States

1,000 Schneider Electric SE shares

First appointed: October 2014/Term ends: 2019

Directorships and other functions

- Currently:

  Director of Schneider Electric SE; Member of the Governance and Compensation Committee and the Strategy Committee.

  - Other directorships or functions at listed companies:

    Director of **MGM Resorts International** (member of the Audit and Compensation Committees) and Director of **PACCAR Inc.** (Chairman of the Compensation Committee and member of the 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:

  Chairman and 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 i's degree in Commerce degree from Carleton University (Ottawa) and 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 five 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 Chairman of Ingram Micro Asia-Pacific. In June 1999, he was appointed as Executive Vice-President and Chairman 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 to Chairman of the Ingram Micro Inc. group in 2004, before assuming the role of Chairman and CEO of Ingram Micro Inc. in 2005. He retained this position, and his seat on 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.

G. Richard Thoman*

Age: 71 years

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 Compensation 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, the food industry and technology.

Mr. Thoman began his career at Citibank after receiving his BA from McGill University in Montreal and MA, MALD and Ph.D. 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 CEO of Nabisco International. In 1993, he joined IBM as Senior Vice-President, Personal Systems Group, later becoming Financial Director. In 1997, he joined Xerox. He served as Chairman and CEO 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.

Note: bold indicates the names of companies whose securities are listed on a regulated market.

* *An independent director within the meaning of the AFEP/MEDEF Corporate Governance Code for listed companies.*

Non-voting member

Cécile Cabanis*

Age: 44 years

Business address:
17 boulevard Haussmann
75009 Paris, France

1,000 Schneider Electric SE shares

First appointed: October 2015/Term ends: April 2016

Directorships and other functions

- Currently:

  Non-voting member of **Schneider Electric SE** and member of the Audit and risks committee.

  - Other directorships or functions at a listed company:

    Chief financial officer and member of the Executive Committee of **Danone.**

- Other directorships or functions:

  Director of Danone Russia; Danone Industria; Danone CIS Holdings B.V.; Danone Djurdjura; Director of the Danone pour l'Ecosystème Fund.

- Previous directorships and functions held in the past five years:

  Director of Produits Laitiers Frais Iberia; Danone SA; Danone Chiquita Fruits; Compagnie Gervais Danone; Dan Trade; Danone Sp. z.o.o.; Member of the supervisory board of Toeca International Company B.V.

Experience and qualifications

With a degree in Engineering from Agro Paris Grignon, Cécile Cabanis started her career in 1995 at L'Oréal in South Africa, where she occupied the positions of Logistics Manager and Management Control Manager, before moving to France where she worked as an Internal Auditor. In 2000, she then became Deputy Director of the France Télécom group's Mergers and Acquisitions Department. In 2004, she joined Danone as Corporate Finance Director. In 2005, she was appointed Business Development Director at Danone, and in 2008 became Financial Director for Fresh Dairy Produce in the Western Europe region. In September 2010, Cécile Cabanis was appointed Financial Director for Fresh Dairy Produce. Since January 2015, she has been Chief financial officer and a member of the Executive Committee of Danone.

Honorary Chairman

Didier Pineau-Valencienne

Note: bold indicates the names of companies listed on a regulated market.

* *An independent director within the meaning of the AFEP/MEDEF Corporate Governance Code for listed companies.*

2. Organizational and operating procedures of the board of directors

This section is part of the Chairman of the board of directors' report.

2.1 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 General Meetings of shareholders and, where applicable, of bondholders, based on the agenda it sets;
- approve the corporate and consolidated financial statements;
- draw up business reviews and reports for Annual Shareholders' Meetings;
- draw up management planning documents and the corresponding reports;
- approve the report drawn up by the Chairman of the board of directors as provided for in article L. 225-37 of the French Commercial Code;
- decide on the use of authorizations granted at 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 Annual 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 regulations. It determines the allocation of attendance fees; the total amount is determined by the Shareholders' Meeting.

2.2 Internal regulations and procedures of the board of directors

The board of directors adopted, on April 25, 2013, its own internal regulations. These were modified on May 6, 2014 to make changes to the areas of competency of the committees. 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 and 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 307 to 313 of this registration document. They are published on the Company's website, www.schneider-electric.com. They comprise 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/she can have with managers of Schneider Electric and possible visits to the Group's sites he/she can undertake. In addition, he/she 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/she is the most appropriate spokesperson;
- 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 Executive Vice-President;
- reports to the Chairman on the results of the « executive sessions »;
- 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/her activities during the Annual Shareholders' Meeting.

The charter for the Vice-Chairman independent lead director is found on page 313. The report of tasks he/she carried out in 2015 in line with his/her functions is found on page 306.

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 establishes the principles which the board of directors intends to follow to ensure its renewal. 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. This is in compliance with the director's charter contained in 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;
- hold at least 1,000 shares of Company stock;
- 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 code of ethics as directors.

Articles 8 to 12 apply to the committees. The content of these articles is provided in the section on committees below.

Article 13 defines the scope of the internal regulations of the board of directors.

2.3 Information on the board of directors and its members

To ensure that the board of directors is kept well informed, Schneider Electric SE applies the following rules: members of the board have access, via a secure dedicated site, in principle, 10 days before every board meeting, to the agenda for the meeting and to the draft minutes of the last meeting and, 45 days before, to the board's dossier. 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 areas of responsibility.

The statutory auditors attend the portion of the board's meetings at which the statutory and interim financial statements are reviewed.

Between each meeting of the board of directors, aside from meetings that they may have with the Chairman and CEO, directors receive a monthly letter, drafted exclusively for their attention, which keeps them informed of Group life, the competitive environment and developments in investor consensus and feedback. They also receive 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, at the Strategy Committee, a one-to-one session is organized between directors and members of the Executive Committee.

Board of directors dinners are also planned which are an opportunity to meet with investors, customers, distributors, etc. They enable the board to keep informed of external views regarding the Group and to deepen its understanding of changes in its environment.

For new directors, training and information programs may be organized on the Group's strategy and businesses. They are defined on a case by case basis. However, they generally involve a work session with the Strategy Director, meetings with members of the Executive Committee and visits to sites which are particularly illustrative of Schneider Electric's activities.

In addition to the demands of the board of directors, training/information sessions are organized on subjects on which the board wishes to obtain an overview of the Group's achievements. These half-day sessions, the participation rate for which is very high, are taken by the relevant members of the Executive Committee; the Chairman and Chief Executive Officer does not necessarily attend. They give directors the opportunity to meet not only members of the Executive Committee in charge of the subjects presented, but also the members of their teams. In 2015, three of these sessions were organized. They covered Schneider Electric's policies relating to Human Resources, CSR and IT/cyber-security.

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 activities

This section is part of the Chairman of the board of directors' report

The board held nine meetings in 2015. The meetings lasted six hours on average with an average participation rate of directors of 86%. 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.

3.1 Corporate governance

The board of directors, depending on the subject, on the basis of the report of the Governance and Compensation Committee, the Human Resources and CSR committee or the Audit and Risk Committee:

- discussed the composition of its membership and that of its committees and the principle of balanced representation of men and women.

  To this end, it continued its work to « regenerate » its composition, with the goal of increasing the proportion of international and female members, bringing in new skills (particularly digitalization, technology and marketing) and embarking on a rejuvenation process, while also maintaining the long-term goal of achieving a tighter format.

  Accordingly, at the Annual Shareholders' Meeting on April 21, Gregory Spierkel, who joined the board as a non-voting member in October 2014, was appointed director due to his international experience, his supply chain expertise in a digital environment and his excellent knowledge of information technology. It also recommended renewing the terms which were due to expire: Namely the terms of:

  - Ms. Atkins, whose renewal was requested due to her excellent knowledge of the United States, the technology sector, industry and the Group's businesses,
  - Mr. Jeong Kim who, in addition to his US nationality and his Korean origins, brings to the board his excellent knowledge of technology and R&D issues. Mr. Kim is a former director of Bell Lab,
  - Mr. Gérard de la Martinière, who brings to the board, and to the Audit and Risk Committee (which he chairs), his recognized expertise in financial affairs and accounting and his excellent knowledge of the regulatory environment.

  The board of directors also decided to appoint as non-voting members, before obtaining authorization to recommend to the Annual Shareholders' Meeting their appointment as directors, Cécile Cabanis (effective October 2015) and Fred Kindle (effective February 2016). Each of these appointments fulfills the objectives the board of directors has set itself: female representation and rejuvenation in the case of Ms. Cabanis and internationalization and rejuvenation for Mr. Kindle. Ms. Cabanis' appointment also fits in with the succession of the Chairman of the Audit Committee, Mr. Gérard de la Martinière, who can no longer qualify as an independent director due to the time he has served on the board and whose term will expire in 2017. Ms. Cabanis will strengthen the board's financial and accounting expertise. Mr. Kindle's (former CEO of ABB) excellent knowledge of the industrial sectors in which Schneider Electric operates, will be a valuable asset for the Group, particularly when it comes to the definition and implementation of its strategy.

  The board of directors also deliberated on the composition of its committees. It enhanced the Governance and Compensation Committee by welcoming Mr. Spierkel and Ms. Linda Knoll who continue to take part in the Strategy Committee and the Human Resources and CSR committee respectively;
- discussed whether to maintain the unification of the functions of Chairman and CEO (see above p. 126);
- discussed the succession plan for corporate officers at one of its « executive sessions »;
- launched its self-assessment process. This was carried out with the support of the secretariat of the board of directors based on individual interviews. The conclusions of this assessment were presented and discussed, based on the report of the Governance and Compensation Committee, during the board of directors meeting on February 16, 2016;
- decided on the withdrawal of the supplementary pension scheme (article 39) for corporate officers see p. 152;
- approved the rules relating to the compensation of the corporate officers (determining the level of achievement of their personal objectives in 2014 and setting the rules for their 2015 compensation: fixed part, variable part, complementary compensation and long-term incentive plan). The principles and rules applied by the board in determining compensation and benefits for corporate officers are presented below, see p. 151;
- was informed of the review of changes in the compensation of members of the Executive Committee;
- was informed of the work done by the Human Resources and CSR committee on the succession plan for members of the Executive Committee;
- decided the implementation of the 2015 long-term incentive plan. It accordingly drew up a list of beneficiaries (which includes the corporate officers) and set the terms of individual awards as well as performance conditions, see p. 156 and 281;
- validated the calculation of the level of achievement of performance criteria applicable to Performance Share plans 15 to 16 *bis;*
- decided on capital increases reserved for employees, see p. 280;
- 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.

In 2015, the board of directors held two « executive sessions » during which the members of the board of directors discussed: the planned merger with Aveva, the strategy, the succession plan for the Chairman, the operation of the Group's general management, the composition of the Executive Committee, and the operation of the board of directors.

In addition, the board discussed the compensation of the Chairman and CEO and the Deputy CEO, without the presence of the interested parties.

3.2 Strategy

The board of directors conducted an in-depth review of the Group's strategy at a two-day meeting devoted entirely to this topic, as it does each year. This meeting, which was held in Boston in June 2015, was followed up the next day by a day at the Schneider Electric site in Andover devoted to a session of one-to-one interviews between directors and members of the Executive Committee and a visit to the laboratories, The following day, there was a visit to the laboratories of the Massachusetts Institute of Technology, MIT.

In addition, the board monitored, throughout the year, developments in the negotiations for the planned merger with British company AVEVA, which did not end up coming to fruition.

It also monitored the implementation of the policy of targeted divestments on the periphery of the Group's core businesses. To this end, it authorized the sale of Juno Lighting group and was kept informed of other sales of activities completed during the financial year.

In addition, it heard the reports of the Chairman of the Strategy Committee on the work of this committee, which met three times during the year. The board has been informed of the moves and changes of competitors of Schneider Electric.

3.3 Activities and results

On the basis of the report of the Audit and risks committee, the board of directors reviewed and discussed the financial commitments of the new company program « *Schneider is On* ».

It was informed of the Group's 2015 objectives.

It read the quarterly business reports prepared by the Senior Management. At each meeting, the board was also informed of the business market.

On February 18, 2015, the board of directors reviewed and approved the 2014 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 EUR1.92 per share. Similarly, on July 28, 2015, it reviewed and approved the financial statements for the first half of 2015.

Based on the Audit and Risk Committee's report, the board of directors 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 to the board on its other duties, which were also a subject of discussion, in relation to risk management monitoring (risk coverage by insurance, supplier risks).

It reviewed the conclusions of the Audit and Risk Committee following its duties carried out particularly in relation to:

- steering of R&D within the Group;
- implementation of the purchasing policy as part of the « global supply chain »;
- the integration of Invensys and Samara ElectroShield;
- the processes in place within the Group aimed at ensuring deployment of the *Principles of Responsibility* and fraud prevention;
- the Simplify initiative of the new company program;
- the conditions under which projects are carried out within the Group.

The board of directors, at the recommendation of the Audit and Risk Committee decided to propose to the 2016 Annual Shareholders' Meeting the renewal (for a period of six years) of the terms of statutory auditors ERNST & YOUNG ET AUTRES and MAZARS which are due to expire in 2016.

The board of directors also monitored the implementation of the share buyback and debt management program.

3.4 Annual Shareholders' Meeting

The board approved the agenda and draft resolutions of the 2015 Annual Shareholders' Meeting, and its report to the shareholders at the meeting. It read the proxy-advisors' reports. It was informed of the stances expressed by the shareholders met during the preparation of the Annual Shareholders' Meeting. It approved the responses to the written questions.

Almost all directors were present at the meeting (14/15). They approved all resolutions presented to them, including those relating to the composition of the board of directors, to « Say on Pay », to the implications of the withdrawal of the supplementary pension scheme (article 39) for corporate officers in their statutes and to the renewal of financial authorizations.

4. Board committees (composition, operating procedures and activities)

This section is part of the Chairman of the board of directors' report

In its internal regulations, the board defined the functions, missions and resources of its four review committees: the Audit and Risk Committee, the Governance Committee, the Compensation, Human Resources and 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 and CSR committee. The latter is now the Human Resources and 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 compile the minutes for the meetings of the committees which, following approval, are sent to all members of the board of directors. The secretaries of the committees are members of Group management teams and specialists in the subjects of competence of each committee.

4.1 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 2015

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. 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 132 *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, 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, 2015, 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 auditing is the secretary of the Audit and Risk Committee.

Responsibilities

A cornerstone of the Group's internal control system, the Audit and Risk Committee is responsible for preparing the work of the board of directors, making recommendations to the board and issuing opinions on financial, accounting and risk management issues. Accordingly, it:

- prepares for the annual and interim financial statements to be approved by the board and, more particularly:
  - checks the appropriateness and consistency of the accounting methods used for drawing up consolidated and corporate accounts, as well as checking that significant operations on 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, notably 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 shall examine the organization and resources used for internal audit, as well as its annual work program. Receives a quarterly summary report on the findings of the audits carried out,
  - reviews operational risks mapping and its year on year evolution. It 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;
- 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 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.

Activities in 2015

In 2015, the Audit Committee met five times. The average duration of the meetings was three hours forty-five minutes and the average attendance rate was 95%.

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. Operational Management also reported to the Committee. 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 scope of consolidation,
   - review of pension commitments;
2) internal audit, internal control and risk management:
   - review of the 2016/Q1 2017 Internal Audit schedule drawn up after the risk mapping review,
   - monitoring the Internal Audit road map realization related to 2015/Q1 2016, 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 information system 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 industrial risks (safety of people and property, industrial investments validation process, positioning *versus* markets, business continuity plans, social risk),
   - review of the objectives of the « I simplify » program and update on the reorganization of the marketing function as part of this program,
   - review of the solutions risk,
   - review of the Technology risk (technological monitoring and breakthrough),
   - update on the monitoring of standardization (monitoring and capacity to influence),
   - update on the risk management and integration 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,
   - proposal on the renewal/appointment of statutory auditors at the end of their current terms;
4) corporate governance:
   - recommended dividend for 2015,
   - 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 April 21, 2015.

The Audit Committee reported on its work in 2015 to the board at the February 18, June 29 & 30, July 29, October 28, and December 9, 2015 meetings.

4.2 Governance and Compensation Committee

Composition in 2015

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.

This committee is composed of five members: Léo Apotheker, Chairman, and Willy Kissling, Linda Knoll (appointed in December 2015), Grégory Spierkel (appointed in June 2015) and Rick Thoman.

At December 31, 2015, the Governance and Compensation Committee, chaired by an independent director was composed of 80% 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. The committee shall meet at least three times a year.

The committee may seek advice from any person it feels will help it with its work.

The secretary to the board of directors is the committee's secretary.

Responsibilities

The committee will formulate proposals to the board of directors in view of any appointment made:

(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 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 attendance fees proposed to the Annual Shareholders' Meetings together with their allocation between the members of the board and compensation of the Vice-Chairman independent 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. In this respect, it shall prepare annual assessments of the persons concerned.

Activities in 2015

The committee, which met seven times in 2015, prepared proposals for the board on:

- the composition of the board of directors and 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 corporate officers (amount and structure of 2015 compensation, 2015 objectives and level of achievement of 2014 objectives) and the allocation to the above of performance shares as part of the long-term incentive plan;
- the withdrawal of the supplementary pension scheme (article 39) for corporate officers and the resulting adaptation of their compensation and their statutes;
- the operation of the board of directors (rules regarding remote participation, etc.);
- the presentation of « Say on Pay » to the Annual Shareholders' Meeting.

The committee also reported to the board on:

- its review of the succession plan for corporate officers.

The committee also reported to the board on:

- the draft report of the Chairman of the supervisory board on corporate governance;
- developments in the legislative and regulatory environment.

The committee also met jointly with the Human Resources and CSR committee to review and make proposals to the board of directors on changes to the long-term incentive plans.

The attendance rate of directors who are members of the committee was 100%. It reported on its work at the board meetings on February 18, April 21, June 29 & 30, July 28, October 28 and December 9, 2015.

4.3 Human Resources and CSR committee

Composition in 2015

The internal regulations and procedures of the board of directors stipulate that the Human Resources and CSR committee must have at least three members.

This committee is composed of five members: Henri Lachmann, Chairman, Magali Herbaut, Willy Kissling, Linda Knoll and Cathy Kopp.

At December 31, 2015, 50% of the Human Resources and 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. The committee shall meet at least three times a year.

The committee may seek advice from any person it feels will help it with its work.

The Group Human Resources Director, 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 shall formulate projects on proposals made by general management on:

- compensation for members of the Executive Committee;
- principles and conditions for determining the compensation of Group executives.

The committee shall be informed of any nomination of members of the Executive Committee and of main Group executives.

It shall examine succession plans 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.

Activities in 2015

The committee, which met three times in 2015, with all members present, drew up proposals for the board of directors on:

- the 2015 annual long-term incentive plan and more specifically on the implementation of the annual performance share plan;
- the 2015 long-term incentive plan;
- the launch in 2016 of a new Group employee share issue. (Wesop 2016).

The committee also reported to the board on:

- the compensation reviews of Executive Committee members;
- the performance reviews of Executive Committee members;
- the review of succession plans for members of the Executive Committee;
- the review of the policy of male/female equal opportunities and compensation;
- the overview of the 2015 global employee shareholding plan;
- the discovery report by Olivier Blum at the end of his first few months as Executive Vice-President of Global Human Resources.

The committee also met jointly with the Governance and Compensation Committee to review and make proposals to the board of directors on changes to the long-term incentive plans.

It reported on its work to the board at the February 18, October 28 and December 9, 2015 meetings.

4.4 Strategy Committee

Composition in 2015

The internal regulations and procedures of the board of directors provide that the Strategy Committee must have at least three members.

This committee is composed of six members: Xavier Fontanet, Chairman, Léo Apotheker, Betsy Atkins, Noël Forgeard, Jeong Kim and Gregory Spierkel.

At December 31, 2015, 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. 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.

The Strategy Director, Michel Crochon, is the committee secretary.

Responsibilities

The committee will prepare the board of directors' deliberations on strategic matters. For this purpose:

- it shall give its opinion to the board of directors on 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.

Activities in 2015

The committee met three times in 2015. The average duration of its meetings was approximately two hours. The committee devoted its work mainly to:

- the preparation of board of directors' strategy days which were held in Boston in June;
- monitoring of the Group's competitive environment and changes in the same;
- the review of the results of duties carried out as part of the merger project with AVEVA;
- the potential impact on the Group of macro-economic changes such as the situation of the oil industry;
- the review of the strategic challenges faced by certain activities of the Group.

The attendance rate of members of the committee was 94%. It reported on its work to the board at the February 18, April 21 and October 28, 2015 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 April 21, 2015, 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 126.

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: 48 years

Business address:
Schneider Electric
35, rue Joseph-Monier
92500 Rueil-Malmaison, France

47,155 (1) Schneider Electric SE shares

First appointed: 2013

Directorships and other functions

- Currently:

  Chief Executive Officer of **Schneider Electric SE;** Director of **Sodexo** (January 2016), Schneider Electric Industries SAS, Schneider Electric USA, Schneider Electric (China) Co Ltd, Samos Acquisition Company Ltd, Schneider Electric Holdings Inc., Invensys Ltd; Innovista Sensors Topco Inc.; Member of the supervisory board of Custom Sensors & Technologies SAS, representative of Schneider Electric Industries SAS on the supervisory board of Schneider Electric Energy Acces; Member of the Steering Committee of Aster Capital Partners.

- 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 late1990. 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. Mr. Babeau subsequently held several executive positions at Pernod Ricard, notably outside France, before becoming Vice-President, 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 whose securities are 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 is CEO of Invensys Ltd, a position for which he receives compensation.

Magali Herbaut has a work contract with Schneider Electric Industries SAS.

6.1 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. This agreement was approved at the General Meeting of April 21, 2015 (4th resolution).

6.2 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 offenses 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.

6.3 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.

6.4 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 281 *et seq.*) for corporate officers and a minimum 1,000 shareholding requirement for directors.

7. Interests and compensation of Group Senior Management

7.1 Group Senior Management (executive officers 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 Compensations Committee, who makes proposals to the board of directors for executive directors, and by the Human Resources and CSR committee which then informs the board of directors, for members of the Executive Committee. You are reminded that two-thirds of the members of the Governance and Compensations Committee are independent directors, including its Chairman, Léo Apotheker.

Executive compensation set by the board of directors is aligned with the Group's global strategy which is based on five pillars:

- organic growth and business development;
- margin increase;
- strong cash flow conversion;
- attractive overall return for shareholders; and
- mission that Schneider Electric assigned to itself to become a major player of sustainable development.

Therefore, criteria were used to define variable part of Group Senior Management's compensation, either revenue growth, adjusted EBITA operating margin, cash conversion rate, Total Shareholder Return (TSR) and evolution of the Planet & Society Barometer, reflect each of these priorities. In order to incentivize management on performance, variable compensation (STIP and LTIP) represents a predominant part of their compensation package.

Group Senior Management's compensation policy aims to:

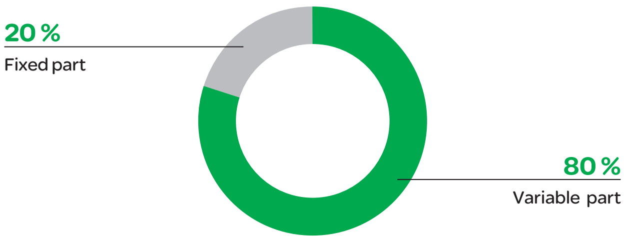
- Motivate and retain Group Senior Management in a highly competitive international market.

  To motivate and retain senior management, the compensation package must be competitive, particularly the elements relating to salary, variable compensation, long-term incentives and supplementary pension plans.

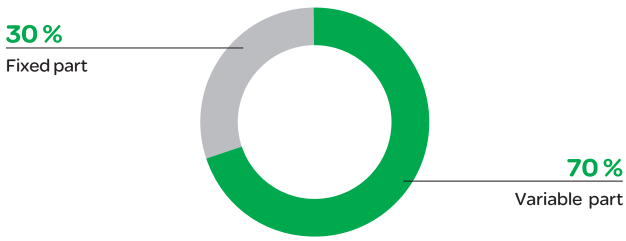
  Schneider Electric operates at a global level and its main competitors are international groups. Moreover, most of its Group Senior Management members are based across the world, regardless of their country of origin. For these executives, who are essentially exposed to the international market, the Group's aim is to set their compensation package at the median level of a panel of international companies. This international panel, selected with the consultancy firm Mercer, comprises European or US based companies, belonging to business sectors with similar profiles to those of Schneider Electric. For Group Senior Management members with high exposure to their national market, Schneider Electric targets the third quartile of their national market based on a panel of companies;
- Reward their individual and collective performance by aligning overall compensation with Group's results;

  Schneider Electric's policy is to give a significant weighting of variable parts in cash and shares, up to 80% for executive officers and 70% for Executive Committee members.

Fixed and target variable parts for executive officers



Fixed and target variable parts for Executive Committee members



The variable part of cash compensation, expressed in terms of a percentage of the fixed compensation, is linked to achieving objectives set out at the beginning of the financial year. It may vary significantly depending on the level of achievement which, with a threshold of 0% and a target of 100%, may reach 200%. The performance incentives are therefore of a distinctly random nature.

The variable part of share-based compensation may range from 0% to 100% of stock grants depending on the achievement levels of the performance conditions;

Overall compensation are aligned with Group's results. This adaptation of the variable part of cash compensation is due to the fact that this part is linked to the company's performance. The performance taken into account is economic performance, with regard to organic growth, profitability and cash conversion, as well as with regard to the achievement of the company program. It is the performance with regard to CSR appreciated through the evolution of Planet & Society Barometer.

In 2015, this variable part of cash compensation for Executive Committee members who are in charge of a business 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 conversion targets (15%);
- For 30%, a component comprising criteria that are in line with the *Schneider is On* company program and on CSR, evaluated among other things through customer satisfaction, services development or simplification, development and succession plan of key talents as well as trends in Planet & Society Barometer);
- 25% based on the achievement of their measurable personal goals.

In 2015, this variable part in cash for Executive Committee members who are in charge of a business is determined as follows:

- 80% based on the Group's economic performance (operating margin, organic growth, cash conversion ratio) and on their respective business as well as on the completion of the *Schneider is On* company program (customer satisfaction rate, solutions development, employee development) and CSR;
- 20% based on the achievement of their measurable personal goals;

- Align with shareholder interests.

To enable alignment with shareholders' interests, grant of a long-term incentive is contemplated which is entirely subject to performance condition.

Performance shares represent more than 50% of compensation package of executive officers and members of the Executive Committee.

The level of achievement of the performance conditions is reviewed by the Human Resources & CSR committee. Details of these performance shares are set out on page 281. In 2015, the criteria selected are:

1. for 70%, a target operating margin of Adjusted EBITA for the 2015/2016 period;
2. for 15%, a level of achievement of the Planet & Society Barometer targets at the end of 2016;
3. for 15%, a level of achievement of the ROCE for the 2015/2016 period.

Performance shares, which play a considerable role in retention, are allocated based on the benchmark market and performance of each beneficiary.

In order to reinforce this alignment, for long-term incentives implemented as of 2016, the period during which performance conditions is appreciated is brought from two to three years and four performance criteria are provided instead of three (see chapter 8):

1. a target operating margin of Adjusted EBITA for the 2016/2018 period (40%),
2. an objective of cash conversion rate for the 2016/2018 period (25%),
3. a level of achievement of the Planet & Society Barometer at the end of 2018 (25%),
4. a TSR objective linked to Schneider Electric ranking in a panel of 12 companies by end of 2018 (20%),

7.2 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, excluding corporate officers, are covered by the supplementary defined-contribution pension (article 83) plans for employees and/or Group Senior Management. They are also covered by a defined-contribution pension plan (article 39), but this plan was canceled in December 2015, with an effective date of March 23, 2016.

As a reminder, this plan comprised two schemes:

One scheme for members of the Executive Committee in office before July 1, 2012 which provided for a pension supplement of a maximum amount equal to 60% [(1)] of the difference between the average reference salary (*i.e.,* the average of the basic salary and of the performance incentives during three calendar years prior to retirement) plus the total benefit amounts granted under external plans (compulsory and other plans, where applicable). The pension plus the additional pensions from defined-contribution plans could not exceed 25% of the average reference salary. This scheme also provided for, under the contingency section, (i) an annuity for the spouse if the executive dies before the retirement age, and (ii) entitlement to a supplementary pension from the executive's sixtieth birthday in the event of disability occurring during work activities.

A second scheme put in place in 2012, which provided for the progressive acquisition of rights according to seniority of the Executive Committee, to which was then added, if applicable, rights acquired by virtue of seniority in the Group. The progressive scale for acquiring rights enabled newcomers to the Group to reach maximum rights after 15 years' service. The new scheme was contingent upon completing a career in the Company with the same flexibility introduced by Social Security administration in 2004. Therefore, conditional assurance of an income was maintained in case of board termination or redundancy, producing the same effects as employee redundancy, after 55 years of age without restarting an activity or for 2nd or 3rd category disability as defined by Social Security without restarting an activity. In other cases, the new plan included the provisions of the closed plan (first scheme), notably:

- a spouse's pension if a senior executive dies before retirement age, which is, however, limited to rights acquired by the date of death;
- the 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.

(1) The maximum amount is defined as follows: 50% if the number of years of service is less than or equal to five years, plus 1% per year starting in the sixth year of service for Senior Manager status.

Since February 2015, executive officers 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 292 to 293). However, it maintained the life and disability coverage. They do not benefit from any supplementary defined-contribution plan (article 83). The board of director's decision to withdraw entitlement to the supplementary pension plan for executive officers and executives covered by French schemes, has notably resulted in a provision reversal of EUR24 million, including EUR17 million in the 2015 accounts for corporate officers. It will generate substantial savings for the company, and in turn for its shareholders, linked i) to the fact that the level of supplementary payments set by the board of directors results in a 42% reduction in the gross value that the beneficiaries would have received from the withdrawn supplementary pension plan ii) to a saving of EUR25 million in mandatory levies* under the supplementary pensions of executive officers, assuming that the latter take retirement on their 62nd birthday, and other executives, assuming that they take their full pension.

7.3 Compensation of members of the board of directors

This section is included in the Chairman's report to the board of directors.

Members of the board of directors

On April 25, 2013, the Annual Shareholders' Meeting set total attendance fees at EUR1,300,000. To take into account the increase in the number of members of the board of directors and meetings of the board and its committees while remaining within the budget authorized by the Annual Shareholders' Meeting, in 2015 the board of directors reviewed the attendance fee allocation rules established in 2013 and therefore adopted the following rules:

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:
  - EUR5,500 for attending board meetings,
  - EUR3,500 for attending the meetings of the committees of which they are members,
- for non-residents a supplementary share for each meeting of the board or committees they physically attend in the amount of:
  - EUR2,000 for residents of North America,
  - EUR1,000 for residents of Europe,
- for the Chairman of the Audit Committee, an additional fixed compensation of EUR20,000;

b) for the non-voting members, a fixed 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.

3

On this basis, and noting that Jean-Pascal Tricoire waived payment of his attendance fees, attendance fees paid in 2014 and 2015 were as follows:

Corporate officers who are not directors	Amounts paid/due for fiscal year 2015 (1)	Amounts paid/due for fiscal year 2014 (1)
Mr. APOTHEKER		
Attendance fees	EUR115,000	EUR109,000
Other compensation:		
Vice-Chairman and lead director (as of May 6, 2014)	EUR250,000	EUR163,194
Mr. LACHMANN		
Attendance fees	EUR69,500	EUR83,000
Other compensation:		
Vice-Chairman and lead director (until May 6, 2014)		EUR87,500
Pension (article 39)	EUR581,969	EUR581,969

(1) Attendance fees for the year are paid at the beginning of the following year.
(2) Non-voting member.
(3) Ms. Herbaut, who is also employed by a Group subsidiary, receives compensation for such employment.

* *These calculations were carried out before the tax of 45% on high pensions was cancelled by the Constitutional Council. To date, confirmation is still pending of the tax which will be applicable on these pensions.*

Corporate officers who are not directors	Amounts paid/due for fiscal year 2015 (1)	Amounts paid/due for fiscal year 2014 (1)
Ms. ATKINS		
Attendance fees	EUR78,000	EUR67,000
Other compensation		
Mr. BEBEAR (2)		
Attendance fees		EUR20,000
Other compensation	-	
Ms. CABANIS (2)		
Attendance fees	EUR23,500	
Other compensation		
Mr. FONTANET		
Attendance fees	EUR69,500	EUR95,000
Other compensation		
Mr. FORGEARD		
Attendance fees	EUR92,500	EUR95,000
Other compensation		
Mr. GOSSET-GRAINVILLE		
Attendance fees	EUR82,000	EUR67,000
Other compensation		
Ms. HERBAUT (3)		
Attendance fees	EUR75,000	EUR79,000
Other compensation		
Mr. KIM		
Attendance fees	EUR80,000	EUR93,000
Other compensation		
Mr. KISSLING		
Attendance fees	EUR109,000	EUR109,000
Other compensation		
Ms. KNOLL		
Attendance fees	EUR76,500	EUR53,822
Other compensation		
Ms. KOPP		
Attendance fees	EUR69,500	EUR79,000
Other compensation		
Mr. DE LA MATINIÈRE		
Attendance fees	EUR102,000	EUR103,000
Other compensation		
Mr. SPIERKEL		
Attendance fees	EUR85,450	EUR30,000
Other compensation		
Ms. FØNSS SCHRØDER		
Attendance fees	EUR70,000	EUR64,822
Other compensation		
Mr. THOMAN		
Attendance fees	EUR102,000	EUR93,000
Other compensation		
M. WEINBERG		
Attendance fees		EUR31,178
Other compensation		

(1) Attendance fees for the year are paid at the beginning of the following year.
(2) Non-voting member.
(3) Ms. Herbaut, who is also employed by a Group subsidiary, receives compensation for such 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 Vice-Chairman independent lead director. The board of directors set the compensation for his duties as Vice-Chairman independent 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.

7.4 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 18, 2015 for 2015 and February 16, 2016 for 2015 and 2016, on the proposal of its Governance and Compensation Committee.

Mr. Jean-Pascal Tricoire, Chairman and CEO

Annual compensation

Year 2015

Fixed portion

The board of directors has set the total fixed annual compensation for 2015 for Jean-Pascal Tricoire, Chairman and CEO, at EUR950,000. This remains unchanged since April 25, 2013

Variable part

The board of directors of Wednesday, February 18, 2015 set target variable part to 130% of the fixed part. The variable part ranges from 0% to 260% of fixed compensation.

The board of directors increased Mr. Tricoire's target variable part from 120% to 130% of fixed part to bring his compensation more in alignment with the median of the international market composed of a panel of 17 industrial & technologic public companies, whose median turnover is 18 m€ and median market capitalization is 23 m€, and third quartile of the national market composed of a panel of 18 industrial public companies, whose median turnover is 15 m€ and median market capitalization is 16 m€.

The board of directors has set the criteria of the performance incentives, as well as the weight of these criteria and targets for 2015:

1. Group criteria for 75%, including:
   - 45% based on Group economic criteria component. These criteria are based on organic sales growth (15%), adjusted EBITA (15%) and cash conversion targets (15%),
   - for 30%, a component comprising criteria that are in line with the *Schneider is On* company program and on CSR, 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 25%: individual performance is rated based on specific objectives including Invensys integration, digitization, innovation, simplification, succession plan within the Executive Committee; with the other objectives kept confidential to avoid making this valuable information available to competition.

On the proposal of the Governance and Compensations Committee, the board of directors on February 16, 2016 set this variable part at 127.7% of his 2015 fixed compensation (EUR950,000), *i.e.* an achievement rate of 98.23% on a base 100. It approved the 2015 variable part at EUR1,213,182, paid in March 2016, *i.e.* a reduction of 19.12% in comparison with the 2014 variable part.

Calculation of 2015 variable part is as follows:

- for Group criteria (75%), variable part amounted to 93.7% of the fixed part, *i.e.* an achievement rate of 96.1% on a base 100;
- for individual objectives (25%), the board of directors set the variable part to 34% of the fixed part, *i.e.* an achievement rate of 104.6% on a base 100, after having noted that the objectives have been met and exceeded.

Criteria/Objectives	Weight	Target variable part	Variable part achieved on fixed part	Amount
Group	75%	97.5%	93.7%	EUR890,538
• Organic growth of the Group	15%	19.5%	0%	
• Adjusted EBITA	15%	19.5%	7.8%	
• Cash conversion	15%	19.5%	39 %	
• Company program/Planet & Society Barometer	30%	39%	46.9%	
Individual	25%	32.5%	34%	EUR322,644
TOTAL	**100%**	**130%**	**127.7%**	**EUR1 213,182**

Year 2016

On the proposal of the Governance and Compensations Committee, the board of directors of Tuesday, February 16, 2016 set Mr. Tricoire's annual target compensation for 2016.

Fixed part

The board of directors has set the total fixed annual compensation for 2016 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 the target variable part at 130% of his fixed compensation, that may range from 0% to 260% of his fixed compensation. It remains unchanged vs. 2015. The board thus set the variable part targets for 2016 as well as the weight of each of the criteria as follows:

- Group criteria for 80%, including:
  - 40% based on Group economic criteria component. These criteria include targets for organic growth in revenue (13.33%), adjusted EBITA (13.33%) and cash conversion (13.33%) targets,
  - for 40%, criteria that are in line with the company program *Schneider is On* and on CSR, evaluated among other things through customer satisfaction, services development, products sales growth, systems growth margin as well as trends in the Planet & Society baromete;
- individual criteria for 20%: these objectives are kept confidential to avoid making this valuable information available to competion.

Besides, a multiplier ranging from 0.8 to 1.3 will be applied to the results of above criteria, without exceeding 260% of the fixed part. Achievement rate of multiplier is linked to growth strategy success.

Long-term incentive

Year 2015

The board of directors of March 27, 2015 has decided the grant, in the framework of the long-term incentive plan for 2015, the allocation of 18,000 performance shares under plan 21 and 42,000 shares under plan 22. 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 2015/2016 period;
- for 15%, a level of achievement of the new Planet & Society Barometer at the end of 2016;
- for 15%, a level of achievement of the ROCE for the 2015/2016 period.

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 2016

As part of the long-term incentive plan for 2016, the board of directors agreed on an allocation of 18,000 performance shares under plan 25 and 42,000 shares under plan 26. Pursuant to the AFEP/MEDEF recommendations, the allocation of these shares is entirely dependent on attaining Group performance criteria. These criteria, now appreciated over three years,will be:

- for 40%, a target operating margin of Adjusted EBITA for the 2016/2018 period;
- for 25%, in the form of an objective of cash conversion rate for the 2016/2018 period;
- for 20%, a level of achievement of the Planet & Society Barometer at the end of 2018;
- for 15%, in the form of a TSR objective linked to Schneider Electric ranking in a panel of 12 companies by end of 2018.

These shares are also subject to a lock-up period. The shares will be allocated by the board of directors on March 23, 2016.

Complementary payment

Year 2015

To take into account the fact that Mr. Tricoire must build up his own supplementary pension following the board of directors' decision of February 18, 2015 to remove the benefit of the supplementary pension plan (article 39), to which executive officers were entitled, the board of directors meeting of February 18, 2018, at the recommendation of the governance and compensations committee, authorized a complementary payment to enable Mr. Tricoire to build up an additional pension. This complementary payment is comprised of an annual component and an exceptional component.

To determine this authorized complementary payment, the board of directors relied on the work of an independent expert, namely the firm TOWERS WATSON.

In addition, the Board of Directors also ensured that this payment was in line with the shareholders' interests. Accordingly, as regards:

i) the annual component, it provided a split it into a fixed part and a variable part dependent on performance criteria;

ii) The exceptional component, which constitutes a one-off lump sum payment to build up a supplementary pension plan, it provided that payment be made half in cash and half in the form of company shares subject to acquisition/holding periods of five years. This latter allows to correlate one-off lump sum to the company's long-term development through the evolution of its share price and to create a retention element.

With regard to the complementary payment allocated to enable Mr. Tricoire to build up a supplementary pension, Mr. Tricoire has agreed to redirect this complementary payment, net of taxes, to investment vehicles devoted to financing his additional pension.

Annual component

At its meeting of February 18, 2015, the board of directors set the amount of the fixed part of the complementary payment at EUR182,000.

The target variable part amounts to 130% of the annual complementary fixed part. This variable part may range from 0 to 260%.

This variable part is determined based on the same criteria as the variable part of the annual compensation. As a consequence, the board of directors, on February 16, 2016, set the supplementary variable part at 127.7% of the annual supplementary fixed part, *i.e.* an achievement rate of 98.23% on a base 100. It approved at EUR232,420 for 2015 the 2015 complementary variable payment (paid in March 2016).

Exceptional component

The board of directors, on February 18, 2015, authorized the payment of a one-off lump sum payment of EUR4,300,000 to be paid as EUR2,150,000 in cash and EUR2,150,000 in the form of an allocation of 39,000 free shares under plans 19 and 20. These shares are also subject to a lock-up period (see page 281).

Year 2016

Annual component

The board of directors, on February 16, 2016, authorized the payment of EUR182,000 as the fixed part of the annual component of Mr. Tricoire's complementary payment and a variable part which may represent between 0% and 260% of the fixed part of the supplementary payment. The target rate of this is 130% and the performance rate is aligned to that of the variable part of the annual remuneration, after taking into account its multiplier.

Mr. Emmanuel Babeau, Deputy CEO

Annual compensation

Year 2015

Fixed part

The board of directors has set the 2015 fixed annual compensation for Emmanuel Babeau, Deputy CEO, at EUR550,000. The fixed part of Mr. Babeau's compensation remains unchanged compared to the one set on April 25, 2013.

Variable part

The board of directors of Wednesday, February 18, 2015 set the target variable part at 100% of the fixed part. The variable part ranges from 0% to 200% of fixed compensation.

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 75%, including:
   - 45% based on Group economic criteria component. These criteria are based on organic sales growth (15%), adjusted EBITA (15%) and cash conversion targets (15%),
   - for 30%, a component comprising criteria that are in line with the *Schneider is On* company program and on CSR, evaluated among other things through customer satisfaction, simplification, development and succession plan of key talents, as well as trends in Planet & Society Barometer;
2. individual objectives for 25%: these objectives are kept confidential to avoid making this valuable information available to competition.

On the proposal of the Governance and Compensations Committee, the board of directors on February 16, 2016 approved as the 2015 variable part at 99% of his 2015 fixed compensation (EUR550,000), *i.e.* an achievement rate of 99% on a base 100. It approved at EUR542,208 the 2015 variable part paid in March 2016, *i.e.* a reduction of 25.31% vs. 2014 variable part. Calculation of 2015 variable part is broken down as follows:

This achievement is broken down as follows:

- for Group criteria (75%), the variable part amounted to 77.3% of fixed part, *i.e.* an achievement rate of 103% on a base 100;
- for Individual objectives (25%), which are precise and as far as possible quantified objectives, the board of directors set the variable part to 21.25% of fixed part, *i.e.* an achievement rate of 85% on a base 100.

Criteria/Objectives	Weight	Target variable part	Variable part achieved on fixed part	Amount
Group	75%	75%	77,3%	EUR425,333
• Organic growth of the Group	15%	15 %	0%	
• Adjusted EBITA	15%	15 %	6%	
• Cash conversion	15%	15 %	30%	
• Company program	30%	30 %	41,3%	
Individual	25%	25%	21,25 %	EUR116,875
TOTAL	**100%**	**100%**	**99%**	**EUR542,208**

Year 2016

On the proposal of the Governance and Compensations Committee, the board of directors on February 16, 2016 set Mr. Babeau's annual target compensation for 2016.

Fixed part

The board of directors set the 2016 total fixed annual compensation for Emmanuel Babeau, Deputy CEO, at EUR605,000.

The fixed part, which has been unchanged since 2013, has been increased to account for the Group's evolution and development in order to reinforce positioning of Mr. Babeau's compensation to the median of the international market composed of a panel of 13 public companies, whose median turnover is 22 m€ and median market capitalization is 26 m€, and to the third quartile of the national market composed of a panel of 10 CAC40 companies, whose median turnover is 27 m€ and median market capitalization is 28 m€.

Variable part

The board of directors set the target variable part at 100% of his fixed compensation, that may range from 0% to 200% of his fixed compensation. It remains unchanged vs. 2015. The board thus set the variable part targets as well as the weight of each of the criteria as follows:

- Group criteria for 80%, including:
  - 40% based on Group economic criteria component. These criteria include targets for organic growth in revenue (13.33%), adjusted EBITA (13.33%) and cash conversion (13.33%) targets;
  - for 40%, a component comprising criteria that are in line with the *Schneider is On* company program and on CSR, evaluated among other things through customer satisfaction, services development, products sales growth, systems growth margin as well as trends in the Planet & Society Barometer;
- Individual criteria for 20%: These objectives are kept confidential to avoid making this valuable information available to competition.

A multiplier ranging from 0.8 to 1.3 will be applied to the results of above criteria, without exceeding 200% of the fixed part. Achievement rate of multiplier is linked to growth strategy success.

Long-term incentive

Year 2015

The board of directors of March 27, 2015 has decided the grant, in the framework of the long-term incentive plan for 2015, the allocation of 7,800 performance shares under plan 21 and 18,200 shares under plan 22. 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 2015/2016 period;
- for 15%, a level of achievement of the Planet & Society Barometer at the end of 2016;
- for 15%, a level of achievement of the ROCE for the 2015/2016 period.

They are also subject to a lock-up period (see page 281). The portion of shares allocated to Mr. Babeau represents 0.009% of the number of performance shares granted by the board of directors and 0.004% of capital at the date of such allocation.

Year 2016

As part of the long-term incentive plan for 2016, the board of directors agreed on an allocation of 7,800 performance shares under plan 25 and 18,200 shares under plan 26. The allocation of these shares is entirely dependent on attaining Group performance criteria, in accordance with the AFEP/MEDEF recommendations. These criteria, now appreciated over three years, will be:

- for 40%, a target operating margin of Adjusted EBITA for the 2016/2018 period;
- for 25%, in the form of an objective of cash conversion rate for the 2016/2018 period,
- for 20%, a level of achievement of the Planet & Society Barometer at the end of 2018,
- for 15%, in the form of a TSR objective linked to Schneider Electric ranking in a panel of 12 companies by end of 2018,

They will also be subject to a lock-up period (see page 281). The shares will be allocated by the board of directors on March 23, 2016.

Complementary payment (see above for the purpose of this payment)

Year 2015

Annual component

At its meeting of February 18, 2015, the board of directors set the amount of the fixed part of the complementary payment at EUR124,000.

The target complementary variable part amounts to 100% of the annual complementary fixed part. This variable part may range from 0% to 200%.

This variable part is determined based on the same criteria as the variable part of the annual compensation. As a consequence, the board of directors, on February 16, 2016, set the complementary variable part at 99% of the annual complementary fixed part, *i.e.* an achievement rate of 99% on a base 100, It approved at EUR122,243 the 2015 variable part paid in March 2016.

Exceptional component

The board of directors, on February 18, 2015, authorized the payment of a one-off lump sum of EUR1,300,000 being paid EUR870,000 in cash and EUR430,000 in the form of an allocation of 7,750 free shares under plans 19 and 20. These shares are also subject to a lock-up period (see page 281).

Year 2016

Annual component

The board of directors, on February 16, 2016, authorized the payment of EUR136,400 as the fixed part of the annual component of Mr. Babeau's complementary payment.

The board of directors authorized the payment of a variable part which may represent between 0 and 200% of the fixed part of the complementary payment. The target rate of this is 100% and the performance rate is aligned to that of the variable part of the annual compensation, after taking into account its multiplier.

7.5 Overview of the total compensation, payments for retirement and performance shares for executive officers

Overview of compensation, payments for retirement, stock options and shares granted to each executive officer for the financial year

Jean-Pascal TRICOIRE, Chairman and CEO *(in euros)*	**Full year 2015**	**Full year 2014**
Annual compensation for the financial year	2,163,182	2,450,000
Valuation of options granted during the financial year	-	-
Valuation of performance shares (1) granted during the financial year	3,567,060	3,169,980
SUB TOTAL (ANNUAL COMPENSATION)	**5,730,242**	**5,619,980**
Fixed complementary payment for retirement	182,000	-
Variable complementary payment for retirement	232 420	-
One-off lump sum (free shares (2) and cash) for retirement	4,300,000	-
SUB TOTAL (COMPLEMENTARY PAYMENTS FOR RETIREMENT)	**4,714,420**	**-**
TOTAL (ANNUAL COMPENSATION AND COMPLEMENTARY PAYMENTS FOR RETIREMENT)	**10,444,662**	**5,619,980**

(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. Vesting of these shares is subject to the attainment of performance conditions.

(2) The valuation of free shares corresponds to a measurement carried out in application of IFRS 2 and not compensation actually received during the financial year.

Emmanuel Babeau, Deputy CEO *(in euros)*	**Full year 2015**	**Full year 2014**
Annual compensation for the financial year	1,107,089	1,284,745
Valuation of options granted during the financial year	-	-
Valuation of performance shares (1) granted during the financial year	1,545,726	1,448,460
SUB TOTAL (ANNUAL COMPENSATION)	**2,652,815**	**2,733,205**
Fixed complementary payment for retirement	124,000	
Variable complementary payment for retirement	122,243	
One-off lump sum (free shares (2) and cash) for retirement	1,300,000	
SUB TOTAL (COMPLEMENTARY PAYMENTS FOR RETIREMENT)	**1,546,243**	
TOTAL (ANNUAL COMPENSATION AND COMPLEMENTARY PAYMENTS FOR RETIREMENT)	**4,199,058**	**2,733,205**

(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. Vesting of these performance shares is subject to the attainment of performance conditions.
(2) The valuation of free shares corresponds to a measurement carried out in application of IFRS 2 and not compensation actually received during the financial year.

Summary table of the compensation of each executive director

Jean-Pascal TRICOIRE	**Full year 2015**		**Full year 2014**	
Chairman and CEO *(in euros)*	**Amounts due for the financial year**	**Amounts paid during the financial year**	**Amounts due for the financial year**	**Amounts paid during the financial year**
Fixed annual compensation	950,000	950,000	950,000	950,000
Annual performance incentive	1,213,182	1,500,000	1,500,000	1,443,072
Attendance fees	-	-	-	-
Benefits in kind (car)	-	-	-	-
SUB TOTAL (ANNUAL COMPENSATION)	**2,163,182**	**2,450,000**	**2,450,000**	**2,393,072**
Fixed complementary payment	182,000	182,000		
Variable complementary payment	232,420	-		
One-off lump sum (1)	2,150,000 (2)	2,150,000 (2)	-	-
SUB TOTAL (COMPLEMENTARY PAYMENT FOR RETIREMENT)	**2,564,420**	**2,332,000**		
TOTAL (ANNUAL COMPENSATION AND COMPLEMENTARY PAYMENTS FOR RETIREMENT)	**4,727,602**	**4,782,000**	**2,450,000**	**2,393,072**

(1) Including the valuation of free shares corresponding to a measurement carried out in application of IFRS 2 and not compensation actually received during the financial year.
(2) One-off lump sum of EUR4,300,000 was paid EUR2,150,000 in cash and EUR2,150,000 in the form of an allocation of 39,000 free shares under plans 19 and 20.

Mr. Tricoire's travel and business expenses are covered by the Group. Mr. Tricoire may use the cars made available to Group Senior Management with or without chauffeur services.

Emmanuel BABEAU	**Full year 2015**		**Full year 2014**	
Deputy CEO *(in euros)*	**Amounts due for the financial year**	**Amounts paid during the financial year**	**Amounts due for the financial year**	**Amounts paid during the financial year**
Fixed annual compensation	550,000	550,000	550,000	550,000
Annual performance incentive	542,208	726,000	726,000	695,200
Attendance fees	-	-	-	-
Benefits in kind (car)	14,881	14,881	8,745	8,745
SUB TOTAL (ANNUAL COMPENSATION)	**1,107,089**	**1,290,881**	**1,284,745**	**1,253,945**
Fixed complementary payment	124,000	124,000		
Variable complementary payment	122,243	-		
One-off lump sum (1)	870,000 (2)	870,000 (2)	-	-
SUB TOTAL (COMPLEMENTARY PAYMENTS FOR RETIREMENT)	**1,116,243**	**994,000**		
TOTAL (ANNUAL COMPENSATION AND COMPLEMENTARY PAYMENTS FOR RETIREMENT)	**2,223,332**	**2,284,881**	**1,284,745**	**1,253,945**

(1) Including the valuation of free shares corresponding to a measurement carried out in application of IFRS 2 and not compensation actually received during the financial year.

(2) Seed capital to the sum of EUR1,300,000 was paid EUR870,000 in cash and EUR430,000 in the form of an allocation of 7,750 free shares under plans 19 and 20.

Mr. Babeau's travel and business expenses are covered by the Group. Mr. Babeau may use the cars made available to Group Senior Management with chauffeur services. In addition, he has the use of a company car.

Stock options or share purchase options granted during the financial year to each executive director by the issuer and by any company in the Group

No stock options or share purchase options were granted during the 2015 financial year.

Performance shares and free shares granted during the financial year to each executive director

Performance/free shares were allocated in 2015.

	Plan no.	Plan date	Number of shares granted	Unit valuation IFRS 2	Acquisition date	Date of availability
Jean-Pascal TRICOIRE	19 a*	02/18/2015	3,800	56.16	02/18/2017	02/20/2020
	19 b*	02/18/2015	7,900	55.06	02/18/2018	02/19/2020
	20 a*	02/18/2015	8,850	56.16	02/18/2017	02/20/2020
	20 b*	02/18/2015	9,150	55.06	02/18/2018	02/19/2020
	20 c*	02/18/2015	9,300	54.05	02/18/2019	02/18/2020
	21	03/27/2015	18,000	60.76	03/27/2017	03/26/2019
	22	03/27/2015	42,000	58.89	03/27/2019	03/27/2019
Emmanuel BABEAU	19 a*	02/18/2015	1,125	56.16	02/18/2017	02/20/2020
	19 b*	02/18/2015	1,200	55.06	02/18/2018	02/19/2020
	20 a*	02/18/2015	2,625	56.16	02/18/2017	02/20/2020
	20 b*	02/18/2015	2,800	55.06	02/18/2018	02/19/2020
	21	03/27/2015	7,800	60.76	03/27/2017	03/26/2019
	22	03/27/2015	18,200	58.89	03/27/2019	03/27/2019

* *Plan not subject to performance conditions.*

	Plans 21 & 22
Performance conditions	100% of the shares under plans 21 and 22 – 2015 & 2016 adjusted EBITA margin at constant perimeter, average ROCE (Return on Capital Employed) for the years 2015 and 2016 at current perimeter and level of the Planet & Society Barometer at the end of 2016

* *Plan not subject to performance conditions.*

Benefits granted to executive directors (situation as of February 18, 2015)

	Work contract		Top-hat pension benefits		Payments or benefits may be due in the event of termination or change of function		Payments in relation to a non-compete agreement	
Executive officers	**YES**	**NO**	**YES**	**NO**	**YES**	**NO**	**YES**	**NO**
Jean-Pascal TRICOIRE Chairman and CEO		X		X (1)	X		X	
Emmanuel BABEAU Deputy CEO		X (2)		X (1) (3)	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 in effect at April 30, 2012, (new plan) see annual report to Shareholders' Meeting on pages 292 to 293.
(2) Emmanuel Babeau resigned from his employment contract with SEI SAS on February 18, 2015 (see report to Shareholders' Meeting, page 300).
(3) Contributions paid in 2015 to the defined contribution retirement plan were EUR3,585.

7.6 Exercise of options and performance shares made available during the financial year

Exercise of stock options or share purchase options during the financial year by each executive director

	Plan no.	Plan date	Number of options exercised	Exercise price	Exercise date
Jean-Pascal TRICOIRE	-	-	-	-	-
Emmanuel BABEAU	33	12/21/2009	30,190	37.68	02/20/2015

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	10	12/17/2010	48,400	03/17/2015	100% of the shares – 2011 and 2012 operating margin and average revenue growth in 2011 and 2012 compared to changes in world GDP over the same period
Emmanuel BABEAU	10	12/17/2010	19,360	03/17/2015	100% of the shares – 2011 and 2012 operating margin and average revenue growth in 2011 and 2012 compared to changes in world GDP over the same period

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 Shareholders' 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 on this occasion, the board tightened the conditions under which benefits are granted to him if he leaves 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 Shareholders' Meeting of May 6, 2014 approved renewal of Mr. Tricoire's status. Mr. Tricoire's status was amended again in 2015 by the board of directors following its decision to cancel the entitlement of executive officers to their top-hat pension plan (article 39). The Shareholders' Meeting of April 21, 2015 approved this arrangement.

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 Shareholders' Meeting 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 ». Mr. Babeau's status therefore remained fully aligned to that of Mr. Tricoire.

Long-term commitments

Pension obligations

None.

Life & disability schemes

Mr. Tricoire and Mr. Babeau, who are granted benefits under the Schneider Electric SE and Schneider Electric Industries SAS employee benefit plan, which offers health, disability and death coverage, also have additional coverage for health, disability and death available to Group Senior Management under French contract, as well as Group personal accident insurance policies in case of disability or death resulting from an accident. They are also entitled to an annuity for the surviving spouse in the event of death or an annuity with reversion to the surviving spouse in the event of disability, provided that these risks occur before the end of their term of office or after the age of 55 in the event of departure from the company following redundancy or a disability.

The benefit of this supplementary coverage and contingency compensation under individual Group accident insurance policies are subject to the attainment of either of the following performance conditions: the average net income from the five financial years leading up to the event is positive or the average free cash flow from the five financial years leading up to the event 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 annual fixed and target variable parts (*i.e.* including complementary payments) 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 (see below) 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 entitlement to Involuntary Severance Pay, at a maximum equal to twice the average of the effective annual compensation (fixed and variable part) (*i.e.* including compensation and complementary payments) 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 the attainment of performance conditions.

The right to Involuntary Severance Pay shall be granted in the following cases:

(i) dismissal, non-renewal or resignation as CEO/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;

(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 on the management board).

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 66.67%; no compensation shall be awarded;
- 66.67%; he shall receive 75% of the Maximum Amount;
- at least 100%; he shall receive 100% of the Maximum Amount;
- between 66.67 and 100%; he shall receive compensation calculated on a straight-line basis at a rate of 75 to 100% of the Maximum Amount.

In any case, involuntary Severance Pay will not be paid if a resignation is the result of serious or wrongful misconduct.

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 and
- resignation is not the result of wrongful or gross misconduct.

7.7 Compensation of Group Senior Management excluding executive directors

Scope of Senior Management in 2015

On December 31, 2015, Senior Management includes the Chairman and CEO and Deputy CEO, assisted by Executive Committee members. The Executive Committee (15 members) is chaired by the Chairman and CEO. It includes, in addition to the 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 – Technology – Global Solutions;
- Executive Vice-Presidents of Operations: Global Operations – North America Operations – China Operations – France Operations – Europe Operations;
- Executive Vice-Presidents of Activities: Buildings & Partner – Industry – IT – Energy.

Compensation paid in 2015

Gross compensation, including benefits in kind, paid by Group companies in 2015 to members of Group Senior Management other than executive officers, amounted to EUR17.4 million, including EUR7.5 million in variable compensation paid for the 2015 financial year. The objectives for Group results for the financial year in question were:

- organic growth;
- operating margin level;
- cash conversion rate;
- customer satisfaction.

Long-term incentive plans

- Performance shares were granted in 2015.

As of December 31, 2015 as part of the annual long term incentive plan, Group Senior Management other than senior corporate officers held:

- 645,570 shares, of which 484,500 are conditional;
- 89,330 options;
- 178,104 Stock Appreciation Rights (SARs).

7.8 Transactions in Schneider Electric SE shares by corporate officers during the 2015 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
02/20/2015	Babeau	Exercise of stock options	EUR37.68	EUR1,137,559
02/20/2015	Babeau	Disposal	EUR69.13	EUR2,074,731
08/13/2015	Babeau	Disposal	EUR61.0798	EUR1,182,504

8. Regulated agreements and commitments

8.1 Agreements and commitments of the 2015 financial year and not approved by the shareholders' Meeting

None.

8.2 Agreements and commitments of the 2015 financial year approved by the Shareholders' Meeting (see Chapter 8, pages 314 to 317)

The board of directors of February 18, 2015 decided to put an end, for the executive officers, to the benefit of the top-hat pension schemes (article 39) implemented in 1995 and 2012, except for 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.

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 pension schemes (article 39) for Group's French executives;

(ii) that Mr. Tricoire retains the benefit of an annuity for a 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 further professional activity, following dismissal or in case of disability, as well as a pension allowance, in case of disability which payment would start at the age of 60;

(iii) furthermore, the supplementary contingency coverage on health, incapacity, disability and death risks from which Mr. Tricoire may benefit will be calculated based on his overall compensation.

The Annual Shareholders' Meeting, on April 21, 2015, pursuant to its 5th resolution, approved these amendments to Mr. Tricoire's status.

Renewal of Mr. Babeau's status

Mr. Babeau, who benefits from the defined benefit top hat pension plan (article 39) pursuant to his employment contract with Schneider Electric Industries SAS resigned from such employment contract in order to enforce the board's decision to remove the benefit of this advantage to executive officers 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, aligned Mr. Babeau's status fully with that of Jean-Pascal Tricoire (see pages 314 to 317). The Annual Shareholders' Meeting, on April 21, 2015, pursuant to its 6th resolution, approved these amendments to Mr. Babeau's status.

8.3 Agreements and commitments signed during previous years and approved by the Annual Shareholders' Meeting (see chapter 8 pages 314 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;
- adopted the status of Mr. Emmanuel Babeau, holder of a work contract with Schneider Electric Industries SAS.

The Annual Shareholders' Meeting on May 6, 2014, pursuant to its 4th, 5th and 6th resolutions, approved the renewal of Mr. Tricoire's status and the adoption of Mr. Babeau's status.

As indicated above, the board of director's decision to cancel the entitlement for executive corporate officers to their top-hat pension plan (article 39) led to an amendment of the status of Mr. Tricoire and a review within Schneider Electric SE of elements of the status of Mr. Babeau, other than his rights to an article 39 pension, which were attached to his work contract with Schneider Electric Industries SAS which he decided to renounce. On this occasion, Mr. Babeau's status was strictly aligned to that of Mr. Tricoire.

The 2015 Annual Shareholders' Meeting, pursuant to its 5th and 6th resolutions, approved these amendments to the statuses of Messrs. Tricoire and Babeau. These modified statuses were presented in paragraph « Commitments made to the benefit of the executive officers » above.

Other Agreements

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.

Outsourcing of supplementary pension plans for former executives of the Group

As part of the outsourcing in 2012 of supplementary pension plans for executives applied in 1995 (closed plan), an agreement was signed with AXA which was approved by the Annual Shareholders' Meeting of April 25, 2013.

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 Group 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), page 171.

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 Group's 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 2015, the Group's organizational chart is based 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), page 144.

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 20 people in 2015. 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:
  - they follow implementation by the units within their scope of the internal control action plans defined following self-assessments or internal control missions,
  - 29 regional internal controllers 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;
- 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 team 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 accounts 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 definition of group guidelines and contributes to the definition of Key Internal Control indicators relating to treasury and credit management;
- reviewing the related risks of complex projects as a subject matter expert;

- 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 » page 37.

Operating Divisions and operating units

The Operating Division management teams play a critical role in effective internal control.

All Group units report hierachically to one of the Operating Divisions, which are led or supervised by an Executive Vice-President, supported by a Chief financial officer.

The Executive Vice-Presidents leading or supervising 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.

Global Functions (Human Resources, Supply Chain, Information Systems, etc.)

In addition to specific processes or bodies such as the Group Acquisitions Committee (see « Risk Factors – Acquisitions » page 37) 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, grouping all Business Chief technology officers and Global Functions involved in Offer Creation, to ensure cross-functional and cross-business coordination for innovation and offer creation.

The Human Resources Department is responsible for deploying and ensuring the application of procedures concerning employee development, occupational health and work safety. The department is also responsible for establishing guidelines on rewards and compensation, hiring, on boarding, amongst other Human Resources related guidelines.

The Purchasing Department within Supply Chain 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 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

The main internal control benchmarks are available to all employees, including in the Group's employee portal. 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 employee 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 65.**

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 insider information in the course of their work (see « Organizational and operating procedures of the board of directors », Chapter 3 Section 2 page 139). 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, 2015.

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 EURO 250 million, 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 reviewed annually. They cover:

- the Control Environment (including the Responsibility and Ethics program, chart of authority, segregation of duties, business continuity plan, retention of records and business agents);
- operating processes (Purchases, Sales, Logistics, etc.);
- accounting and financial related cycles;
- Human Resources and Information Systems cycles.

The Key Internal Controls are available to all units on the Group employee portal and shared depository, along with appendices with more detailed information, links to policy descriptions, 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.

For new acquisitions, the entities may continue with their existing controls in transition before deploying 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 2015, 70 of the Group's top managers were interviewed. In 2015 individualised risk matrices by Operation or by Business have been created.

The risks identified through these interviews are ranked by a risk score (comprising impact and likelihood of occurrence) and level of mitigation.

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. 70% of the risks categories identified in the Group's risk matrix are audited by the Internal Audit Department over a period of three years to assess action plans for managing and reducing these risks.

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 the cost benefit analysis of the transfer options. The Risk and Insurance Department also defines, proposes and implements action plans 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 wilful 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 & Controls Risks – start of contract in January 2011) as well as in the field of psychological support that is necessary to organize in some crisis context (Eutelmed – start of contract in April 2015).

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 combating 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 of supporting internal investigators as well as defining methodology & procedures to conduct investigations properly (in accordance with the law and in order to be efficient in gather evidence effectively).

The Security Function also participates in crisis management, in particular in the management of the 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.). In addition, it has realized more than 20 Security Audits in 2015 (R&D centers, head-offices, sensitive plants, 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 2015 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 2015 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.

The self-assessments are conducted in the units by each process owner. Practices corresponding to the Key Internal Controls are described and the entity is either compliant or not compliant to a particular control.

If a particular unit is not compliant in any of the controls, 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 2015, the Global Functions continued to set guidelines, issue instructions and provide support.

For example:

- in 2015, we have updated our ethical risk assessment matrix and deployed it at the entity level while it was previously done at country level. This matrix now integrates both internal and external risk factors. External risks are based on internationally recognized indexes on corruption, human rights abuses and environmental pollution by countries. Internal risks are based on the level of communication and implementation of company policies and directives;
- the Security Department issued a comprehensive update of the Global Travel Directive that enhances the rules to be compliant with and that reinforces requirements in terms of Travel Security. The Global Security Directive initially named « Internal Fraud Fighting » was also totally updated and is now renamed « Internal Fraud Investigation » with a focus on rules to be strictly applied by internal investigators. The purpose is to be as professional as we could be for this kind of potential sensitive actions, respectfull of the Laws, and to avoid creating any new potential risk for the Company in performing investigations;
- the Sustainable Development Department created a new Corporate tool (named « Dora » – provided by « Global Navex » an US based software company) used to store in the same place all the Company corporate governance (Policies and Directives concerning all domains). This tool allows an easyfinding of any existing rules the employees may need to find and is specifically designed to update & validate easily any piece of governance;
- certain policies have been created, updated and issued – Gifts & Hospitality Policy, Business Agents, Policy;
- training on ethical topics continued for exposed functions & entities with a specific focus on newly acquired companies.

Internal Control Department

Internal Controls Department continued to deploy the Key Internal Controls – training and requests for self-assessments – throughout the units, 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 results were reviewed, which identified areas needing work in 2016 as part of the process of continuous improvement. In 2015, certain Key Internal Controls were identified as critical and actions will be taken to increase the level of awareness and compliance.

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 29 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 90 on-site inspection missions in 2015 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 2015, Internal Audit performed 30 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;
- assisstance assignments.

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 Chairman's report on internal control

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with and construed in accordance with, French law and professional standards applicable in France.

Statutory auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code *(Code de commerce)*, on the report prepared by the Chairman of the board of directors of Schneider Electric SE

To the shareholders,

In our capacity as statutory auditors of Schneider Electric SE 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 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 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 10, 2016

The statutory auditors

French original signed by

MAZARS	ERNST & YOUNG et Autres
David Chaudat	Jean-Yves Jégourel

10. Application of the AFEP/MEDEF corporate governance guidelines

This section 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:

Recommendation	Schneider Electric Practice
Deadline for Audit committee review of the financial statements The Audit committee should review the financial statements at least two days before they are reviewed by the Board.	To allow the Audit committee to comprise directors who are not French residents, meetings of the committee pertaining to the review of annual and semestrial accounts are held on the day before the Board meeting and not two days prior to the meeting. However, the Company is careful in making sure that members of the committee are able to review the accounts well in advance of the meeting so that they may anticipate any issue in connection with their approval. To this end, one week before the committee meeting, a preparatory meeting is scheduled with the Chairman of the audit committee during which the finance department presents the key topics in view of the closing of accounts. Furthermore, the file prepared for the committee meeting including the presentation of the accounts is made available to all members of the committee by digital means.
Non-compete agreement The non-compete agreement must include a provision authorizing the board to waive its implementation upon departure of the member of the 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.	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 th non-compete indemnity with the payment of a pension. The exception to the AFEP-MEDEF recommendation is justified by the fact that it is in the interest of he 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.
Stock options and performance shares The valuation of options and performance shares must not depart from previous business practice.	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, it is 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.

4 Business review

1. Trends in Schneider Electric's core markets

1.1 Industries and machine manufacturers

Industry market struggled throughout 2015, facing severe headwinds:

Falling commodity prices (mainly O&G, metals) have led a sharp drop in commodity sectors capex. This step down has generated strong negative impacts on global industry market: O&G sector is one of the first end-users in metals, construction engines, turbines, water treatment and professional services. Companies exposed to this O&G supply chain cut their own capex, opex and inventories to align them with lower demand.

Companies which benefited from lower energy costs were reluctant to invest, given the generally weak economic environment, overcapacities and high level of debt. Companies preferred to restore the balance sheet, or to reduce selling prices (due to increasing competitive pressure).

In China, industrial production and manufacturing investment have slowed markedly, depressed by deterioration in global trade, overcapacities and decrease in construction sector (which is the largest end-user of heavy industry).

In other new economies, industrial markets recorded a slowdown on the back of lower commodity prices, declining demand from China, capital outflow and a high level of debt.

1.2 Non residential and residential buildings

Non residential buildings

In the US, non residential market growth slowed down in 2015. Manufacturing buildings reported strong growth thanks to the chemicals and transportation equipment sectors. Construction in the office and retail sectors decelerated. Institutional buildings segments slightly rebounded in 2015, driven by the private sector component (mainly in healthcare facilities) as public spending remained under pressure.

In Western Europe, non residential construction remained sluggish in 2015. Manufacturing, office and commercial buildings suffered from the deteriorated global economic environment. Education and healthcare segments were constrained by public-sector austerity. Non residential construction declined in two major markets, Germany and France. Spain and Ireland increased, benefiting from economic reforms. In Italy, the market stabilized after several years of decline.

In China, non residential construction decreased further. The main reasons were the economic slowdown and new consumption patterns (e-commerce has a major negative impact on commercial buildings).

In Australia, non residential construction declined. Industrial, office and commercial buildings all fall as well as social & institutional buildings (marked by a sharp plunge in the Health segment).

In several new economies, non residential construction was hampered by several headwinds: lower demand from China, negative impact from lower oil and commodities prices on the revenues of commodity exporter countries, currency depreciation and capital outflow.

Non residential activity accelerated in in India thanks to improvement in the regulatory and financing environment.

Residential

Residential markets marginally decreased in 2015, with varied positions among major regional blocks.

In the US, residential construction increase, driven by multi-family market.

In Western Europe, market improved gently. France, Italy and Denmark recorded a decline. Germany and Great Britain grew slightly whereas Ireland and the Netherlands surged.

In China, residential construction continued to fall. At end of 2013, China's property sector had reached a turning point, due to strong construction oversupply and lower demand for property. Despite a gradual improvement in housing sales in 2015, developers have continued to reduce housing starts in order to reduce inventory.

In other new economies, residential market declined as a whole. Residential construction has dropped, notably in Russia, Ukraine, Brazil and Venezuela, hit by gloomy economic situation and weak consumer confidence. On the contrary, Asian new economies and Africa continued to grow in 2015.

1.3 Utilities and Infrastructures

Electrical Utilities

In generation, renewables continued their expansion in 2015, fuelled by on-going cost declines. Wind and solar rapid growth spread to new territories in emerging countries. At the end of the year, COP21 was the confirmation that electric utilities have to engage in a path to decarbonise their mix. Also that in this new energy world of energy efficiency they have to re-think their business models, strengthen their networks and digitize their operations.

In networks, investments were thus sustained and those in software and smart grids accelerated.

However pressure from regulators, investors and consumers did not relieve, driving operations and asset the optimisations projects across the board.

These trends will positively affect Schneider Electric, widening its market for grid modernization or asset and operations management solutions. For a given capacity of power generation, renewables, with their often distributed nature, offer a larger accessible market for Schneider Electric products and solutions. They also imply a transformation of the system as a whole, opening new realms, for example in demand management.

Oil and Gas

The year 2015 has seen a normal demand growth (around +1,2%), and supply growing and still higher than demand by about +1.5mb/d. As a consequence crude and refined products stocks are continuing to pile up. The North American unconventional production has further increased through most of the year, to eventually start a gradual decrease of 0,1mb/d per month. Increased productivity and cost cuttings and previous upstream investments have enabled many operators to continue producing, despite the low barrel prices. Saudi Arabia continues its race for market share. Iran now authorized back in the game may add half a million barrels per day (0,5% world production) could increase further tension on supply.

This surplus situation has led most upstream players to significantly cut their investment in 2015, in particular in exploration. Similar cuts have been announced for 2016. These two consecutive years of upstream spending cuts could be considered as a new normal to a new level around USD500 billion a year, after 4 years of hyper-inflation .

Midstream and Downstream markets somewhere benefits from low oil prices and show increased profits for integrated majors IOCs.

Schneider Electric Oil ,Gas and Petrochem sector with no exposure to the exploration, and historical position in midstream and downstream acquired through recent acquisitions shows good level of resilience. In addition, with a less affected opex , we experienced growth on Field Services and Software. We also benefited from our customer intimacy to further improve customers's uptime and ROI with Our Solutions and Digital Services portfolio.

Our value strategy based on - Solutions, Services , Software and Digital Services- toward Strategic majors considering business transformation through innovation and optimized architectures should support further resilience of Schneider Electric Oil ,Gas and Petrochem activity.

Data centers and Networks

The global IT market experienced slow but steady growth in 2015 partly due to the worsened economic environment in emerging markets.

Our transactional single phase market remained soft, as the demand of Small & Medium Business (SBM) for power protection products for servers and PC continued to stagnate. Growth in Asia and Europe was offset by the weakness in Russia, Latin America and China.

Large Enterprises continued to deploy IT in a hybrid environment of on-premise, colocation, hosting and cloud in 2015. Due to data sovereignty and privacy concerns and regional demand for data center capacity, an increasing number of hyperscale data centers are being built in the North America market and in various locations in Europe, Asia and Latin America. Schneider Electric is leveraging its global presence and comprehensive data center solutions to accommodate our customer needs wherever they decide to locate their IT infrastructure.

As internet use is trending towards bandwidth-intensive content and the increasing adoption of the « Internet of Things », computing power and storage is increasingly placed at the edge of the network closer to end users. The IT business is well positioned to penetrate in various edge computing applications with its micro data center and modular data center offers.

Industrial markets achieved steady growth along with a moderate outlook for infrastructure investments in power generation, chemical production and semiconductor.

The year of 2015 also marked the initial commercialization of energy storage solutions for home, commercial buildings, datacenters and utilities. Schneider Electric entered the lithium ion energy storage market with the presentation of Ecoblade™ at the COP21 Conference on Climate Change in Paris in December 2015. The Ecoblade solution combines advanced software analytics, modularity, and IT-style server designs in a smart battery that can scale up from 1kw to more than 1MW for homes, commercial buildings and utility substations.

2. Review of the consolidated financial statements

2.1 Review of business and consolidated statement of income

Changes in the scope of consolidation

Acquisitions & divestments occurred during the year

On December 11, 2015, Schneider Electric announced that it had obtained all required regulatory approvals and subsequently finalized the sale of Juno Lighting, LLC (« Juno ») to Acuity Brands, Inc. for a consideration of approximately USD385 million (EUR343 million). The transaction generated a capital loss of EUR163 million recorded as Other operating expense.

On December 14, 2015, Schneider Electric announced that it has signed an agreement to sell its Transportation Business, to Kapsch TrafficCom AG. The Transportation business generated revenues of EUR134 million in 2014 and is currently consolidated under the Infrastructure business of Schneider Electric. The terms of the agreement reflect a purchase price of about EUR35 million on a cash-free, debt-free basis. The agreement is conditioned upon the satisfaction of certain regulatory conditions and on other customary closing conditions. The transaction is expected to close in the coming months. The transaction would generate an impairment of EUR100 million that was recognized at December 31, 2015 as Other operating expense.

No significant acquisition occurred during 2015.

Acquisitions & divestments occurred in 2014 with significant effect in 2015 (1)

On January 17, 2014, the Group took control of Invensys group. Invensys is fully consolidated, mainly in the Industry business, since January 2014, except for its Appliance division (divested in June 2014) reported as discontinued operation over the first half of 2014.

On October 1, 2014 the Group finalized the sale of Custom Sensors & Technologies (CST) and the Group has reinvested approximately USD100 million alongside CST management to hold 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's consolidated financial statements from January to September 30, 2014 (for EUR24 million net income). From October 1, 2014 and for full year 2015, the 30% of CST share is accounted for by the equity method.

Changes in foreign exchange rates

Changes in foreign exchange rates relative to the euro had a material impact over the year. This positive effect amounts to EUR1,949 million on consolidated revenue and to EUR254 million on Adjusted EBITA (2).

Revenue

On December 31, 2015, the consolidated revenue of Schneider Electric totalled EUR26,640 million, an increase of 6.8% at current scope and exchange rates compared to EUR24,939 million on December 31, 2014.

This variance breaks down into an organic decrease of -1.0% and a positive exchange rate effect of 7.8%, primarily due to the appreciation of the US dollar and Chinese yuan against the euro.

2.2 Changes in revenue by operating segment

The Buildings & Partner business generated revenues of EUR11,859 million, or 45% of the consolidated total. This represents an increase of +10.3% on a reported basis and an increase of **+0.4%** on a like-for-like basis. Buildings & Partner observed organic growth across all regions except Asia Pacific. North America was slightly up, driven by the growth in the construction market in the US, helped by new product launches and increased cross-selling and a recovery in Mexico. In Western Europe, Spain, Italy and the U.K. grew, France performed well thanks to strong execution, while Germany was down mainly due to a high base of comparison. Rest of the World was up thanks to good project execution in the Middle East and strong growth in Africa and Central Europe. Asia Pacific was penalized by a weak construction market in China, despite growth in the rest of the region.

The Industry business generated revenues of EUR5,696 million, or 21% of the consolidated total. This represents an increase of +2.6% on a reported basis and a decrease of **-4.9%** on a like-for-like basis. Organic growth was impacted by strong headwinds from Oil & Gas and China. Western Europe was flat, as the growth in Spain and

(1) Dates disclosed correspond to dates on which control takeover of the entities was acquired.
(2) Adjusted EBITA (Earnings Before Interest, Taxes, Amortization of Purchase Accounting Intangibles) is earnings EBITA before amortization and impairment of intangible assets from acquisitions, impairment of goodwill, other operating income and expenses and restructuring costs. restructuring costs and before other operating income and expenses, which includes acquisition, integration and separation costs.

Italy driven by successful OEM offer launches in a favourable OEM export market offset declines in Switzerland and the Nordics. North America declined on weakness in industrial investments, notably in Oil & Gas and lower export-oriented OEM demand due to a strong dollar, and the focus remained on the improvement of the business performance. Asia Pacific was penalized by weakness in China. Rest of the world performed well.

The Infrastructure business generated revenues of EUR5,428 million, or 20% of the consolidated total. This represents an increase of +2.9% on a reported basis and an increase of **+0.3%** on a like-for-like basis. Western Europe grew, driven by growth in Spain, Italy and the UK. Germany was down due to greater project selectivity. North America was up thanks to project execution in Canada, while the US was penalized by lower investment in Oil & Gas and delays in data center investments, which more than offset the growth from targeted initiatives. Asia-Pacific posted mixed trends with difficulties in China, weak utility market in Australia and growth in East Asia and India. The Rest of the World was up driven by project execution in the Middle East, while Russia was weak. Services were strong, up high single-digit.

The IT business generated revenues of EUR3,657 million, or 14% of the consolidated total. This represents an increase of +8.9% on a reported basis and a decrease of **-0.9%** on a like-for-like basis. The US was about flat, thanks to project execution in a soft market. Western Europe was up, driven by successful execution of commercial initiatives in a positive IT market. Asia Pacific was dragged down by weakness in China and a high-base of comparison in India. Rest of the World was down as weakness in Russia more than offset the growth in the Middle East and Africa. Services posted good growth.

2.3 Gross profit

Gross profit increased from EUR9,407 million for the year ended December 31, 2014 to EUR9,845 million for the year ended December 31, 2015, or +4.7%, mainly due to an increase in productivity and actions on prices and a positive foreign exchange translation effect. As a percentage of revenues, the gross margin decreased to 37.0% in 2015 (*versus* 37.7% in 2014), as the positive net pricing and productivity impacts partially offset the negative mix effect, increased R&D depreciation and cost inflation.

2.4 Support Function Costs: research and development and selling, general and administrative expenses

Research and development expenses, excluding capitalized development costs and development costs reported as cost of sales, decreased by 0.4% from EUR567 million for the year ended December 31, 2014 to EUR565 million for the year ended December 31, 2015. As a percentage of revenues, the net cost of research and development decreased to 2.1% of revenues for the year ended December 31, 2015 (2.3% for the year ended December 31, 2014).

Total research and development expenses, including capitalized development costs and development costs reported as cost of sales (see note 4 to the Consolidated Financial Statements) increased by 5.0% from EUR1,212 million for the year ended December 31, 2014 to EUR1,272 million for the year ended December 31, 2015. As a percentage of revenues, total research and development expenses remained stable at 4.8% for the year ended December 31, 2015 from 4.9% for the year ended December 31, 2014.

In 2015, the net effect of capitalized development costs and amortization of capitalized development costs amounts to EUR145 million on operating income *versus* EUR175 million in 2014.

Selling, general and administrative expenses increased by 4.9% from EUR5,377 million for the year ended December 31, 2014 to EUR5,639 million for the year ended December 31, 2015. As a percentage of revenues, selling, general and administrative expenses decreased from 21.6% in 2014 to 21.2% in 2015

Combined total support function costs, that is, research and development expenses together with selling, general and administrative costs, totalled EUR6,204 million for the year ended December 31, 2015 compared to EUR5,944 million for the year ended December 31, 2014, an increase of 4.4%. The support functions costs to sales ratio decreased from 23.8% for the year ended December 31, 2014 to 23.3% for the year ended December 31, 2015 reflecting progress in simplification initiatives.

2.5 Other operating income and expenses

For the year ended December 31, 2015, other operating income and expenses amounted to a net loss of EUR522 million, mainly due to net losses on sale of business (EUR223 million), notably on Juno divestment, and impairment of assets (EUR246 million), notably on Transportation business related to the expected divestment described above. Other main items included costs linked to acquisitions for EUR118 million (notably Invensys integration costs), a EUR53 million gain on the curtailment of employee benefit plans in the UK and in France.

For the year ended December 31, 2014, other operating income and expenses amounted to a net expensee 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 and 2015 acquisitions, notably Invensys. Net other operating expenses mainly includes mainly provisions for litigation or claims in 2014.

2.6 Restructuring costs

For the year ended December 31, 2015, restructuring costs amounted to EUR318 million compared to EUR202 million for the year ended December 31, 2014. This increase in restructuring costs is linked to the *Simplify* initiatives that were announced in early 2015 as part of the « *Schneider is On* » program.

2.7 EBITA and Adjusted EBITA

We define EBITA as earnings before interest, taxes and amortization of purchase accounting intangibles. EBITA comprises operating profit before amortization and impairment of purchase accounting intangible assets and before goodwill impairment.

We define adjusted EBITA as EBITA before restructuring costs and before other operating income and expenses, which includes acquisition, integration and separation costs.

Adjusted EBITA amounted to EUR3,641 million for the year ended December 31, 2015, compared to EUR3,463 million for the year ended December 31, 2014, representing an increase of 5.1%, mainly due to a favourable foreign exchange effect of EUR254 million. As a percentage of revenue, adjusted EBITA decreased from 13.9% for the year ended December 31, 2014 to 13.7% for the year ended December 31, 2015.

EBITA decreased by 11.2% from EUR3,155 million for the year ended December 31, 2014 to EUR2,801 million for the year ended December 31, 2015, mainly linked to net losses on sales of business, impairment of assets and higher restructuring expenses in 2015 that did offset the increase in Adjusted EBITA. As a percentage of revenue, EBITA decreased to 10.5% in 2015 compared with 12.7% in 2014, in line with the lower Adjusted EBITA margin and with losses on sales of business, impairments and restructuring costs higher than in 2014.

2.8 EBITA and Adjusted EBITA by business segment

The following table sets out EBITA and adjusted EBITA by business segment:

Full year 2015

(in millions of euros)	***Buildings & Partner***	***Industry***	***Infrastructure***	***IT***	**Corporate costs**	**Total**
Revenue	11,859	5,696	5,428	3,657	-	26,640
Adjusted EBITA*	2,132	975	495	644	(605)	3,641
Adjusted EBITA %	18.0%	17.1%	9.1%	17.6%	-	13.7%
Other operating income and expense	(240)	(22)	(240)	(5)	(15)	(522)
Restructuring costs	(169)	(22)	(89)	(8)	(30)	(318)
EBITA	1,723	931	166	631	(650)	2,801
EBITA %	14.5%	16.4%	3.1%	17.3%	-	10.5%

* *Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).*

Full year 2014

(in millions of euros)	***Buildings & Partner***	***Industry***	***Infrastructure***	***IT***	**Corporate costs**	**Total**
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 (including acquisition, integration and separation costs).*

Buildings & Partner business recorded an adjusted EBITA margin of 18.0% for the year ended December 31, 2015, up 0.2% compared to 17.8% for the year ended December 31, 2014, thanks to better support function costs control.

Industry business recorded an adjusted EBITA margin of 17.1% for the year ended December 31, 2015, down 1.3% compared to 18.4% for the year ended December 31, 2014, penalized by volume decline, negative FX impact and higher R&D amortization costs.

Infrastructure business recorded an adjusted EBITA margin of 9.1% for the year ended December 31, 2015, up 0.5% compared to 8.6% for the year ended December 31, 2014, benefiting from project gross margin improvement in second semester and good control of support functions costs.

IT business reported an adjusted EBITA margin of 17.6% for the year ended December 31, 2015, down 1.2% compared with 18.8% margin for the year ended December 31, 2014, penalized by negative mix and FX impact.

Corporate costs amounted to EUR605 million for the year ended December 31, 2015 or 2.3% of Group revenues, a similar level to the year ended December 31, 2014 (2.2% of Group revenues or EUR557 million).

2.9 Operating income (EBIT)

Operating income (EBIT) decreased from EUR2,896 million for the year ended December 31, 2014 to 2,229 million for the year ended December 31, 2015. This 23.1% decrease is explained by both the EBITA decrease and by an impairment of Pelco trademark amounting to EUR295 million in « Amortization and impairment of purchase accounting intangibles ».

2.10 Net financial income/loss

Net financial loss amounted to EUR446 million for the year ended December 31, 2015, compared to EUR467 million for the year ended December 31, 2014. The decrease of the net financial loss is mainly explained by the decrease of the cost of net financial debt from EUR312 million for year ended December 31, 2014 to EUR295 million for year ended December 31, 2015 thanks to a lower average interest rate. The other financial incomes and costs are stable from a net expense of EUR155 million for year ended December 31, 2014 to a net expense of EUR151 million for year ended December 31, 2015.

2.11 Tax

The effective tax rate was 21.8% for the year ended December 31, 2015, decreasing compared to 22.7% for the year ended December 31, 2014. The corresponding tax expense decreased from EUR551 million for the year ended December 31, 2014 to EUR389 million for the year ended December 31, 2015. The tax expense included in 2015 a EUR115 million deferred tax income related to the impairment of Pelco trademark.

2.12 Discontinued operations

The net effect of discontinued activities totalled 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.

There were no segments reported as discontinued activities in 2015.

2.13 Share of profit/(losses) of associates

The share of profit of associates increased from EUR14 million for the year ended December 31, 2014 to EUR109 million for the year ended December 31, 2015 mainly thanks to a non recurrent gain realized on sale of assets reported by CST.

2.14 Non-controlling interests

Minority interests in net income for the year ended December 31, 2015 totalled EUR96 million, compared to EUR120 million for the year ended December 31, 2014. This represented the share in net income attributable, in large part, to the minority interests of certain Chinese companies.

2.15 Profit for the period

Profit for the period attributable to the equity holders of our parent company amounted to EUR1,407 million for the year ended December 31, 2015, that is a 27.5% decrease over the EUR1,941 million profit for the year ended December 31, 2014, mainly due to significant losses on sales of business, impairments and higher restructuring costs higher than in 2014.

2.16 Share of profit for the period attributable to the equity holders of the parent company on continuing operations

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 EUR1,407 million for the year ended December 31, 2015, compared to EUR1,772 million for the year ended December 31, 2014, decreasing by 20.6%.

2.17 Earnings per share

Earnings per share decreased from EUR3.39 for the year ended December 31, 2014 to EUR2.47 for the year ended December 31, 2015.

2.18 Consolidated cash-flow

Operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities remained stable at EUR2,715 million for the year ended December 31, 2015, up 2.8% compared to EUR2,640 million for the year ended December 31, 2014, and represented 10.2% of revenue in 2015 compared with 10.6% in 2014.

The change in working capital requirement generated EUR117 million in cash in the year ended December 31, 2015, compared to EUR107 million consumed in the year ended December 31, 2014, mainly thanks to the cash-in of trade receivables.

In all, net cash provided by operating activities increased by 11.8% from EUR2,533 million in the year ended December 31, 2014 to EUR2,832 million in the year ended December 31, 2015.

Investing Activities

Net capital expenditure, which included capitalized development projects, decreased by 5.2% to EUR787 million for the year ended December 31, 2015, compared to EUR829 million for the year ended December 31, 2014, and represented 3.1% of revenues in 2015 (3.3% in 2014).

Free cash-flow (cash provided by operating activities net of net capital expenditure) amounted to EUR2,045 million in 2015 *versus* EUR1,704 million in 2014.

Cash conversion rate (free cash-flow over net income attributable to the equity holders of our parent company on continuing operations, adjusted for business disposals impact and Pelco trademark impairment) was 113% in 2015 versus 96% in 2014.

The effect of acquisitions and divestments during the year was a net cash inflow amounting to EUR232 million in 2015. 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.

Financing Activities

In 2015, the Group reimbursed two bonds for EUR750 million and the *Schuldschein* credit line for EUR184 million and there were four bond issuances in euros for EUR1,850 million.

The net decrease in other financial debts amounted to EUR1,262 million during the year ended December 31, 2015, compared to a net decrease in other financial debts amounting to EUR818 million during the year ended December 31, 2014. The dividend paid by Schneider Electric was EUR1,108 million in the year ended December 31, 2015, compared with EUR1,095 million in the year ended December 31, 2014.

3. Review of the parent company financial statements

Schneider Electric SE posted total portfolio revenues of EUR4 million in 2015 compared with EUR1 million the previous year.

Interest expense net of interest income amounted to EUR126 million *versus* EUR119 million the previous year.

Current loss amounted to EUR141 million in 2015 compared to a current loss of EUR144 million in 2014.

In 2014, Schneider Electric SE invoiced to Schneider Electric Industries SAS a EUR442 million consideration for the use of the Schneider Electric brand, recognized as non-recurring income.

The net loss stood at EUR53 million in 2015 compared with a net profit of EUR341 million in 2014.

Equity before appropriation of net profit amounted to EUR9,808 million at December 31, 2015 *versus* EUR10,806 million at the previous year-end, after taking into account 2015 loss, dividend payments of EUR1,098 million and share issues in an amount of EUR157 million.

4. Review of subsidiaries

Schneider Electric Industries SAS

Revenue totalled EUR3.3 billion in 2015 (EUR3.4 billion in 2014).

The subsidiary posted an operating loss of EUR38 million in 2015 compared with an operating loss of EUR136 million in 2014.

Net profit amounted to EUR238 million in 2015 compared with EUR174 million of net profit in 2014.

5. Outlook

In 2016 the Group sees continued growth in Western Europe and the construction market in the US. At the same time, headwinds from O&G, overall weakness in the US industry markets, difficulties in China, though to a lesser degree than in 2015, and mixed trends in the rest of new economies are expected. Additionally, given the accelerated decline of several new economies' currencies against the euro in the end of 2015, the Group should also face a material FX headwind in 2016.

In this context the Group's priorities are margin improvement by working on costs, growing its partner network through the launch of many new integrated offers, accelerating services and software, and increasing selectivity on projects focusing on its sectors of expertise.

Therefore, for 2016 the Group targets:

- Organic revenue growth to be flat to down low single-digit, impacted by the Group's higher selectivity on project activities;
- +20bps to +60bps improvement on adjusted EBITA margin before FX. The negative FX impact on margin is estimated at -40bps to -50bps at current rates.

5 Consolidated financial statements at December 31, 2015

1. Consolidated statement of income

(in millions of euros except for earnings per share)	Note	Full year 2015	Full year 2014
Revenue	**3**	**26,640**	**24,939**
Cost of sales		(16,795)	(15,532)
Gross profit		**9,845**	**9,407**
Research and development	4	(565)	(567)
Selling, general and administrative expenses		(5,639)	(5,377)
EBITA adjusted*		**3,641**	**3,463**
Other operating income and expenses	6	(522)	(106)
Restructuring costs	7	(318)	(202)
EBITA**		**2,801**	**3,155**
Amortization and impairment of purchase accounting intangibles	8	(572)	(259)
Operating income		**2,229**	**2,896**
Interest income		40	28
Interest expense		(335)	(340)
Finance costs, net		**(295)**	**(312)**
Other financial income and expense	9	(151)	(155)
Net financial income/(loss)		**(446)**	**(467)**
Profit from continuing operations before income tax		**1,783**	**2,429**
Income tax expense	10	(389)	(551)
Income from discontinued operations, net of income tax		-	169
Share of profit/(loss) of associates	14	109	14
PROFIT FOR THE PERIOD		**1,503**	**2,061**
• attributable to owners of the parent		1,407	1,941
• attributable to non-controlling interests		96	120
Basic earnings (attributable to owners of the parent) per share *(in euros per share)*	21.3	2.47	3.39
Diluted earnings (attributable to owners of the parent) per share *(in euros per share)*		2.46	3.37

* *Adjusted EBITA (Earnings Before Interest, Taxes, Amortization of Purchase Accounting Intangibles).*
Adjusted EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets, before goodwill impairment, other operating income and expenses and restructuring costs.

** *EBITA (Earnings Before Interest, Taxes and Amortization of Purchase Accounting Intangibles).*
EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets and before goodwill impairment.

The accompanying notes are an integral part of the consolidated financial statements.

Other comprehensive income

(in millions of euros)	Full year 2015	Full year 2014
Profit for the year	**1,503**	**2,061**
Other comprehensive income:		
Translation adjustment	926	1,011
Cash-flow hedges	98	14
Income tax effect of cash-flow hedges	(34)	(17)
Net gains (losses) on available-for-sale financial assets	(3)	1
Income tax effect of net gains (losses) on available-for-sale financial assets	1	-
Actuarial gains (losses) on defined benefit plans	372	(373)
Income tax effect of Actuarial gains (losses) on defined benefit plans	(68)	155
Other comprehensive income for the year, net of tax	**1,292**	**790**
of which to be recycled in income statement	62	(2)
of which not to be recycled in income statement	1,230	792
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,795**	**2,851**
Attributable:		
• to owners of the parent	2,664	2,702
• to non-controlling interests	131	149

The accompanying notes are an integral part of the consolidated financial statements.

2. Consolidated statement of cash flows

(in millions of euros)	Note	Full year 2015	Full year 2014
Profit for the year		1,503	2,061
Less net result from discontinued operations		-	(169)
Share of (profit)/losses of associates, net of dividends received		(109)	(14)
Income and expenses with no effect on cash flow			
Depreciation of property, plant and equipment	13	426	414
Amortization of intangible assets other than goodwill	12	551	483
Impairment losses on non-current assets	5	505	26
Increase/(decrease) in provisions	23	(82)	(68)
Losses/(gains) on disposals of fixed assets		213	12
Difference between tax paid and tax expense		(388)	(188)
Other non-cash adjustments		96	83
Net cash provided by operating activities		**2,715**	**2,640**
Decrease/(increase) in accounts receivable		(21)	(246)
Decrease/(increase) in inventories and work in process		(3)	169
(Decrease)/increase in accounts payable		115	(85)
Other current assets and liabilities		26	55
Change in working capital requirement		**117**	**(107)**
Total I – Cash flows from operating activities		**2,832**	**2,533**
Purchases of property, plant and equipment	13	(509)	(475)
Proceeds from disposals of property, plant and equipment		100	40
Purchases of intangible assets	12	(396)	(396)
Proceeds from disposals of intangible assets		18	2
Net cash used by investment in operating assets		**(787)**	**(829)**
Net financial investments	2	232	(2,490)
Proceeds from sale of financial assets		28	5
Purchases of other long-term investments		191	108
Increase in long-term pension assets		(155)	(121)
Sub-total		**296**	**(2,498)**
Total II – Cash flows from/(used in) investing activities		**(491)**	**(3,327)**
Issuance of bonds	24	1,850	-
Repayment of bonds	24	(750)	(720)
Sale/(purchase) of own shares		(600)	(371)
Increase/(reduction) in other financial debt		(1,262)	(818)
Proceeds from issuance of shares		153	237
Dividends paid by Schneider Electric SE		(1,108)	(1,095)
Non-controlling interests		(111)	(110)
Total III – Cash flows from/(used in) financing activities		**(1,828)**	**(2,877)**
IV – Net foreign exchange difference:		**(102)**	**(61)**
V – Effect of discontinued operations		**-**	**747**
Increase/(decrease) in cash and cash equivalents: I +II +III +IV+V		**411**	**(2,985)**
Cash and cash equivalents at January 1		2,438	5,423
Increase/(decrease) in cash and cash equivalents		411	(2,985)
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**20**	**2,849**	**2,438**

The accompanying notes are an integral part of the consolidated financial statements.

3. Consolidated balance sheet

Assets

(in millions of euros)	Note	Dec. 31, 2015	Dec. 31, 2014
Non-current assets			
Goodwill, net	11	17,781	16,733
Intangible assets, net	12	4,726	5,061
Property, plant and equipment, net	13	2,729	2,751
Total tangible and intangible assets		7,455	7,812
Investments in associates	14	364	318
Available-for-sale financial assets	15.1	128	333
Other non-current financial assets	15.2	568	365
Non-current financial assets		696	698
Deferred tax assets	16	2,504	2,160
Total non-current assets		**28,800**	**27,721**
Current assets			
Inventories and work in progress	17	3,035	3,027
Trade and other operating receivables	18	6,002	5,991
Other receivables and prepaid expenses	19	1,700	1,729
Current financial assets	15.3	41	40
Cash and cash equivalents	20	2,999	2,650
Total current assets		**13,777**	**13,437**
TOTAL ASSETS		**42,577**	**41,158**

The accompanying notes are an integral part of the consolidated financial statements.

Liabilities

(in millions of euros)	Note	Dec. 31, 2015	Dec. 31, 2014
Equity	**21**		
Share capital		2,355	2,339
Additional paid-in capital		7,267	7,898
Retained earnings		10,187	9,347
Translation reserve		1,039	148
Equity attributable to owners of the parent		**20,848**	**19,732**
Non-controlling interests		441	419
Total equity		**21,289**	**20,151**
Non-current provisions			
Pensions and other post-employment benefit obligations	22	2,025	2,199
Other non-current provisions	23	1,659	1,249
Total non-current provisions		3,684	3,448
Non-current financial liabilities			
Bonds	24	5,919	4,655
Other non-current debt	24	216	372
Non-current financial liabilities		6,135	5,027
Deferred tax liabilities	16	1,195	1,116
Other non-current liabilities	25	147	184
Total non-current liabilities		**11,161**	**9,775**
Current liabilities			
Trade and other operating payables		4,284	4,106
Accrued taxes and payroll costs		2,151	2,342
Current provisions	23	900	977
Other current liabilities		1,297	1,158
Current debt	24	1,495	2,645
Total current liabilities		**10,127**	**11,228**
Liabilities of discontinued operations		**-**	**4**
TOTAL EQUITY AND LIABILITIES		**42,577**	**41,158**

The accompanying notes are an integral part of the consolidated financial statements.

4. Consolidated statement of changes in equity

(in millions of euros except for number of shares)	**Number of shares** *(thousands)*	**Capital**	**Additional paid-in capital**	**Treasury shares**	**Retained earnings**	**Translation reserve**	**Equity attributable to owners of the parent**	**Non-controlling interests**	**Total**
Jan. 1, 2014*	**561,958**	**2,248**	**6,992**	**(74)**	**8,877**	**(832)**	**17,211**	**382**	**17,593**
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 option plans	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)
Dec. 31, 2014	**584,691**	**2,339**	**7,898**	**(445)**	**9,792**	**148**	**19,732**	**419**	**20,151**
Profit for the year					1,407		1,407	96	1,503
Other comprehensive income					366	891	1,257	35	1,292
Comprehensive income for the year					1,773	891	2,664	131	2,795
Capital increase	2,414	10	124				134		134
Exercise of stock options	1,629	6	17		(4)		19		19
Dividends			(796)		(312)		(1,108)	(102)	(1,210)
Change in treasury shares				(582)	(18)		(600)		(600)
Share-based compensation expense					97		97		97
Other			24		(114)		(90)	(7)	(97)
DEC. 31, 2015	**588,734**	**2,355**	**7,267**	**(1,027)**	**11,214**	**1,039**	**20,848**	**441**	**21,289**

* *The Jan. 1, 2014 figures were restated for the change in consolidation method disclosed in note 1.*
The accompanying notes are an integral part of the consolidated financial statements.

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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, 2015 were drawn up by the board of directors on February 16, 2016. They will be submitted to shareholders for approval at the Annual General Meeting of April 25, 2016.

The Group's main businesses are described in chapter 1 of the registration document.

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, 2015. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2014.

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, 2015:

- IFRIC 21 – *Levies;* this interpretation related to the accounting of taxes under IAS 37 provisions scope indicates that the triggering event for the accrual is the tax due date;
- Annual Improvements to IFRSs 2011-2013 Cycle (December 2013).

Implementation of IFRS 10 and IFRS 11 led to some changes in consolidation impact 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, 2015:

- standards adopted by the European Union:
  - amendments to IAS 19 – Defined Benefit plans: Employee Contributions;
  - annual improvements to IFRSs 2010-2012 Cycle (December 2013);
  - amendments to IAS 1 – Disclosure initiative;
  - annual Improvements to IFRSs 2012-2014 Cycle (September 2014);
  - amendments to IFRS 11- Accounting for Acquisitions of Interests in Joint Operations;
  - amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization.
- standards not yet adopted by the European Union:
  - IFRS 9 – *Financial instruments;*
  - IFRS 15 – *Revenue from Contracts with Customers;*
  - IFRS 16 – *Leases;*
  - amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
  - amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: Applying the Consolidation Exception;
  - amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses.

There are no differences in practice between the standards applied by Schneider Electric as of December 31, 2015 and the IFRS issued by the International Accounting Standards board (IASB).

The Group is currently assessing the potential effect 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 and except IFRS 16 for which main effect would be, in 2019, the inclusion of lease commitments for operating leases detailed in note 13.3 into financial debt.

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 was 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) based on an enterprise value of USD900 million (approximately EUR650 million). As part of the transaction, the Group has reinvested approximately USD100 million alongside Carlyle, PAI and CST management to hold 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 the Group financial statements from January 1 to September 30, 2014 (for EUR24 million net income). From October 1, 2014 and for full year 2015, the 30% CST stake is accounted for by the equity method.

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 assets (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*. 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 reserve ».

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.

Since 2004, the Group implemented the necessary systems for the follow up and capitalisation of development costs. Consequently, only projects related to products launches after 2004 are capitalised.

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 monitored;
- 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. Until 2008, 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 five 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 7.3% at December 31, 2015, a slight decrease on the 7.6% at December 31, 2014. This rate is based on (i) a long-term interest rate of 2.1%, corresponding to the average interest rate for 10-year OAT treasury bonds over the past few years, (ii) the average premium applied to financing obtained by the Group in 2015, and (iii) the weighted country risk premium for the Group's businesses in the countries in question.

The perpetuity growth rate was 2%, unchanged from 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 are *Buildings & Partner, Infrastructure, Industry* and *IT*. CGUs Net assets were allocated 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 8.0% for *Buildings & Partner,* 8.2% for *Industry,* 8.1% for *IT,* or and 8.4% for *Infrastructure.*

Goodwill is allocated when initially recognized. The CGU allocation is done on the same basis as used by Group management to monitor operations and assess synergies deriving from acquisitions.

Where the recoverable amount of an asset or CGU is lower than its book value, an impairment loss is recognized for the excess of the book value over the recoverable value. The recoverable value is defined as the highest value between the value in use and the realizable value net of costs. Where the tested CGU comprises goodwill, any impairment losses are firstly deducted there from.

1.12 – Non-current financial assets

Investments in non-consolidated companies are classified as available-for-sale financial assets. They are initially recorded at their cost of acquisition and subsequently measured at fair value, when fair value can be reliably determined.

The fair value of investments listed in an active market may be determined reliably and corresponds to the listed price at balance sheet date (Level 1 from the fair value hierarchy as per IFRS 7).

In cases where fair value cannot be reliably determined on observable markets, the investments are measured at cost net of any accumulated impairment losses. The recoverable amount is determined by assessing either the Group' share in the entity's net assets or the expected future cash-flows representative of management expectation in this investment. This rule is applied in particular to unlisted shares.

Changes in fair value are accumulated as other comprehensive income in the comprehensive income statement and, in balance sheet, in equity under « Other reserves » up to the date of sale, at which time they are recognized in the income statement. Unrealized losses on assets that are considered to be permanently impaired are recorded at the statement of income under financial loss.

Loans, recorded under « Other non-current financial assets », are carried at amortized cost and tested for impairment where there is an indication that they may have been impaired. Non-current financial receivables are discounted when the impact of discounting is considered significant.

1.13 – Inventories and work in process

Inventories and work in progress are measured at the lower of their initial recognition cost (acquisition cost or production cost generally determined by the weighted average price method) or of their estimated net realizable value.

Net realizable value corresponds to the estimated selling price net of remaining expenses to complete and/or sell the products.

Inventory impairment losses are recognized in « Cost of sales ».

The cost of work in progress, semi-finished and finished products, includes the cost of materials and direct labor, subcontracting costs, all production overheads based on normal manufacturing capacity and the portion of research and development costs that are directly related to the manufacturing process (corresponding to the amortization of capitalized projects in production and product and range of products maintenance costs).

1.14 – Trade and other operating receivables

Depreciations for doubtful accounts are recorded when it is probable that receivables will not be collected and the amount of the loss can be reasonably estimated. Doubtful accounts are identified and the related depreciation 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:

- 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 charges

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, 2015, unchanged from December 31, 2014.

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 cover risks arising from products sold to third parties. This risk mainly consists of claims based on alleged product defects and product liability;
- product risks:

  these provisions comprise:
  - statistical provisions for warranties: the Group funds provisions on a statistical basis for the residual cost of Schneider Electric product warranties not covered by insurance,
  - provisions to cover disputes concerning defective products and recalls of clearly identified products;
- environmental risks:

  these provisions are primarily funded to cover cleanup costs;
- restructuring costs, when the Group has prepared a detailed plan for the restructuring and has either announced or started to implement the plan before the end of the year.

1.22 – Financial liabilities

Financial liabilities primarily comprise bonds and short and long-term bank borrowings. These liabilities are initially recorded at fair value, from which any direct transaction costs are deducted. Subsequently, they are measured at amortized cost based on their effective interest rate.

1.23 – Financial instruments and derivatives

Risk hedging management is centralized. The Group's policy is to use derivative financial instruments exclusively to manage and hedge changes in exchange rates, interest rates or prices of certain raw materials. The Group accordingly uses instruments such as swaps, options and futures, depending on the nature of the exposure to be hedged.

Foreign currency hedges

The Group periodically buys foreign currency derivatives to hedge the currency risk associated with foreign currency transactions. Some of these instruments hedge operating receivables and payables carried in the balance sheets of Group companies. The Group does not apply hedge accounting to these instruments because gains and losses on this hedging is immediately recognized. At year-end, the hedging derivatives are mark 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 at fair value at the period-end (mark to market). The effective portion of the hedge is recognized separately in equity (under « Other reserves ») and then recognized in income (gross margin) when the underlying hedge 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, 2015 enclose the financial statements of companies listed in the note 32. The scope of consolidation for the year ended December 31, 2015 can be summarized as follows:

Number of active companies	Dec. 31, 2015	Dec. 31, 2014
Parent company and fully consolidated subsidiaries	603	607
Companies accounted for by the equity method	9	8
TOTAL	**612**	**615**

2.1 – Follow-up on acquisitions and divestments occurred in 2014 with significant effect in 2015

On January 17, 2014, the Group took control of Invensys group. Invensys has been fully consolidated mainly in the Industry business since January 2014, except its Appliance division (divested in June 2014) reported as discontinued operations over the first half of 2014.

In accordance with IFRS 3 revised, Schneider Electric valued the assets acquired and liabilities assumed at their fair value on the date of acquisition.

The accounting of 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 step down 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 EUR160 million and EUR476 million, the increase in contingent liabilities reported in the period results from final valuation of risks identified on December 31, 2014 in the 12 months period following the acquisition. The goodwill is not tax-deductible.

Comparative data in 2014 did not require a change in 2015 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.

On October 1, 2014 the Group has finalized the sale of Custom Sensors & Technologies (CST) and it has reinvested approximately USD100 million alongside investment funds and CST management to hold 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 the Group financial statements from January 1 to September 30, 2014 (for EUR24 million net income). From October 1, 2014 and for full year 2015, the 30% CST share is accounted for by the equity method.

2.2 – Acquisitions and divestments occurred during the year

On December 11, 2015, Schneider Electric announced that it has obtained all required regulatory approvals and subsequently finalized the sale of Juno Lighting, LLC (« Juno ») to Acuity Brands, Inc. for a consideration of approximately USD385 million (EUR343 million). The transaction generated a capital loss of EUR163 million.

On December 14, 2015 – Schneider Electric announced that it has signed an agreement to sell its Transportation Business, to Kapsch TrafficCom AG. The Transportation business generated revenues of EUR134 million in 2014 and is currently consolidated under the Infrastructure business of Schneider Electric. The terms of the agreement reflect a sale price of about EUR35 million on a cash-free, debt-free basis. The agreement is conditioned upon the satisfaction of certain regulatory conditions and on other customary closing conditions. The transaction is expected to close in the coming months. The transaction would generate an impairment of EUR100 million that has been recognized at December 31, 2015 as Other operating expense.

No significant acquisitions occurred during 2015.

The effect of acquisitions and divestments during the year is a net cash inflow amounting to EUR232 million in 2015:

	Dec. 31, 2015	Dec. 31, 2014
Acquisitions	(162)	(2,490)
*Cash and cash equivalents paid**	*(170)*	*(3,093)*
Cash and cash equivalents acquired/(paid)	*8*	*603*
Disposals	394	-
Net financial investment	232	(2,490)

* *Net of the cash received from the disposal of Appliance, in 2014.*

The cash inflow from disposals is mainly related to the price received for the Juno divestment.

Note 3 Segment information

The Group is 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; 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 2015

(in millions of euros)	*Buildings & Partner*	*Industry*	*Infrastructure*	*IT*	Corporate costs	Total
Revenue	11,859	5,696	5,428	3,657	-	26,640
Adjusted EBITA*	2,132	975	495	644	(605)	3,641
Adjusted EBITA %	*18.0%*	*17.1%*	*9.1%*	*17.6%*	-	*13.7%*
Other operating income and expense	(240)	(22)	(240)	(5)	(15)	(522)
Restructuring costs	(169)	(22)	(89)	(8)	(30)	(318)
EBITA	1,723	931	166	631	(650)	2,801
EBITA %	14.5%	16.4%	3.1%	17.3%	-	10.5%

* *Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).*

Revenue related to solutions amounts to 43% of total revenue in 2015.

Full year 2014

(in millions of euros)	*Buildings & Partner*	*Industry*	*Infrastructure*	*IT*	Corporate costs	Total
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 (including acquisition, integration and separation costs).*

Revenue related to solutions amounts to 43% of total revenue in 2014.

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, 2015

	Western Europe	*of which France*	North America	*of which USA*	Asia-Pacific	*of which China*	Rest of the world	Total
Revenue by country market	6,929	1,711	7,268	6,083	7,599	3,892	4,844	26,640
Non-current assets	10,017	1,739	9,213	8,591	4,771	1,596	1,235	25,236

Dec. 31, 2014

	Western Europe	*of which France*	North America	*of which USA*	Asia-Pacific	*of which China*	Rest of the world	Total
Revenue by country market	6,758	1,644	6,321	5,239	7,076	3,705	4,784	24,939
Non-current assets	9,848	1,761	8,981	8,748	4,544	1,532	1,172	24,545

Moreover, the Group follows the share of new economies by revenue:

	Full year 2015		Full year 2014	
Revenue – Mature countries	15,111	57%	13,994	56%
Revenue – New economies	11,529	43%	10,945	44%
TOTAL	**26,640**	**100%**	**24,939**	**100%**

3.3 – Degree of dependence in relation to main customers

No single customer accounts for more than 10% of consolidated revenue.

Note 4 Research and development

Research and development costs break down as follows:

	Full year 2015	Full year 2014
Research and development costs in cost of sales	(335)	(290)
Research and development costs in R&D costs (1)	(565)	(567)
Capitalized development costs	(372)	(355)
TOTAL RESEARCH AND DEVELOPMENT COSTS IN THE YEAR	**(1,272)**	**(1,212)**

(1) Of which EUR47 million of research and development tax credits in full year 2015, EUR45 million in full year 2014.

Amortization of capitalized development costs amounted to EUR227 million for the 2015 financial year, compared with EUR180 million in 2014.

Note 5 Depreciation and amortization expenses

Depreciation and amortization expenses recognized in operating expenses were as follows:

	Full year 2015	Full year 2014
Included in cost of sales:		
Depreciation and amortization	(554)	(484)
Included in selling, general and administrative expenses		
Depreciation and amortization	(203)	(141)
DEPRECIATION AND AMORTIZATION EXPENSES	**(757)**	**(625)**

Moreover, the net amount of impairment of non-current assets totaled EUR482 million.

Note 6 Other operating income and expenses

Other operating income and expenses break down as follows:

	Full year 2015	Full year 2014
Impairment losses on assets	(246)	(4)
Gains on asset disposals	21	9
Losses on asset disposals	(12)	(22)
Costs of acquisitions	(118)	(114)
Pension plan curtailments	53	95
Others	(220)	(69)
OTHER OPERATING INCOME AND EXPENSES	**(522)**	**(106)**

The impairment losses on assets in 2015 are mainly related to the impairment of the Transportation business consecutive to the expected divestment described in the note 2.2.

The costs of acquisitions are the costs of acquisition, integration and separation related to major acquisitions in 2015 and 2014.

The line « Pension plan curtailments » includes mainly provision releases in the United Kingdom, and in France.

The line « Others » includes mainly in 2015 losses on the disposal of businesses, notably the divestment of Juno described in note 2.2. In 2014, the line « Others » mainly includes provisions for litigation or claims.

Note 7 Restructuring costs

Restructuring costs totaled EUR318 million over the period. They mainly relate to industrial and support function reorganizations in all geographies.

Note 8 Amortization and impairment of purchase accounting intangibles

	Full year 2015	Full year 2014
Amortization of purchase accounting intangibles	(277)	(259)
Impairment of purchase accounting intangibles	(295)	-
AMORTIZATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES	**(572)**	**(259)**

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 brand Pelco has been impaired for an amount of EUR295 million.

Impairment tests performed in 2015 have not led to impairment losses being recognized on the CGUs' other assets. 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 in the growth rate;
- a 0.5 point decrease in the margin rate.

Note 9 Other financial income and expense

	Full year 2015	Full year 2014
Exchange gains and losses, net	(24)	(26)
Financial component of defined benefit plan costs	(79)	(73)
Dividends received	-	4
Fair value adjustment of assets available for sale	(1)	(22)
Other financial expense, net	(47)	(38)
OTHER FINANCIAL INCOME AND EXPENSE	**(151)**	**(155)**

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 2015	Full year 2014
Current taxes		
France	(73)	(90)
International	(602)	(601)
Total	**(675)**	**(691)**
Deferred taxes		
France	185	(38)
International	101	178
Total	**286**	**140**
INCOME TAX (EXPENSE)/BENEFIT	**(389)**	**(551)**

10.2 – Tax proof

	Full year 2015	Full year 2014
Profit attributable to owners of the parent	**1,407**	**1,941**
Income of discontinued operations, net of income tax	-	169
Income tax (expense)/benefit	(389)	(551)
Non-controlling interests	(96)	(120)
Share of profit of associates	109	14
Profit before tax	**1,783**	**2,429**
Statutory tax rate	34.43%	34.43%
Reconciling items:		
Theoretical income tax expense	**(614)**	**(836)**
Difference between French and foreign tax rates	195	206
Tax credits and other tax reductions	125	132
Impact of tax losses	(13)	70
Other permanent differences	(82)	(122)
Income tax (expense)/benefit	(389)	(551)
EFFECTIVE TAX RATE	**21.8%**	**22.7%**

Note 11 Goodwill

11.1 – Main items of goodwill

Group goodwill is broken down by business as follows:

	Dec. 31, 2015, net	Dec. 31, 2014, net
Buildings & Partner	5,797	5,678
Industry	6,234	5,365
IT	3,302	3,120
Infrastructure	2,448	2,570
TOTAL	**17,781**	**16,733**

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 2015	Full year 2014
Net goodwill at opening	**16,733**	**13,048**
Acquisitions	412	3,177
Disposals	(277)	(423)
Impairment	(65)	-
Translation adjustment	978	931
Reclassifications	-	-
Net goodwill at year end	**17,781**	**16,733**
Included cumulative impairment	**(375)**	**(280)**

Acquisitions

Goodwill generated by acquisitions made during the year totaled EUR412 million and corresponds mainly to the Purchase Price Allocation of the Invensys group. Invensys goodwill has been allocated to the Industry CGU.

Goodwill generated by acquisitions in 2014 totaled EUR3,177 million and corresponds mainly to the Invensys group.

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
GROSS VALUE					
Dec. 31, 2013*	**2,606**	**823**	**1,763**	**1,834**	**7,026**
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
Dec. 31, 2014	**2,858**	**870**	**2,149**	**2,420**	**8,297**
Acquisitions	1	21	373	1	396
Disposals	(1)	(51)	(15)	(13)	(80)
Translation adjustments	249	16	73	210	548
Reclassification	3	25	(102)	42	(32)
Changes in scope of consolidation and other	(104)	(2)	-	(93)	(199)
Dec. 31, 2015	**3,006**	**879**	**2,478**	**2,567**	**8,930**

* *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
AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2013*	**(360)**	**(655)**	**(710)**	**(1,021)**	**(2,746)**
Depreciation and impairment	(65)	(52)	(180)	(189)	(486)
Reversals	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
Dec. 31, 2014	**(398)**	**(706)**	**(910)**	**(1,222)**	**(3,236)**
Depreciation and impairment	(355)	(55)	(339)	(210)	(959)
Recapture	3	46	9	(1)	57
Translation adjustments	(12)	(15)	(34)	(86)	(147)
Reclassification	(3)	-	48	(11)	34
Changes in scope of consolidation and other	-	2	-	45	47
Dec. 31, 2015	**(765)**	**(728)**	**(1,226)**	**(1,485)**	**(4,204)**

* *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
NET VALUE					
Dec. 31, 2013*	**2,246**	**168**	**1,053**	**813**	**4,280**
Dec. 31, 2014	**2,460**	**163**	**1,239**	**1,198**	**5,061**
Dec. 31, 2015	**2,241**	**151**	**1,252**	**1,082**	**4,726**

* *The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.*

In 2015, change in Intangible assets mainly related to R&D capitalized development costs for EUR373 million. The decrease in the intangible assets is mainly due to the disposal of Juno (see note 2.2).

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.

The amortization and impairment of intangible assets other than goodwill restated at statutory cash flow were as follows:

Cash impact	Dec. 31, 2015	Dec. 31, 2014
Amortization of intangible assets other than goodwill	551	483
Impairment on intangible assets other than goodwill and others	408	3
TOTAL*	**959**	**486**

* *Includes amortization & impairment of intangibles assets from purchase price allocation for EUR277 million for the year 2015 and EUR259 million for the year 2014 (disclosed in note 8).*

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12.2 – Trademarks

At December 31, 2015, the main trademarks recognized were as follows:

	Dec. 31, 2015	Dec. 31, 2014
APC *(IT)*	1,689	1,515
PELCO *(Buildings & Partner)*	154	410
Clipsal *(Buildings & Partner)*	171	172
MGE *(IT)*	-	33
TAC *(Buildings & Partner)*	-	20
Juno *(Buildings & Partner)*	-	94
Digital *(Industry)*	42	38
Invensys – Triconex and Foxboro *(Industry)*	51	43
Other	134	135
NET	**2,241**	**2,460**

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. The Pelco brand was impaired in the amount of EUR295 million.

Note 13 Property, plant and equipment

13.1 – Change in property, plant and equipment

	Land	Buildings	Machinery and equipment	Other	Total
GROSS VALUE					
Dec. 31, 2013*	**205**	**1,745**	**4,001**	**989**	**6,940**
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
Dec. 31,2014	**212**	**1,916**	**4,298**	**1,115**	**7,541**
Acquisitions	3	276	162	67	508
Disposals	(20)	(147)	(240)	(106)	(513)
Translation adjustments	11	56	115	27	209
Reclassification	9	(95)	95	(27)	(18)
Changes in scope of consolidation and other	(6)	(100)	(12)	(4)	(122)
Dec. 31,2015	**209**	**1,906**	**4,418**	**1,072**	**7,605**

* *The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.*

	Land	Buildings	Machinery and equipment	Other	Total
AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2013*	**(26)**	**(837)**	**(2,974)**	**(508)**	**(4,345)**
Depreciation and impairment	(3)	(87)	(268)	(56)	(414)
Reversals	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)
Dec. 31,2014	**(28)**	**(918)**	**(3,236)**	**(608)**	**(4,790)**
Depreciation and impairment	(2)	(83)	(275)	(73)	(433)
Reversals	5	97	230	95	427
Translation adjustments	(1)	(26)	(86)	(21)	(134)
Reclassification	-	(4)	9	14	19
Changes in scope of consolidation and other	(3)	27	5	6	35
Dec. 31,2015	**(29)**	**(907)**	**(3,353)**	**(587)**	**(4,876)**

* *The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.*

	Land	Buildings	Machinery and equipment	Other	Total
NET VALUE					
Dec. 31, 2013*	**179**	**908**	**1,027**	**481**	**2,595**
Dec. 31, 2014	**184**	**998**	**1,062**	**507**	**2,751**
Dec. 31, 2015	**180**	**999**	**1,065**	**485**	**2,729**

* *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 purchases of property, plant and equipment in 2015 was as follows:

Cash impact of purchases of property, plant and equipment	Dec. 31, 2015	Dec. 31, 2014
Increase in property, plant and equipment	(508)	(475)
Change in receivables and liabilities on property, plant and equipment	(1)	-
TOTAL	**(509)**	**(475)**

The depreciation and impairment of property, plant and equipment restated in the statement of cash flows were as follows:

Cash impact	Dec. 31, 2015	Dec. 31, 2014
Depreciation of property, plant and equipment	426	414
Impairment of property, plant and equipment	6	4
TOTAL	**432**	**418**

13.2 – Finance leases

Property, plant and equipment primarily include the following finance leases:

	Dec. 31,2015	Dec. 31,2014
Land	-	1
Buildings	10	29
Machinery and equipment	31	32
Other property, plant and equipment	2	2
Accumulated depreciation	(41)	(40)
ASSETS UNDER FINANCE LEASE	**2**	**24**

Future minimal rental commitments on finance lease properties at December 31, 2015 break down as follows:

	Minimum payments	Discounted minimum payments
Less than one year	1	1
Between one and five years	1	2
TOTAL COMMITMENTS	**2**	**3**
Discounting effet	1	
Discounted minimum payments	**3**	

13.3 – Operating leases

Rental expense breaks down as follows:

	Full year 2015	Full year 2014
Minimum rentals	118	163
Sub-lease rentals	6	7
TOTAL RENTAL EXPENSE	**124**	**170**

Operating lease commitments break down as follows at December 31, 2015:

	Minimum payments	Discounted minimum payments
Less than one year	108	106
Between one and five years	281	272
Five years and more	229	211
TOTAL COMMITMENTS	**618**	**589**
Discounting effect	(29)	
Discounted minimum payments	**589**	

Note 14 Investments in associates

Investments in associates can be analyzed as follows:

	% Interest		Share in net assets		Net income/(Loss)	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Fuji Electric FA Components & Systems	36.8%	36.8%	108	91	11	11
Sunten Electric Equipment	40.0%	40.0%	98	88	7	6
Custom Sensors & Technologies Topco Limited	30.0%	30.0%	93	81	93	(3)
Telvent DMS, LLC power enginering	57.0%	57.0%	34	32	(5)	(2)
Delta Dore Finance	20.0%	20.0%	17	16	1	1
Others	N/A	N/A	14	10	2	1
TOTAL	**-**	**-**	**364**	**318**	**109**	**14**

Note 15 Financial assets

15.1 – Available-for-sale financial assets

Available-for-sale financial assets, primarily comprising investments, are detailed below:

		Dec. 31, 2015			Dec. 31, 2014
	% interest	Gross value	Revaluation/ impairment	Fair value	Fair value
I – Listed available-for-sale financial assets					
NVC Lighting	9.2%	137	(104)	33	54
Gold Peak Industries Holding Ltd	4.4%	6	(3)	3	3
Total listed AFS		**143**	**(107)**	**36**	**57**
II – Unlisted available-for-sale financial assets					
FCPR SEV1	99.5%	10	10	20	44
Gunsan Elektrik. (1)	100%	-	-	-	112
InStep Software. (1)	100%	-	-	-	41
SE Buildings Energy Efficiency (2)	100%	-	-	-	18
FCPR Aster II (part A, B and C)	38.3%	22	(5)	17	14
FCPR Growth	100%	29	-	29	10
FCPR SESS and Livelihoods	81.7%	13	-	13	12
Raise Fundation	5%	9	-	9	5
Others		20	(16)	4	20
Total unlisted AFS		**103**	**(11)**	**92**	**276**
TOTAL AVAILABLE FOR SALE FINANCIAL ASSETS		**246**	**(118)**	**128**	**333**

(1) Companies purchased in 2014 and consolidated in 2015.
(2) Sold in 2015.

The fair value of investments quoted in an active market corresponds to the stock 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 value of EUR104 million at closing rate was recorded.

15.2 – Other non-current financial assets

Non Current financial assets total EUR568 million at December 31, 2015.

15.3 – Current financial assets

Current financial assets total EUR41 million at December 31, 2015 and include short-term investments.

Note 16 Deferred taxes by type

Deferred taxes by type can be analyzed as follows:

	Dec. 31, 2015	Dec. 31, 2014
Deferred tax assets		
Tax credits and tax loss carryforwards	886	591
Provisions for pensions and other post-retirement benefit obligations	483	590
Impairment of receivables and inventory	144	183
Non-deductible provisions for contingencies and accruals	347	260
Other	644	536
TOTAL DEFERRED TAX ASSETS	**2,504**	**2,160**
Deferred tax liabilities		
Differences between tax and accounting depreciation	(110)	(108)
Trademarks and other intangible assets	(409)	(432)
Capitalized development costs (R&D)	(94)	(90)
Other	(582)	(486)
TOTAL DEFERRED TAX LIABILITIES	**(1,195)**	**(1,116)**

Deferred tax assets recorded in respect of tax loss carryforwards at December 31, 2015 essentially concern France (EUR560 million) and the United States (EUR180 million).

Note 17 Inventories and work in progress

Inventories and work in process changed as follows:

	Dec. 31, 2015	Dec. 31, 2014
Cost:		
Raw materials	1,316	1,391
Production work in process	304	291
Semi-finished and finished products	1,295	1,247
Goods	400	416
Solution work in process	120	87
INVENTORIES AND WORK IN PROCESS AT COST	**3,435**	**3,432**
Impairment:		
Raw materials	(181)	(196)
Production work in process	(8)	(7)
Semi-finished and finished products	(187)	(182)
Goods	(14)	(12)
Solution work in process	(10)	(8)
IMPAIRMENT LOSS	**(400)**	**(405)**
Net:		
Raw materials	1,135	1,195
Production work in process	296	284
Semi-finished and finished products	1,108	1,065
Goods	386	404
Solution work in process	110	79
INVENTORIES AND WORK IN PROCESS, NET	**3,035**	**3,027**

Note 18 Trade accounts receivable

	Dec. 31, 2015	Dec. 31, 2014
Accounts receivable	6,115	6,037
Notes receivable	241	213
Advances to suppliers	119	119
Accounts receivable at cost	**6,475**	**6,369**
Impairment	(473)	(378)
Accounts receivable, net	**6,002**	**5,991**
Of which:		
On time	5,082	5,048
Less than one month past due	432	397
One to two months past due	203	199
Two to three months past due	99	105
Three to four months past due	69	70
More than four months past due	117	172
ACCOUNTS RECEIVABLE, NET	**6,002**	**5,991**

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 2015	Full year 2014
Provisions for impairment on January 1	**(378)**	**(347)**
Additions	(109)	(84)
Utilizations	67	57
Reversals of surplus provisions	12	7
Translation adjustments	(11)	(13)
Other	(54)	2
PROVISIONS FOR IMPAIRMENT ON DECEMBER 31	**(473)**	**(378)**

Note 19 Other receivables and prepaid expenses

	Dec. 31, 2015	Dec. 31, 2014
Other receivables	366	347
Other tax credits	918	1,036
Derivative instruments	139	98
Prepaid expenses	277	248
TOTAL	**1,700**	**1,729**

Note 20 Cash and cash equivalents

	Dec. 31, 2015	Dec. 31, 2014
Marketable securities	1,310	714
Negotiable debt securities and short-term deposits	65	50
Cash and cash equivalents	1,624	1,886
Total cash and cash equivalents	**2,999**	**2,650**
Bank overdrafts	(150)	(212)
NET CASH AND CASH EQUIVALENTS	**2,849**	**2,438**

Non-recourse factoring of trade receivables were realized during the second semester of 2015 for a total amount of EUR130 million, compared with EUR133 million during the second semester of 2014.

Note 21 Equity

21.1 – Capital

Share capital

The company's share capital at December 31, 2015 amounted to EUR2,354,937,888 represented by 588,734,472 shares with a par value of EUR4, all fully paid up.

At December 31, 2015, a total of 630,365,631 voting rights were attached to the 588,734,472 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, 2013 were as follows:

	Cumulative number of shares	Total *(in euros)*
Capital at Dec. 31, 2013	**561,958,023**	**2,247,832,092**
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
Capital at Dec. 31, 2014	**584,691,142**	**2,338,764,568**
Exercise of stock options	1,629,391	6,517,564
Employee share issue	2,413,939	9,655,756
CAPITAL AT DEC. 31, 2015	**588,734,472**	**2,354,937,888**

The share premium account increased by EUR141,015,492 following the exercise of options and the increases in capital.

21.2 – Ownership structure

	Dec. 31, 2015				Dec. 31, 2014	
	Capital %	Number of shares	Voting rights %	Number of voting rights	Capital %	Voting rights %
Blackrock, Inc.	5.0	29,626,692	4.7	29,626,692	5.3	4.9
Capital Group Companies (1)	0.0	7,228	0.0	7,228	4.2	3.9
CDC	3.1	18,270,907	5.8	36,514,997	3.2	6.0
Employees	3.8	22,609,167	6.0	37,551,765	4.0	6.3
Own shares (2)	0.0	1,058	-	-	0.0	-
Treasury shares	4.0	23,283,812	-	-	2.3	-
Public	84.1	494,935,608	83.5	526,664,949	81.0	78.9
TOTAL	**100.0**	**588,734,472**	**100.0**	**630,365,631**	**100.0**	**100.0**

(1) To the best of the company's knowledge.
(2) Number of voting rights as defined in article 223-11 of the AMF general regulations, which includes shares stripped of voting rights.

No shareholders' pact was in effect as of December 31, 2015.

21.3 – Earnings per share

Determination of the share base used in calculation

	Full year 2015		Full year 2014	
(in thousands of shares)	Basic	Diluted	Basic	Diluted
Common shares*	568,346	568,346	572,166	572,166
Performance shares	-	2,877	-	3,781
Stock options	-	792	-	999
Average weighted number of shares	**568,346**	**572,015**	**572,166**	**576,946**

* *Net of treasury shares and own shares.*

Earnings per share

	Full year 2015		Full year 2014	
(in euros)	Basic	Diluted	Basic	Diluted
Profit before tax	3.14	3.12	4.25	4.21
EARNINGS PER SHARE	**2.47**	**2.46**	**3.39**	**3.37**

21.4 – Dividends paid and proposed

In 2015, the Group paid out the 2014 dividend of EUR1.92 per share (with a nominal value of EUR4), for a total of EUR1,098 million.

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.

At the Shareholders' Meeting of April 25, 2016, shareholders will be asked to approve a dividend of EUR2.00 per share (with a nominal value of EUR4) for fiscal year 2015. At December 31, 2015 Schneider Electric SE had distributable reserves in an amount of EUR7,262 million (*versus* EUR7,883 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, 2015:

Stock option plans

Plan no.	Date of Board meeting	Type of plan (1)	Starting date of exercise period	Expiration date	Price *(in euros)*	Number of options initially granted	Options cancelled because targets not met
28	12/21/2006	S	12/21/2010	12/20/2016	39.60	2,514,240	-
29	04/23/2007	S	04/23/2011	04/22/2017	47.24	166,300	-
30	12/19/2007	S	12/19/2011	12/18/2017	44.79	1,889,852	887,952
31	01/05/2009	S	01/05/2013	01/04/2019	25.37	1,358,000	133,760
33	12/21/2009	S	12/21/2013	12/20/2019	36.92	1,652,686	-
TOTAL						**7,581,078**	**1,021,712**

(1) S = Options to subscribe new 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	-
19 a	02/18/2015	02/18/2017	02/20/2020	4,925	-
19 b	02/18/2015	02/18/2018	02/19/2020	9,100	-
20 a	02/18/2015	02/18/2017	02/20/2020	11,475	-
20 b	02/18/2015	02/18/2018	02/19/2020	11,950	-
20 c	02/18/2015	02/18/2019	02/18/2020	9,300	-
21	03/27/2015	03/27/2017	03/28/2019	719,670	-
21 *bis*	10/28/2015	10/28/2017	10/29/2019	1,500	-
22	03/27/2015	03/27/2019	03/28/2019	2,095,610	-
22 *bis*	10/28/2015	10/28/2019	10/29/2019	32,650	-
22 *ter*	10/28/2015	10/28/2019	10/29/2019	24,570	-
TOTAL				**12,251,250**	**28,788**

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 three years.

Outstanding options and grants

Change in the number of options

Plan no.	Number of options outstanding Dec. 31, 2014	Number of options exercised and/or created in 2015	Number of options cancelled or restated in 2015 [1]	Number of options outstanding Dec. 31, 2015
28	693,388	(92,491)	14,460	615,357
29	65,398	(9,551)	(1,896)	53,951
30	380,578	(68,735)	1,785	313,628
31	395,791	(83,974)	1,317	313,134
33	929,495	(246,760)	4,334	687,069
TOTAL	**2,464,650**	**(501,511)**	**20,000**	**1,983,139**

(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 and performance shares plans, Schneider Electric SE has created 1,629,391 shares in 2015.

Change in the number of performance shares

Plan no.	Number of performance shares at Dec. 31, 2014	Number of existing or new shares grants in 2015	Number of shares cancelled in 2015	Number of shares outstanding at Dec. 31, 2015
11 *bis*	5,788	(5,788)	-	-
12	19,850	(19,850)	-	-
14 and 14 *bis*	1,215,369	(1,091,962)	(123,407)	-
14 *ter*	1,500	-	-	1,500
15	632,750	(630,100)	(2,650)	-
15 bis	4,500	(4,500)	-	-
16	1,716,105	(5,000)	(124,150)	1,586,955
16 *bis*	19,600	-	(500)	19,100
17	712,580	(700)	(5,750)	706,130
17 *bis*	500	-	-	500
18	2,082,220	(4,000)	(84,430)	1,993,790
18 *bis*	30,700	-	-	30,700
19	-	14,025	-	14,025
20	-	32,725	-	32,725
21	-	719,670	(5,600)	714,070
21 *bis*	-	1,500	-	1,500
22	-	2,095,610	(43,750)	2,051,860
22 *bis*	-	32,650	-	32,650
22 *ter*	-	24,570	-	24,570
TOTAL	**6,441,462**	**1,158,850**	**(390,237)**	**7,210,075**

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 3.5%;
- a discount rate of between 0.7% and 1.0%, 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 2015	Full year 2014
Plan 11	-	7
Plan 14 and 14 bis	5	8
Plan 15 and 15 bis	4	16
Plan 16 and 16 bis	17	20
Plan 17 and 17 bis	16	15
Plan 18 and 18 bis	21	20
Plan 20	1	-
Plan 21 and 21 bis	14	-
Plan *22,* 22 bis and 22 ter	19	-
TOTAL	**97**	**86**

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 been proposed the classic plan.

Under the classic plan, employees may purchase Schneider Electric shares at a 15% to 20% discount to the price quoted for the shares on the stock market. Employees must then hold their shares for five years, except in certain cases provided for by law. The share-based payment expense recorded in accordance with IFRS 2 is measured by reference to the fair value of the discount on the locked-up shares. The lock-up cost is determined on the basis of a two-step strategy that involves first selling the locked-up shares on the forward market and then purchasing the same number of shares on the spot market (*i.e.,* shares that may be sold at any time) using a bullet loan.

This strategy is designed to reflect the cost 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.

As regards the first semester of 2015, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR58.21 or EUR54.79 per share, depending on the country, as part of its commitment to employee share ownership, on May 26, 2015. This represented a 15% to 20% discount to the reference price of EUR68.48 calculated as the average opening price quoted for the share during the 20 days preceding the management board's decision to launch the employee share issue.

Altogether, 2.4 million shares were subscribed, increasing the Company's capital by EUR135 million as of July 8, 2015. 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 since 2012. Therefore the Group did not recognize any cost related to the transaction.

The tables below summarize the main characteristics of the plans, the amounts subscribed, the valuation assumptions and the plans' cost for 2015 and 2014.

	Full year 2015		Full year 2014	
Non leveraged plans	**%**	**Value**	**%**	**Value**
Plan characteristics				
Maturity *(years)*		5		5
Reference price *(euros)*		68.49		68.62
Subscription price *(euros)*:				
between		58.21		58.33
and		54.79		54.90
Discount:				
between	15.0%		15.0%	
and	20.0%		20.0%	
Amount subscribed by employees		135.0		122.7
Total amount subscribed		135.0		122.7
Total number of shares subscribed (millions of shares)		2.4		2.2
Valuation assumptions				
Interest rate available to market participant *(bullet loan)* (1)	4.4%		4.8%	
Five year risk-free interest rate (euro zone)	0.4%		0.8%	
Annual interest rate *(repo)*	1.0%		1.0%	
(a) Value of discount:				
between	15.0%	8.3	15.0%	7.8
and	20.0%	22.0	20.0%	19.6
(b) Value of the lock-up period for market participant	**26.4%**	**43.6**	**26.4%**	**39.5**
Total expense for the Group (a-b)		**0**		**0**
Sensitivity				
• decrease in interest rate for market participant (2)	(0.5%)	4.8	(0.5%)	4.3

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) 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, 2015, the Group held 23,283,812 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 EUR344 million as of December 31, 2015 and can be analyzed as follows:

	Dec. 31, 2015	Dec. 31, 2014	Change in tax
Cash-flow hedges	41	75	(34)
Available-for-sale financial assets	(7)	(8)	1
Actuarial gains (losses) on defined benefits	311	379	(68)
Other	(1)	(1)	-
TOTAL	**344**	**445**	**(101)**

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 current employees, primarily long service awards and similar benefits, mainly in France, Australia and 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, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Discount rate	3.75%	3.47%	4.23%	3.95%
Rate of compensation increases	3.25%	3.00%	N/A	N/A
Interest income (1)	3.60%	4.46%	3.89%	4.75%

(1) Under IAS 19 revised, 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 2.10% for 10-year duration and 2.40% for 15-year duration in the euro zone, 4.23% in the United States and 3.80% in the United Kingdom.

A 0.5 point increase in the discount rate would reduce pension and termination benefit obligations by around EUR669 million and the service cost by EUR2 million. A 0.5 point decrease would increase pension and termination benefit obligations by EUR747 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 EUR25 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 the healthcare obligation by EUR22 million and the sum of the service cost and interest cost by EUR1 million.

In 2015, the rate of healthcare cost increases in the United States is based on a decreasing trend from 8.33% in 2016 to 4.5% in 2028 for pre 65-year old retirees and from 6.33% in 2016 to 4.5% in 2022 for post 65-year old retirees. In 2014, the rate of healthcare cost increases in the United States was based on a decreasing trend from 8.67% in 2015 to 4.5% in 2028 for pre 65-year old retirees and from 6.67% in 2015 to 4.5% in 2022 for post 65-year old retirees. The rate in France is estimated at 4% in 2014 and in 2015.

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 11.3 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 96% of the Group's total commitment or EUR10,365 million at December 31, 2015, 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 13%), bonds (around 81%), real estate (around 2%) and cash and others assets (around 4%).

The main contributions are primarily for the North American plans and amount to EUR89 million in 2015. They are estimated at EUR53 million for 2016, EUR84 million for 2017 and EUR65 million for 2018.

At December 31, 2015, provisions for pensions and termination benefits total EUR1,089 million, compared with EUR1,459 million in 2014. 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 EUR93 million in 2015, compared with EUR83 million in 2014.

Other post-employment and long-term benefits: including healthcare, life insurance and long service awards

The North American subsidiaries pay certain healthcare costs and provide life insurance benefits to retired employees who fulfill certain criteria in terms of age and years of service. The average duration of these North American plans is 10.4 years. These post-employment benefit obligations are unfunded.

Healthcare coverage for North American employees represents 67% of this obligation.

The main benefits paid in 2015 are primarily for the North American plans and amount to EUR20 million. They are estimated at EUR23 million in 2016, 2017 and 2018.

Other long-term benefit obligations include healthcare coverage plans in Europe, for EUR80 million, and long-service awards due by subsidiaries in France, for EUR13 million.

At December 31, 2015, provisions for these benefit obligations total EUR480 million, compared with EUR512 million at December 31, 2014. These provisions have been included in non-current liabilities, as the current portion was not considered material in relation to the total liability.

22.1 – Changes in provisions for pensions and other post-employment benefit obligations

Changes in provisions for pensions and other post-employment benefit obligations (net of plan assets) were as follows:

	Pensions and termination benefits	*Of which SE USA*	Other post-employment and long-term benefits	*Of which SE USA*	Provisions for pensions & other post-employment benefits
Dec. 31, 2013	**1,061**	**274**	**424**	**261**	**1,485**
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)
Dec. 31, 2014	**1,459**	**413**	**512**	**320**	**1,971**
Net cost recognized in the statement of income	49	29	36	13	85
Benefits paid	(29)	-	(44)	(17)	(73)
Plan participants' contributions	(153)	(56)	-	-	(153)
Actuarial items recognized in equity	(303)	(55)	(72)	(39)	(375)
Translation adjustment	78	46	37	36	115
Changes in the scope of consolidation	(10)	-	-	-	(10)
Other changes	(2)	-	11	-	9
Dec. 31, 2015	**1,089**	**377**	**480**	**313**	**1,569**
Surplus of plans recognized as assets	**(456)**	**-**	**-**	**-**	**(456)**
Provisions recognized as liabilities	**1,545**	**-**	**480**	**-**	**2,025**

Following the agreement reached with the Trustee of the Invensys Pension scheme in the UK in 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, 2015, 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
Dec. 31, 2013	**699**	**(1)**	**698**
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)
Dec. 31, 2014	**1,036**	**38**	**1,074**
Actuarial (gains)/losses on projected benefit obligation arising from demographic assumptions	(186)	(14)	(200)
Actuarial (gains)/losses on projected benefit obligation arising from financial assumptions	(282)	(18)	(300)
Actuarial (gains)/losses on projected benefit obligation from experience effects	(96)	(40)	(136)
Actuarial (gains)/losses on plan assets	150	-	150
Effect of the asset ceiling	111	-	111
DEC. 31, 2015	**733**	**(34)**	**699**

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, 2015		Dec. 31, 2014	
		Of which SE USA		*Of which SE USA*
1. Reconciliation of balance sheet items				
Pension assets	-	-	-	-
Provisions for pensions and other post-employment benefit	(1,089)	(377)	(1,459)	(413)
NET ASSET/(LIABILITY) RECOGNIZED IN THE BALANCE SHEET	**(1,089)**	**(377)**	**(1,459)**	**(413)**

	Full year 2015		Full year 2014	
		Of which SE USA		*Of which SE USA*
2. Components of net cost recognized in the statement of income				
Service cost	47	4	49	3
Past service cost	(35)	-	1	-
Curtailments and settlements	(27)	-	(61)	(4)
Interest cost (effect of discounting on obligation and plan assets)	404	61	408	54
Interest income	(340)	(36)	(351)	(37)
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	**49**	**29**	**46**	**16**

	Full year 2015		Full year 2014	
		Of which SE USA		Of which SE USA
3. Change in projected benefit obligation				
Projected benefit obligation at beginning of year	10,925	1,427	2,658	1,136
Service cost	47	4	49	3
Past service cost/Curtailments and Settlements	(109)	-	(110)	(49)
Interest cost (effect of discounting)	399	61	403	54
Plan participants' contributions	5	-	4	-
Benefits paid	(668)	(70)	(524)	(56)
Changes in the scope of consolidation	(10)	-	6,593	-
Actuarial (gains)/losses recognized in equity	(564)	(91)	1,074	176
Translation adjustments	760	161	786	166
Other	-	-	(8)	(3)
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	**10,785**	**1,492**	**10,925**	**1,427**

Plans changes occurred in France, the United Kingdom and the 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, 2015, actuarial gains resulting from changes in financial assumptions on pension and termination benefit obligations totaled EUR282 million for the Group compared to EUR908 million of actuarial losses at December 31, 2014. At December 31, 2015, the gains resulting from changes in demographic assumptions on pension and termination benefit obligations totaled EUR186 million for the Group compared to EUR117 million of actuarial losses at December 31, 2014.

At December 31, 2015, actuarial gains relative to the effects of experience on pension and termination benefit obligations total EUR96 million for the Group compared to EUR49 million of actuarial losses at December 31, 2014.

	Full year 2015		Full year 2014	
		Of which SE USA		Of which SE USA
4. Change in fair value of plan assets				
Fair value of plan assets at beginning of year	9,589	1,014	1,597	862
Interest income	340	36	351	37
Plan participants' contribution	5	-	3	-
Employer contributions	153	56	10	47
Benefits paid	(639)	(70)	(478)	(56)
Actuarial gains/(losses) recognized in equity	(150)	(36)	706	50
Changes in the scope of consolidation	-	-	6,721	-
Translation adjustments	688	115	739	119
Curtailments and settlements	(47)	-	(50)	(45)
Other	2	-	(10)	-
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**9,941**	**1,115**	**9,589**	**1,014**

At December 31, 2015, the actual return on plan assets was EUR190 million compared with EUR1,057 million at December 31, 2014.

Actuarial gains and losses have been fully recognized in other reserves.

	Full year 2015		Full year 2014	
		Of which SE USA		*Of which SE USA*
5. Funded status				
Projected benefit obligation	(10,785)	(1,492)	(10,925)	(1,427)
Fair value of plan assets	9,941	1,115	9,589	1,014
Surplus/(Deficit)	(844)	(377)	(1,336)	(413)
Effect of the asset ceiling	(245)	-	(123)	-
Deferred items:				
Unrecognized past service cost	-	-	-	-
(LIABILITIES)/NET ASSETS RECOGNIZED IN THE BALANCE SHEET	**(1,089)**	**(377)**	**(1,459)**	**(413)**

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 2015	Full year 2014
1. Components of net cost recognized in the statement of income		
Service cost	20	27
Interest cost (effect of discounting)	16	16
Interest income	-	-
Past service cost	-	(2)
Curtailments and settlements	-	-
Amortization of actuarial gains & losses	-	-
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	**36**	**41**

	Full year 2015	Full year 2014
2. Change in projected benefit obligation		
Projected benefit obligation at beginning of year	512	424
Service cost	20	27
Interest cost (effect of discounting)	16	16
Plan participants' contribution	-	-
Benefits paid	(44)	(37)
Actuarial (gains)/losses recognized in equity	(72)	39
Past service cost	-	(2)
Changes in the scope of consolidation	11	1
Translation adjustments	37	44
Other (including curtailments and settlements)	-	-
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	**480**	**512**

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, 2015, actuarial gains relative to experience effects on healthcare costs, life insurance and other post-employment benefits totaled EUR40 million for the Group compared to EUR19 million of gains at December 31, 2014.

	Dec. 31, 2015	Dec. 31, 2014
3. Funded status		
Projected benefit obligation	(480)	(512)
Deferred items:		
Unrecognized past service cost	-	-
PROVISION RECOGNIZED IN BALANCE SHEET	**(480)**	**(512)**

Note 23 Provisions

	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
Dec. 31, 2013*	**668**	**98**	**430**	**61**	**135**	**318**	**1,710**
Long-term portion	*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 unused 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
Dec. 31, 2014	**711**	**87**	**446**	**308**	**127**	**547**	**2,226**
Long-term portion	*450*	*60*	*149*	*283*	*19*	*288*	*1,249*
Additions	171	11	132	9	133	96	552
Discounting effect	-	-	-	-	-	-	-
Utilizations	(65)	(26)	(111)	(17)	(97)	(144)	(460)
Reversals of unused provisions	(94)	(1)	(29)	(3)	(19)	(19)	(165)
Translation adjustments	23	11	15	29	1	42	121
Changes in the scope of consolidation and other	104	47	6	22	(2)	108	285
Dec. 31, 2015	**850**	**129**	**459**	**348**	**143**	**630**	**2,559**
Long-term portion	*591*	*106*	*175*	*335*	*16*	*436*	*1,659*

* *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 cover 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 EUR129 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, 2015	Dec. 31, 2014
Increase of provision	552	421
Utilization of provision	(460)	(422)
Reversal of surplus provision	(165)	(129)
Provision variance including tax provisions but excluding employee benefit obligation	**(73)**	**(130)**
(Tax provisions net variance)	21	(4)
Provision variance excluding tax provisions and pension benefit obligation	**(52)**	**(134)**
Employee benefit obligation net variance excluding contribution to plan assets	(30)	66
Increase/(decrease) in provisions in cash-flow statement	**(82)**	**(68)**

Note 24 Total (current and non-current) financial liabilities

Non-current financial liabilities break down as follows:

	Dec. 31, 2015	Dec. 31, 2014
Bonds	6,588	5,405
Bank and other borrowings	371	707
Lease liabilities	2	6
Employee profit sharing	7	9
Short-term portion of convertible and non-convertible bonds	(669)	(750)
Short-term portion of long-term debt	(164)	(350)
NON-CURRENT FINANCIAL LIABILITIES	**6,135**	**5,027**

Current financial liabilities break down as follows:

	Dec. 31, 2015	Dec. 31, 2014
Commercial paper	-	760
Accrued interest	81	112
Other short-term borrowings	431	461
Drawdown of funds from lines of credit	-	-
Bank overdrafts	150	212
Short-term portion of convertible and non-convertible bonds	669	750
Short-term portion of long-term debt	164	350
SHORT-TERM DEBT	**1,495**	**2,645**
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**7,630**	**7,672**
CASH AND CASH EQUIVALENTS (SEE NOTE 20)	**(2,999)**	**(2,650)**
NET DEBT	**4,631**	**5,022**

24.1 – Breakdown by maturity

	Dec. 31, 2015			Dec. 31, 2014
	Nominal	Interests	Swaps	Nominal
2015				2,645
2016	1,495	184	-	838
2017	1,202	154	-	1,173
2018	774	112	-	774
2019	499	80	-	498
2020	499	71	-	496
2021	597	56	-	597
2022	731	40	-	651
2023 and beyond	1,833	25	-	-
TOTAL	**7,630**	**722**	**-**	**7,672**

24.2 – Breakdown by currency

	Dec. 31, 2015	Dec. 31, 2014
Euro	5,901	5,841
US Dollar	1,197	1,201
Japanese Yen	264	239
Chinese Yuan	43	33
Indian Rupee	27	63
Indonesian Rupiah	27	28
Australian Dollar	17	21
Brazilian Real	3	8
Russian Rouble	2	76
Other	149	162
TOTAL	**7,630**	**7,672**

24.3 – Bonds

	Dec. 31, 2015	Dec. 31, 2014	Effective interest rate	Maturity
Schneider Electric SE 2015		750	5.375% fixed	January 2015
Schneider Electric SE 2016	669	656	Euribor +0.600% variable and 0.849%, 0.846%, 2.875% fixed	July, November, December 2016
Schneider Electric SE 2017	1,016	1,008	4.000% fixed	August 2017
Schneider Electric SE 2018	747	746	3.750% fixed	July 2018
Schneider Electric SE 2019	498	497	3.500% fixed	January 2019
Schneider Electric SE 2020	497	496	3.625% fixed	July 2020
Schneider Electric SE 2021	597	597	2.500% fixed	September 2021
Schneider Electric SE 2022	731	655	2.950% fixed	September 2022
Schneider Electric SE 2023	793	-	1.500% fixed	September 2023
Schneider Electric SE 2025	1040	-	0.875%, 1.841% fixed	October 2025
TOTAL	**6,588**	**5,405**		

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, bonds traded on the Luxembourg stock exchange. Issues that had not yet matured as of December 31, 2015 are as follow:
  - EUR200 million and EUR100 million worth of Climate bonds issued successively in October and December 2015, at a rate of 1.841%, maturing in October 2025,
  - EUR750 million worth of bonds issued in March 2015, at a rate of 0.875%, maturing in March 2025,
  - EUR800 million worth of bonds issued in September 2015 at a rate of 1.50%, maturing in September 2023,
  - EUR600 million worth of bonds issued in September 2013, at a rate of 2.5%, maturing 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 2011 and maturing in November 2016 and a second JPY10 billion tranche at a rate of 0.84625% issued in December 2011, maturing in December 2016,
  - EUR500 million worth of bonds issued in September 2011, at a rate of 3.5%, maturing in January 2019,
  - EUR750 million worth of bonds issued in July 2011, at a rate of 3.75%, maturing in July 2018,
  - EUR300 million and EUR200 million worth of bonds issued successively in July and October 2010, at a rate of 2.875%, maturing on July 20, 2016,
  - EUR500 million worth of bonds issued in July 2010, at a rate of 3.625%, maturing on July 20, 2020,
  - EUR0.6 million corresponding to the discounted present value of future interest payments on a EUR177 million eight year bond issued (on July 25, 2008 and maturing on 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,
  - EUR250 million worth of bonds issued in March 2009 to top up the EUR780 million 12-year tranche, maturing in August 2017, at a rate of 4%, issued in August 2005, raising the total issue to EUR1.03 billion,
  - EUR180 million worth of bonds issued in April 2008 to top up the EUR600 million 12-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 August 2005, at a rate of 4%, maturing in August 2017.

For all those transactions, issue premium and issue costs are amortized according to the effective interest rate method.

24.4 – Other information

At December 31, 2015 Schneider Electric had confirmed credit lines of EUR2,725 million, all unused.

Loan agreements and committed credit lines do not include any financial covenants or credit rating triggers in case of downgrading in the company's long-term debt.

Note 25 Other non-current liabilities

	Dec. 31, 2015	Dec. 31, 2014
Debt related to acquisitions	-	15
Debt on Luminous valuation	125	130
Other	22	39
OTHER NON-CURRENT LIABILITIES	**147**	**184**

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, 2015			Breakdown by category		
	Fair Value	Fair value through P&L	Fair value through equity	Available-for-sale financial assets	Loans and account receivables	Financial liabilities measured at amortized cost
Assets						
Available-for-sale financial assets	128	-	-	128	-	-
Other non-current financial assets	568	-	-	-	568	-
TOTAL NON-CURRENT ASSETS	**696**	**-**	**-**	**128**	**568**	**-**
Trade accounts receivable	6,002	-	-	-	6,002	-
Other receivables						
Current financial assets	43	43	-	-	-	-
Marketable securities	1,310	1,310	-	-	-	-
Derivative instruments – foreign currencies	126	124	2	-	-	-
Derivative instruments – interest rates	-	-	-	-	-	-
Derivative instruments – commodities	-	-	-	-	-	-
Derivative instruments – shares	13	17	(4)	-	-	-
TOTAL CURRENT ASSETS	**7,494**	**1,494**	**(2)**	**-**	**6,002**	**-**
Liabilities						
Long-term portion of bonds*	(6,217)	-	-	-	-	(6,217)
Other long-term debt	(216)	-	-	-	-	(216)
TOTAL NON-CURRENT LIABILITIES	**(6,433)**	**-**	**-**	**-**	**-**	**(6,433)**
Short-term portion of bonds*	(681)	-	-	-	-	(681)
Short-term debt	(826)	-	-	-	-	(826)
Trade accounts payable	(4,284)	-	-	-	-	(4,284)
Other	(34)	-	-	-	-	(34)
Derivative instruments – foreign currencies	(214)	(202)	(12)	-	-	-
Derivative instruments – interest rates	-	-	-	-	-	-
Derivative instruments – commodities	(12)	-	(12)	-	-	-
Derivative instruments – shares	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	**(6,051)**	**(202)**	**(24)**			**(5,825)**

(*) The majority of financial instruments listed in the balance sheet are accounted at fair value, except for bonds, for which the amortized cost in the balance sheet represents EUR6,588 million compared to EUR6,898 million at fair value.

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.

	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
Assets						
Available-for-sale financial assets	333	-	-	333	-	-
Other non-current financial assets	365	-	-	-	365	-
TOTAL NON-CURRENT ASSETS	**698**	**-**	**-**	**333**	**365**	**-**
Trade accounts receivable	5,991	-	-	-	5,991	-
Other receivables						
Current financial assets	49	49	-	-	-	-
Marketable securities	714	714	-	-	-	-
Derivative instruments – foreign currencies	70	70	-	-	-	-
Derivative instruments – interest rates	-	-	-	-	-	-
Derivative instruments – commodities	-	-	-	-	-	-
Derivative instruments – shares	28	32	(4)	-	-	-
TOTAL CURRENT ASSETS	**6,852**	**865**	**(4)**	**-**	**5,991**	**-**
Liabilities						
Long-term portion of bonds*	(5,118)	-	-	-	-	(5,118)
Other long-term debt	(372)	-	-	-	-	(372)
TOTAL NON-CURRENT LIABILITIES	**(5,490)**	**-**	**-**	**-**	**-**	**(5,490)**
Short-term portion of bonds*	(751)	-	-	-	-	(751)
Short-term debt	(1,895)	-	-	-	-	(1,895)
Trade accounts payable	(4,106)	-	-	-	-	(4,106)
Other	(32)	-	-	-	-	(32)
Derivative instruments – foreign currencies	(151)	(124)	(27)	-	-	-
Derivative instruments – interest rates	(2)	-	(2)	-	-	-
Derivative instruments – commodities	(11)	-	(11)	-	-	-
Derivative instruments – shares	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	**(6,948)**	**(124)**	**(40)**			**(6,784)**

(*) Overall, the financial instruments listed in the balance sheet are accounted at the fair value, except for the bonds for which the amortized cost in the balance sheet represents EUR5,405 million compared to EUR5,869 million of fair value.

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 obtain on a given valuation date;
2. data other than the market rate available for level 1, which are directly or indirectly observable on the market;
3. data on the asset or liability that are not observable on the market.

	Dec. 31, 2015				
	Carrying Amount	Fair value	Level 1	Level 2	Level 3
Assets					
Available-for-sale financial assets	128	128	36	-	92 (1)
Marketable securities	1,310	1,310	1,310	-	-
Derivative instruments	139	139	-	139	-
Liabilities					
Bonds	(6,588)	(6,898)	(6,898)	-	-
Other long-term debt	(216)	(216)	-	-	(216)
Other current liabilities	(5,144)	(5,144)	-	-	(5,144)
Derivative instruments	(226)	(226)	-	(226)	-

(1) Unlisted available-for-sale financial assets are tested once a year and impaired when necessary.

	Dec. 31, 2014				
	Carrying Amount	Fair value	Level 1	Level 2	Level 3
Assets					
Available-for-sale financial assets	333	333	57	-	276 (1)
Marketable securities	714	714	714	-	-
Derivative instruments	98	98	-	98	-
Liabilities					
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.

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 hedges. Furthermore, some long term loans and borrowings granted to the affiliates are considered as net investment according to IAS 21.

		Nominal amount	
Dec. 31, 2015	**Carrying amount**	**Sale**	**Purchase**
Cash flow hedges	(96)	194	1,074
Net investment hedges	(14)	1,217	-
Trading	22	5,626	3,431
	(88)	**7,037**	**4,505**

		Nominal amount	
Dec. 31, 2014	**Carrying amount**	**Sale**	**Purchase**
Cash flow hedges	(33)	16	1,043
Net investment hedges	(33)	1,091	-
Trading	(15)	4,671	2,293
	(81)	**5,778**	**3,336**

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 2015, the Net Investment Hedge has been recycled from Other Comprehensive Income to Profit & Loss for EUR12.6 million.

Positions of futures hedges of balance sheet items and net investment by currency:

	Dec. 31, 2015		
	Sales	**Purchases**	**Net**
USD	4,092	(1,435)	2,657
GBP	536	(209)	327
SGD	609	(320)	289
BRL	38	(283)	(245)
CNY	494	(728)	(234)
HKD	246	(49)	197
AED	232	(84)	148
SEK	24	(142)	(118)
CAD	20	(121)	(101)
NOK	91	(2)	89
JPY	58	(146)	(88)
DKK	5	(91)	(86)
AUD	159	(511)	(352)
RUB	47	-	47
CHF	55	(94)	(39)
SAR	82	(43)	39
ZAR	39	(1)	38
Others	210	(246)	(36)
TOTAL	**7,037**	**(4,505)**	**2,532**

These forward currency hedging positions include EUR1,619 million in hedges of loans and borrowings of a financial nature (net sales) and EUR913 million in hedges of operating cash flows (net sales).

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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, 2015, 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, 2015		Dec. 31, 2014	
	Fixed rate	**Variable rate**	**Fixed rate**	**Variable rate**
Net position before hedging	**(6,915)**	**(714)**	**(5,912)**	**(1,760)**
Cash flow *hedges*	-	-	(129)	129
Net position after hedging	**(6,915)**	**(714)**	**(6,041)**	**(1,631)**

26.3.3 Raw material hedges

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.

All commodities instruments are futures and options designated as cash flow hedge under IFRS standards, of which:

	Dec. 31, 2015	Dec. 31, 2014
Carrying amount	(13)	(11)
Nominal amount	(158)	(271)

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, 2015	Dec. 31, 2014
Outstanding shares	795,312	1,277,326
Carrying amount	14	28
Nominal amount	(35)	(57)

26.4 – Financial assets and liabilities subject to netting

In accordance with IFRS 7 standards, this section discloses financial instruments that are subject to netting agreements.

	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)
Dec. 31, 2015	**Gross amounts**	**Gross amounts offset in the statement of financial position**	**Net amounts presented in the statement of financial position**	**Related amount not offset in the statement of financial position**	**Net amount, as per IFRS 7**
Financial assets	1,855	1,716	139	58	81
Financial liabilities	(2,081)	(1,716)	(365)	(58)	(307)

	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)
Dec. 31, 2014	**Gross amounts**	**Gross amounts offset in the statement of financial position**	**Net amounts presented in the statement of financial position**	**Related amount not offset 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)

Note 27 Employees

27.1 – Employees

The average number of permanent and temporary employees was as follows in 2014 and 2015:

(number of employees)	Dec. 31,2015	Dec. 31,2014
Production	97,925	95,213
Administration	83,437	90,752
TOTAL AVERAGE NUMBER OF EMPLOYEES	**181,362**	**185,965**
By region:		
EMEAS*	81,737	85,415
North America	32,990	34,940
Asia-Pacific	66,635	65,610

* *Europe, Middle-East, Africa, South America.*

The decrease in the average number of employees is primarily linked to 2015 disposals.

27.2 – Employee benefits expense

	Full year 2015	Full year 2014
Payroll costs	(6,720)	(6,203)
Profit-sharing and incentive bonuses	(53)	(57)
Stock options	(97)	(86)
WESOP	-	-
EMPLOYEE BENEFITS EXPENSE	**(6,870)**	**(6,346)**

27.3 – Benefits granted to senior executives

In 2015, the Group paid EUR1.23 million in attendance fees to the members of its board of directors. The total amount of gross remuneration, including benefits in kind, paid in 2015 by the Group to the members of Senior Management, excluding executive directors, totaled EUR17.4 million, of which EUR7.5 million corresponded to the variable portion.

During the last three periods, 695,000 performance shares have been allocated to members of Senior Management, excluding executive directors. No stock options have been granted to members of Senior Management during the last three financial years. Performance shares were allocated under the 2015 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 EUR10 million at December 31, 2015 *versus* EUR36 million at December 31, 2014.

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 the equity consolidation method. Transactions with these related parties are carried out on arm's length terms.

Over the period, the Group received from its investment in associate Custom Sensors & Technologies Topco Limited EUR90 million of dividends, and EUR23 million of vendor loan early repayment,

Other transactions with associates are not material.

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, 2015	Dec. 31, 2014
Market counter guarantees (1)	3,431	3,548
Pledges, mortgages and sureties (2)	166	188
Other commitments given (3)	301	368
GUARANTEES GIVEN	**3,898**	**4,104**
Endorsements and guarantees received	89	90
GUARANTEES RECEIVED	**89**	**90**

(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, 2015, there is one material put related to the 26% interests in Luminous that was valued for an amount of EUR125 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.

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:

	Full year 2015				
(in thousands of euros)	Ernst & Young	%	Mazars	%	TOTAL
Audit					
Statutory auditing	9,325	60%	8,287	98%	**17,612**
o/w Schneider Electric SE	*133*		*118*		
o/w subsidiaries	*9,192*		*8,169*		
Related services	5,716	37%	147	2%	**5,863**
o/w Schneider Electric SE	-		-		
o/w subsidiaries	*5,716*		*147*		
Audit sub-total	**15,041**	**97%**	**8,434**	**100%**	**23,475**
Other legal, tax services	535	3%	27	-	**562**
TOTAL FEES	**15,576**	**100%**	**8,461**	**100%**	**24,037**

	Full year 2014				
(in thousands of euros)	Ernst & Young	%	Mazars	%	Total
Audit					
Statutory auditing	14,804	82%	7,772	97%	22,576
o/w Schneider Electric SE	*100*		*100*		
o/w subsidiaries	*14,704*		*7,672*		
Related services	633	4%	240	3%	873
o/w Schneider Electric SE	-		-		
o/w subsidiaries	*633*		*240*		
Audit sub-total	**15,437**	**86%**	**8,012**	**100%**	**23,449**
Other legal, tax services	2,636	14%	27	-	2,663
TOTAL FEES	**18,073**	**100%**	**8,039**	**100%**	**26,112**

Note 32 Consolidated companies

The main companies included in the Schneider Electric Group scope of consolidation are listed below.

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
Europe			
Fully consolidated			
Schneider Electric Austria GmbH	Austria	100.0	100.0
Schneider Electric Power Drives GmbH	Austria	100.0	100.0
Eurotherm GmbH	Austria	100.0	100.0
Invensys Systems GmbH	Austria	100.0	100.0
Schneider Electric Energy Belgium SA	Belgium	100.0	100.0
Schneider Electric NV/SA	Belgium	100.0	100.0
Schneider Electric Services International SPRL	Belgium	100.0	100.0
Summit Energy International BVBA	Belgium	100.0	100.0
Invensys Systems NV/SA	Belgium	100.0	100.0
Schneider Electric Bulgaria EOOD	Bulgaria	100.0	100.0
Schneider Electric d.o.o.	Croatia	100.0	100.0
Schneider Electric A.S.	Czech Republic	98.3	98.3
Schneider Electric CZ s.r.o.	Czech Republic	100.0	100.0
Invensys Systems s.r.o.	Czech Republic	100.0	100.0
Ørbaekvej 280 A/S	Denmark	100.0	100.0
Schneider Electric Danmark A/S	Denmark	100.0	100.0
Schneider Electric IT Denmark ApS	Denmark	100.0	100.0
Schneider Nordic Baltic A/S	Denmark	100.0	100.0
Schneider Electric EESTI	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 Finland OY	Finland	100.0	100.0
Vamp OY	Finland	100.0	100.0
Foxboro OY	Finland	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
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

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
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 Électrique Gardy SAS	France	100.0	100.0
Société d'Application et d'Ingénierie Industrielle et Informatique SAS – SA3I	France	100.0	100.0
Société Électrique d'Aubenas SAS	France	100.0	100.0
Société Française de Construction Mécanique et Électrique SA	France	100.0	100.0
Société Française Gardy SA	France	100.0	100.0
Systèmes Équipements 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	100.0
Eurotherm Automation SASU	France	100.0	100.0
Invensys Systems France SASU	France	100.0	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	100.0
Foxboro-Eckardt GmbH	Germany	100.0	100.0
Invensys Systems GmbH (Germany)	Germany	100.0	100.0
Siebe Metallwerke GmbH	Germany	100.0	100.0
Indusoft Germany GmbH	Germany	100.0	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	100.0
Schneider Electric Industrie Italia SpA	Italy	100.0	100.0
Schneider Electric SpA	Italy	100.0	100.0

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
Uniflair SpA	Italy	100.0	100.0
Foxboro SCADA S.r.l.	Italy	100.0	100.0
Eliwell Controls S.r.l.	Italy	100.0	100.0
Eurotherm S.r.l.	Italy	100.0	100.0
Invensys Systems Italia SpA	Italy	100.0	100.0
Wonderware Italia SpA	Italy	100.0	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	Lithuania	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	100.0	100.0
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
Invensys Systems N.V.	Netherlands	100.0	100.0
Telvent Netherlands B.V.	Netherlands	100.0	100.0
ELKO A.S.	Norway	100.0	100.0
Lexel Holding Norgue A.S.	Norway	100.0	100.0
Schneider Electric Norge A.S.	Norway	100.0	100.0
Eurotherm A.S.	Norway	100.0	100.0
Elda Eltra Elektrotechnika SA (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	100.0
Invensys Systems Sp. Z.o.o.	Poland	100.0	100.0
Schneider Electric Portugal LDA	Portugal	100.0	100.0
Idvent Portugal SA	Portugal	0.0	100.0
Schneider Electric Romania SRL	Romania	100.0	100.0
DIN Elektro Kraft OOO	Russia	100.0	100.0
OOO Schneider Electric Zavod Electromonoblock	Russia	100.0	100.0
OOO 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	100.0
Invensys Process Systems LLC	Russia	100.0	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	100.0
Schneider Electric d.o.o.	Slovenia	100.0	100.0
Manufacturas Electricas SA	Spain	100.0	100.0
Schneider Electric IT, Spain SL	Spain	100.0	100.0
Schneider Electric Espana SA	Spain	100.0	100.0

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
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	0.0	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	100.0
Invensys Operations Management Espana SLU	Spain	100.0	100.0
AB Crahftere 1	Sweden	100.0	100.0
AB Wibe	Sweden	100.0	100.0
Elektriska AB Delta	Sweden	100.0	100.0
Elko AB	Sweden	100.0	100.0
Lexel 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	100.0
Wonderware Scandinavia AB	Sweden	100.0	100.0
Feller AG	Switzerland	83.7	83.7
Gutor Electronic GmbH	Switzerland	100.0	100.0
Schneider Electric (Schweiz) AG	Switzerland	100.0	100.0
Eurotherm-Produkte (Schweiz) AG	Switzerland	100.0	100.0
Schneider Electric Ukraine	Ukraine	100.0	100.0
Andromeda Telematics 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 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	100.0
BTR Property Holdings Ltd	United Kingdom	100.0	100.0
Imserv Europe Ltd	United Kingdom	100.0	100.0
Invensys Controls UK Ltd	United Kingdom	100.0	100.0
Invensys Holdings Ltd	United Kingdom	100.0	100.0
Invensys Systems (UK) Ltd	United Kingdom	100.0	100.0
Eurotherm Ltd (UK)	United Kingdom	100.0	100.0
Spiral Software Ltd	United Kingdom	100.0	100.0
Accounted for by equity method			
Aveltys	France	51.0	51.0
Delta Dore Finance SA (sub-group)	France	20.0	20.0
Möre Electric Group A/S	Norway	34.0	34.0
Schneider Electric DMS NS	Serbia	57.0	57.0
Custom Sensors & Technologies Topco Limited	United Kingdom	30.0	30.0

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
North America			
Fully consolidated			
Control Microsystems Inc.	Canada	100.0	100.0
Juno Lighting Ltd	Canada	0.0	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
Schneider Electric Systems Canada Inc.	Canada	100.0	100.0
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 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	100.0
Invensys Group Services Mexico	Mexico	100.0	100.0
Invensys Systems Mexico SA	Mexico	100.0	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
American Power Conversion Holdings Inc.	USA	100.0	100.0
Juno Lighting, LLC	USA	0.0	100.0
Juno Manufacturing, LLC	USA	0.0	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 Solar Inverters USA, Inc.	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
SE 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, LLC	USA	100.0	100.0
Veris Industries LLC	USA	100.0	100.0
AST North America, LLC	USA	100.0	100.0

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
Invensys LLC	USA	100.0	100.0
Invensys Systems Inc.	USA	100.0	100.0
Siebe Inc.	USA	100.0	100.0
Stewart Warner Corporation	USA	100.0	100.0
Foxboro Controles SA	USA	100.0	100.0
Indusoft, Inc.	USA	100.0	100.0
InStep Software, LLC	USA	100.0	100.0
Schneider Electric Software, LLC	USA	100.0	100.0
Asia-Pacific			
Fully consolidated			
Schneider Electric IT Australia Pty. Limited	Australia	100.0	100.0
Clipsal Australia Pty. Limited	Australia	100.0	100.0
Clipsal Integrated Systems Pty. Limited	Australia	100.0	100.0
Clipsal Technologies Australia Pty. Limited	Australia	100.0	100.0
Control Microsystems Asia Pacific Pty. Ltd	Australia	100.0	100.0
Pelco Australia Pty. Limited	Australia	100.0	100.0
Scadagroup Pty. Ltd	Australia	100.0	100.0
Schneider Electric (Australia) Pty. Limited	Australia	100.0	100.0
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	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	100.0	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

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
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
Schneider Equipment and Engineering (Xi'an) Co., Ltd	China	100.0	100.0
Invensys Automation & Controls Systems (Shanghai) Co., Ltd	China	100.0	100.0
Shanghai Foxboro Co., Ltd	China	100.0	100.0
Shanghai Invensys Process System Co., Ltd	China	100.0	100.0
FSL China	China	54.0	-
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
Federal Supremetech Limited	Hong Kong	54.0	-
Schneider Electric IT Business India Private Ltd	India	100.0	100.0
Schneider Electric President Systems Ltd	India	75.0	75.0
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	75.0
Eruotherm India Private, Ltd	India	100.0	100.0
Invensys Development Centre India Private, Ltd	India	100.0	100.0
Invensys India Private, Ltd	India	100.0	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	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	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	100.0
Schneider Electric (NZ) Ltd	New-Zealand	100.0	100.0
Invensys Process Systems New Zealand Ltd	New-Zealand	100.0	100.0

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
American Power Conversion Land Holdings Inc.	Philippines	100.0	100.0
Clipsal Philippines	Philippines	100.0	100.0
Schneider Electric IT Philippines Inc.	Philippines	100.0	100.0
Schneider Electric (Philippines) Inc.	Philippines	100.0	100.0
Pelco Asia Pacific Pte. Ltd	Singapore	100.0	100.0
Schneider Electric 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	100.0
Wonderware of Singapore Pte Ltd	Singapore	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	100.0
Invensys Korea Ltd	South Korea	100.0	100.0
Wonderware Korea Co., Ltd	South Korea	100.0	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	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	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	100.0
Accounted for by equity method			
Sunten Electric Equipment	China	40.0	40.0
Ennovation System Control Co., Ltd	China	40.0	
Fuji Electric FA Components & Systems Co., Ltd (sub-group)	Japan	36.8	36.8
Foxboro (Malaysia) Sdn Bhd	Malaysia	49.0	49.0
Rest of the world			
Fully consolidated			
Himel Algérie	Algeria	100.0	100.0
Schneider Electric Algérie	Algeria	100.0	100.0
Invensys Systems Algérie EURL	Algeria	100.0	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	100.0
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

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
CP Eletronica S/A	Brazil	100.0	100.0
Eurotherm SA/NV	Brazil	100.0	100.0
Invensys Systems Brasil Ltda	Brazil	100.0	100.0
Indusoft Desenvolvimento de Software Ltda	Brazil	100.0	100.0
Inversiones Schneider Electric Uno Limitada	Chile	100.0	100.0
Marisio SA	Chile	100.0	100.0
Schneider Electric Chile SA	Chile	100.0	100.0
Invensys Systems Chile Ltda	Chile	100.0	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	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	51.0
Invensys Process Systems Egypt Co., Ltd	Egypt	60.0	60.0
Schneider Electric LLP	Kazakhstan	85.0	100.0
Invensys Systems Kazakhstan LLP	Kazakhstan	100.0	100.0
Schneider Electric Kenya	Kenya	85.0	
Schneider Electric Services Kuweit	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	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	100.0
EPS Electrical Power Distribution Boards & Switchgear Ltd	Saudi Arabia	99.0	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	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 Elektric Malzemeleri Ticaret A.S.	Turkey	100.0	100.0
Schneider Elektrik Sanayi Ve Ticaret A.S.	Turkey	100.0	100.0
Gunsan Elektrik	Turkey	100.0	
Cimac FZCO	United Arab Emirates	100.0	100.0
Clipsal Middle East FZC	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	100.0
Schneider Electric Venezuela SA	Venezuela	93.6	93.6
Invensys Systems Venezuela, SA	Venezuela	100.0	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.

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 Shareholder's Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying consolidated financial statements of Schneider Electric S.E.;
- 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, 2015 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 asset 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. 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 to the consolidated financial statements 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 to the consolidated financial statements « Restructuring costs » states the amount of restructuring costs recorded in 2015. We verified that, based on currently available information, these costs concern restructuring measures initiated or announced before December 31, 2015, 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 16, 2016

The statutory auditors

French original signed by

MAZARS	ERNST & YOUNG et Autres
David Chaudat	Jean-Yves Jégourel

6 Parent company financial statements

1. Balance sheet

Assets

(in thousands of euros)	Notes	Gross	A. & D. or Prov.	Dec. 31, 2015 Net	Dec. 31, 2014 Net
Non-current assets					
Intangible assets	1.1				
Intangible rights		27,474	(27,474)	-	-
Property, plant and equipment	1.2				
Land		2,932	-	2,932	2,932
Buildings		48	(48)	-	-
Other		1,468	(242)	1,226	1,226
Total intangible assets and property, plant and equipment		**31,922**	**(27,764)**	**4,158**	**4,158**
Financial investments					
Shares in subsidiaries and affiliates	2.1	5,599,974	(114,270)	5,485,704	5,485,704
Other investment securities	2.2	1,019,305	(13,557)	1,005,748	419,247
Advances to subsidiaries and affiliates	2.3	3,419,219	-	3,419,219	3,958,484
Other		-	-	-	-
Total financial investments		**10,038,499**	**(127,828)**	**9,910,671**	**9,863,435**
Total non-current assets		**10,070,421**	**(155,592)**	**9,914,829**	**9,867,593**
Current assets					
Accounts receivable					
Accounts receivable – trade		382	-	382	204
Other	3	56,614	(226)	56,388	116,469
Total accounts receivable		**56,996**	**(226)**	**56,770**	**116,673**
Marketable securities and cash					
Marketable securities	4	144,423	-	144,423	162,626
Advances to the Group cash pool	5	6,587,305	-	6,587,305	7,483,127
Other		4	-	4	613
Total marketable securities and cash		**6,731,732**	**-**	**6,731,732**	**7,646,366**
Total current assets		**6,788,728**	**(226)**	**6,788,502**	**7,763,039**
Prepayments and Other Assets					
Prepaid expenses	6.1	816	-	816	1,355
Deferred charges	6.2	14,562	-	14,562	9,423
Call premiums	6.3	32,029	-	32,029	30,907
Translation losses		158,283	-	158,283	99,123
TOTAL ASSETS		**17,064,838**	**(155,817)**	**16,909,021**	**17,771,440**

The notes form an integral part of these parent company financial statements.

Equity and liabilities

(in thousands of euros)	Note	Dec. 31, 2015	Dec. 31, 2014
Equity	7		
Share capital	7.1	2,354,938	2,338,765
Additional paid-in capital	7.2	7,266,851	7,898,005
Reserves			
Legal reserve		243,027	243,027
Retained earnings	7.3	(4,512)	(15,004)
Net income for the financial year		52,585	341,124
Untaxed provisions		2	2
Total equity		**9,807,721**	**10,805,918**
Provisions for contingencies:	8		
Provisions for contingencies		45	45
Total provisions for contingencies		**45**	**45**
Non-current liabilities:			
Bonds	9	6,786,730	5,594,095
Other borrowings	10	80,947	295,738
Amounts payable to subsidiaries and affiliates		13	13
Borrowings and financial liabilities	11	-	760,014
Total non-current liabilities:		**6,867,690**	**6,649,861**
Current liabilities:			
Accounts payable – trade		997	436
Accrued taxes and payroll costs		70,474	199,770
Other		3,500	15,837
Total current liabilities		**74,971**	**216,043**
Total non-current and current liabilities		**6,942,661**	**6,865,904**
Deferred income	12	312	450
Translation gains		158,282	99,123
TOTAL EQUITY AND LIABILITIES		**16,909,021**	**17,771,440**

The notes form an integral part of these parent company financial statements.

2. Statement of income

(in thousands of euros)	Note	Full Year 2015	Full year 2014
Sales of services and other		3,903	643
Reversals of provisions, depreciation and amortization and expense transfers	17	14,201	-
Operating revenues		**18,104**	**643**
Purchases and external expenses		8,175	7,363
Taxes other than on income		2,264	2,878
Payroll expenses		4,041	2,017
Depreciation and provision expense		2,775	318
Other operating expenses and joint-venture losses		1,405	2,529
Operating expenses		**18,660**	**15,104**
Operating profit/loss		**(555)**	**(14,461)**
Dividend income		-	784
Interest income		54,587	104,179
Reversals of impairment provisions for long-term receivables and other		-	-
Financial income		**54,587**	**104,963**
Interest expense		181,008	223,087
Provision expense		13,547	12,581
Financial expenses		**194,555**	**235,668**
Net financial income/(loss)	**14**	**(139,968)**	**(130,705)**
Proceeds from fixed asset disposals		1	1,443,112
Provision reversals and expense transfers		1,208	1,104
Other		-	8,677
Non-recurring income		**1,209**	**1,452,893**
Carrying amount of fixed asset disposals		618	1,004,341
Provisions, depreciation and amortization		13,481	1,100
Other		2,000	-
Non-recurring expenses		**16,099**	**1,005,441**
Net non-recurring income/(expense)	**15**	**(14,890)**	**447,452**
Net income tax benefit	**16**	**102,828**	**38,838**
NET INCOME		**(52,585)**	**341,124**

The notes form an integral part of these parent company financial statements.

3. Notes to the financial statements

(All amounts are in thousands of euros unless otherwise indicated)

3.1 Significant events of the financial year

During the financial year, Schneider Electric SE carried out a capital increase for EUR157 million, as follows:

- the employee share issuance carried out on July 8, 2015 as part of the worldwide Employee Stock Purchase Plan, for EUR134 million;
- the exercise of performance shares, for EUR23 million.

In 2015, the company issued four bonds for EUR1,850 million, the company reimbursed two bonds for EUR750 million and the « *Schuldschein* » credit line for EUR184 million. Furthermore, Schneider Electric Industries SAS reimbursed a EUR600 million loan.

On May 5, 2015, the 2014 dividend was paid for EUR1,098 million.

Since April 2015, the company proceeded to buyback 10,623,464 of its own shares for EUR600 million.

At December 31, 2015, the amount of factoring of trade receivables and the CICE 2013 to 2015 receivable was EUR45 million.

3.2 Accounting principles

As in the prior financial year, the financial statements for the financial year ended December 31, 2015 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 stocks are assessed by category (shares in subsidiaries and affiliates, marketable securities), according to the F.I.F.O. method « first-in, first-out ».

The accounting classification of treasury stocks depends on the purpose for which they are held:

- own shares are classified in marketable securities if they are the object of an explicit allocation in the cover of stock option plans or if they are bought to regulate the share price of the Group;
- own shares are classified in long-term investments if they are not the object of an explicit allocation to cover an option plan or if they are bought with the aim of their use within the context of a liquidity contract by an investment services provider, or of their later cancellation within the framework of a capital reduction.

The accounting of an impairment of own shares depends on the purpose for which they are held:

- if own shares are allocated to cover of stock option plans, there is no reason to record a provision for impairment;
- in other cases, it is necessary to book an impairment if the average stock market price of the month before 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, granting a level of benefits exceeding the general regimes. The company applies the corridor method to actuarial gains and losses arising from changes in estimates. Under this method, the portion of net cumulative actuarial gains and losses exceeding 10% of the projected benefit obligation is amortized over 10 years.

Currency risk

When necessary, a contingency provision is in place for unrealized exchange losses. However, when 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.

3.3 Notes

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 – Property, plant and equipment

(in thousands of euros)

Property, plant and equipment	Dec. 31, 2014	Additions	Disposals	Dec. 31, 2015
Cost	4,448	-	-	4,448
Depreciation	(290)	-	-	(290)
NET	**4,158**	**-**	**-**	**4,158**

Property, plant and equipment are mainly comprised of land not built.

Note 2 Investments

2.1 – Shares in subsidiaries and affiliates

(in thousands of euros)

Shares in subsidiaries and affiliates	Dec. 31, 2014	Additions	Disposals	Dec. 31, 2015
Cost	5,599,974	-	-	5,599,974
Provisions	(114,270)	-	-	(114,270)
NET	**5,485,704**	**-**	**-**	**5,485,704**

During the year, there was no movement in equity shares.

The main investments at December 31, 2015 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
TOTAL	**5,485,704**

2.2 – Other investment securities

(in thousands of euros)

Other investment securities	Dec. 31, 2014	Increases	Decreases	Dec. 31, 2015
Schneider Electric SE shares	419,193	599,981	-	1,019,174
Other	131	-	-	131
Provisions for other shares	(77)	(13,480)	-	(13,557)
NET	**419,247**	**586,501**	**-**	**1,005,748**

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.

Since April 2015, in compliance with the resolution adopted by the General Shareholders' Meeting dated April 21, 2015, the company proceeded to the share buyback of 10,623,464 own shares for a total amount of EUR600 million. These Schneider Electric SE shares were not allocated to performance shares plans and thus were accounted for as other investment securities.

On December 31, 2015, the company recorded an impairment of treasury stocks for an amount of EUR13 million.

2.3 – Advances to subsidiaries and affiliates

(in thousands of euros)

Advances to subsidiaries and affiliates	Dec. 31, 2014	Increases	Decreases	Dec. 31, 2015
Cost	3,958,484	142,089	(681,354)	3,419,219
NET	**3,958,484**	**142,089**	**(681,354)**	**3,419,219**

At December 31, 2015, this item mainly consisted of a loan EUR2,500 million granted to Schneider Electric Industries SAS with a maturity date of 2017, three loans granted in 2011 and 2012 to Boissière Finance for a total amount of EUR906 million with maturity dates of 2016 and 2022 and of accrued interest for a total amount of EUR13 million.

Schneider Electric Industries SAS reimbursed a loan EUR600 million with maturity date of January 8, 2015.

Note 3 Other receivables

(in thousands of euros)

Other receivables	Dec. 31, 2015	Dec. 31, 2014
Cost	56,614	116,695
Provisions	(226)	(226)
NET	**56,388**	**116,469**

At December 31, 2015, « Other receivables » main changes related to the Group income tax payable for EUR47 million and research tax credit for EUR13 million.

Note 4 Marketable securities

	Dec. 31, 2014		Aquisitions	Disposals	Dec. 31, 2015	
(in thousands of euros)	Number of shares	Value	Value	Value	Value	Number of shares
Treasury shares						
Gross	5,312,882	162,626	-	(18,203)	144,423	4,676,616
Provisions	-	-	-	-	-	-
TOTAL NET	**-**	**162,626**	**-**	**(18,203)**	**144,423**	**-**

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 Cash and cash equivalent group

This item consists of interest-bearing advances by Schneider Electric SE to the Group cash pool (Boissière Finance) that are immediately recoverable on demand.

Note 6 Prepayment and other assets

6.1 – Prepaid expenses

This aproximately EUR1 million item consists mainly of prepaid expenses on insurance costs and fees.

6.2 – Bond issue expenses

(in thousands of euros)

Bond issue expenses	Dec. 31, 2014	Increases	Decreases	Dec. 31, 2015
Aug. 11, 2005 due 2017 (EUR600 million)	375	-	(139)	236
Oct. 8, 2007 due 2015 (EUR600 million)	5	-	(5)	-
Feb. 16, 2007 due 2014 (EUR4,500 million) (bridge loan)	12	-	(12)	-
May 21, 2008 due 2015 (EUR55 million)	10	-	(10)	-
May 21, 2008 due 2015 (EUR129 million)	27	-	(27)	-
July 25, 2008 due 2016 (EUR177 million)	12	-	(9)	3
Mar. 20, 2009 due 2018 (EUR250 million)	41	-	(15)	26
Apr. 30, 2009 due 2014 (EUR150 million)	1	-	(1)	-
July 20, 2010 due 2016 (EUR300 million)	223	-	(142)	81
July 20, 2010 due 2016 (EUR200 million)	145	-	(93)	52
July 20, 2010 due 2020 (EUR500 million)	926	-	(156)	770
July 12, 2011 due 2018 (EUR750 million)	1,362	-	(385)	977
Sep. 22, 2011 due 2019 (EUR500 million)	929	-	(229)	700
Nov. 18, 2011 due 2016 (JPY12 billion)	141	-	(47)	94
Dec. 8, 2011 due 2016 (JPY10 billion)	119	-	(39)	80
Sep. 27, 2012 due 2022 (USD800 million)	2,963	-	(380)	2,583
Sep. 6, 2013 due 2021 (EUR600 million)	2,132	-	(297)	1,836
Mar. 11, 2015 due 2025 (EUR750 million)	-	3,123	(239)	2,884
Sep. 8, 2015 due 2023 (EUR800 million)	-	3,145	(115)	3,030
Oct. 13, 2015 due 2025 (EUR200 million)	-	880	(17)	863
Oct. 13, 2015 due 2025 (EUR100 million)	-	350	(2)	347
	9,422	**7,498**	**(2,358)**	**14,562**

6.3 – Redemption premiums

(in thousands of euros)

Redemption premiums	Dec. 31, 2014	Increases	Decreases	Dec. 31, 2015
Aug. 11, 2005 due 2017 (EUR600 million)	1,215	-	(450)	765
Oct. 8, 2007 due 2015 (EUR600 million)	2	-	(2)	-
Apr. 11, 2008 due 2018 (EUR55 million)	2,465	-	(900)	1,565
Apr. 11, 2008 due 2018 (EUR125 million)	5,763	-	(2,103)	3,660
Mar. 20, 2009 due 2018 (EUR250 million)	11,999	-	(4,371)	7,628
Apr. 30, 2009 due 2014 (EUR150 million)	(18)	-	18	-
July 20, 2010 due 2016 (EUR300 million)	561	-	(358)	203
July 20, 2010 due 2016 (EUR200 million)	(1,039)	-	668	(371)
July 20, 2010 due 2020 (EUR500 million)	2,764	-	(466)	2,298
July 12, 2011 due 2018 (EUR750 million)	2,442	-	(691)	1,751
Sep. 22, 2011 due 2019 (EUR500 million)	2,140	-	(527)	1,613
Sep. 27, 2012 due 2022 (USD800 million)	1,333	-	(177)	1,156
Sep. 6, 2013 due 2021 (EUR600 million)	1,280	-	(177)	1,103
Mar. 11, 2015 due 2025 (EUR750 million)	-	8,812	(674)	8,138
Sep. 8, 2015 due 2022 (EUR800 million)	-	4,416	(161)	4,255
Oct. 13, 2015 due 2025 (EUR100 million)	-	(1,744)	9	(1,735)
	30,907	**11,484**	**(10,362)**	**32,029**

Note 7 Shareholders' equity and retained earnings

(in millions of euros)	Share capital	Additional paid-in capital	Reserves and retained earnings	Net income for the year	Regulated provisions	Total
December 31, 2013 before allocation of net income for the year	**2,248**	**6,992**	**1,196**	**(132)**	**-**	**10,303**
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
December 31, 2014 before allocation of net income for the year	**2,339**	**7,898**	**228**	**341**	**-**	**10,806**
Change in share capital	16	141	(4)		-	153
Allocation of 2014 net income	-	-	341	(341)	-	-
2014 dividend	-	(772)	(326)	-	-	(1,098)
2015 net income	-	-	-	(53)	-	(53)
DECEMBER 31, 2015 BEFORE ALLOCATION OF NET INCOME FOR THE YEAR	**2,355**	**7,267**	**239**	**(53)**	**-**	**9,808**

7.1 – Capital

Share capital

The company's share capital at December 31, 2015 amounted to EUR2,354,937,888, consisting of 588,734,472 shares with a par value of EUR4, all fully paid up.

Changes in share capital

During the financial year, the EUR16 million increase in share capital, is detailed as follows:

- EUR10 million share capital increase as part of the worldwide Employee Stock Purchase Plan with an issuance of 2,413,939 new shares;
- EUR6 million share capital increase for the exercise of performance shares with an issuance of 1,629,391 new shares.

Own shares

The total number of own shares held at the reporting date stood at 23,283,812, representing a net amount of EUR1,150 million.

7.2 – Additional paid-in capital

Additional paid-in capital decrease by EUR631 million over the financial year, including EUR124 million from the worldwide Employee Stock Purchase Plan, EUR17 million from the exercise of stock options and EUR772 million deducted from paid-in capital for the dividend payment.

7.3 – Retained earnings

Pursuant to the third resolution of the Ordinary and Extraordinary Shareholders' Meeting of April 21, 2015, EUR341 million 2014 profit was allocated to retained earnings and EUR1,098 million deducted from retained earnings for the payment of dividend in 2015, of which EUR722 million were deducted from additional paid-in capital and EUR326 from the retained earnings.

Note 8 Provisions for contingencies and pension accruals

(in thousands of euros)	Dec. 31, 2014	Increases	Decreases	Dec. 31, 2015
Provisions for contingencies				
Disputes	15	-	-	15
Other	30	-	-	30
	45	**-**	**-**	**45**

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.

Note 9 Bonds

	Share capital			
(in thousands of euros)	Dec. 31, 2015	Dec. 31, 2014	Interest rate	Maturity
Schneider Electric SE 2017	600,000	600,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SE 2015	-	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	150,244	Euribor + 0.60% Floating	July 25, 2016
Schneider Electric SE 2015	-	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 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	95,369	86,070	0.849% Fixed	Nov. 18, 2016
Schneider Electric SE 2016	76,295	68,856	0.84625% Fixed	Dec. 08, 2016
Schneider Electric SE 2022	734,822	658,924	2.95% Fixed	Sep. 27, 2022
Schneider Electric SE 2021	600,000	600,000	2.50% Fixed	Sep. 06, 2021
Schneider Electric SE 2025	750,000	-	0.875%,Fixed	Mar. 11, 2025
Schneider Electric SE 2023	800,000	-	1.50% Fixed	Sep. 08, 2023
Schneider Electric SE 2025	200,000	-	1.841% Fixed	Oct. 13, 2025
Schneider Electric SE 2025	100,000	-	1.841% Fixed	Oct. 13, 2025
	6,786,730	**5,594,095**		

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.

During the year, the company refunded two bonds, for EUR600 million issued in October 2007 and for EUR150 million maturing on January 8, 2015.

The company issued in 2015 four bonds for EUR1,850 million:

- EUR100 million worth of 1.841% bonds issued in October 2015 and maturing on October 13, 2025;
- EUR200 million worth of 1.841% bonds issued in October 2015 and maturing on October 13, 2025;

- EUR800 million worth of 1.50% bonds issued in September 2015 and maturing on September 8, 2023;
- EUR750 million worth of 0.875% bonds issued in March 2015 and maturing on March 11, 2025.

At December, 31 2015, the remaining bonds are as follows:

- the four bonds issued in 2015 and described above;
- EUR600 million worth of 2.50% bonds issued in September 2015 and maturing on September 6, 2021;
- JPY12 billion and JPY10 billion 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;
- 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 4% bonds issued in August 2005 and maturing in August 2017.

The issue premiums and issuance costs are amortized in line with the effective interest method.

Note 10 Other borrowings

Other borrowings at December 31, 2015 included accrued interest on bonds and other debt issued by the company. Accrued interest amounted to EUR81 million, compared to EUR112 million at end 2014.

The company reimbursed the « *Schuldschein* » credit line in the amount of EUR184 million with maturity on May 20, 2015, representing two tranches at seven years for EUR129 million at variable rate, and EUR55 million at fixed rate.

Note 11 Interest-bearing liabilities

Interest-bearing liabilities *(in thousands of euros)*	**Dec. 31, 2014**	**Increase**	**Decrease**	**Dec. 31, 2015**
Commercial paper	760,000	5,395,000	(6,155,000)	-
Overdrafts	14	-	(14)	-
Other	-	300,000	(300,000)	-
NET	**760,014**	**5,695,000**	**(6,455,014)**	**-**

In 2015, two promissory notes were issued to BNP for EUR300 million with maturity dates of March 9, 2015 and June 9, 2015.

All commercial papers were reimbursed 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
Non-current assets				
Advances to subsidiaries and affiliates	3,419,219	184,395	2,500,000	734,824
Current assets				
Accounts receivable – trade	382	382	-	-
Other receivables	56,614	29,752	26,774	88
Marketable securities	144,423	144,423	-	-
Prepaid expenses	816	816	-	-
Debt				
Bonds	6,786,730	821,908	2,780,000	3,184,822
Other borrowings	80,947	80,947	-	-
Amounts payable to subsidiaries and affiliates	13	-	13	-
Accounts payable – trade	997	997	-	-
Accrued taxes and payroll costs	70,474	70,474	-	-
Other	3,500	3,500	-	-
Deferred income	312	312	-	-

Note 13 Related-party transactions (minimum 10% stake)

(in thousands of euros)	Gross	Net
Shares in subsidiaries and affiliates	5,599,974	5,485,704
Advances to subsidiaries and affiliates	3,418,667	3,418,667
Accounts receivable	1,383	1,157
Cash and cash equivalents	6,587,305	6,587,305
Revenues:		
• rebilled performance shares		17,585
• interest		28,966

Note 14 Net financial income

(in thousands of euros)	Full Year 2015	Full Year 2014
Dividends	-	784
Net interest income (expense)	(136,783)	(127,240)
Other	(3,185)	(4,249)
NET FINANCIAL INCOME	**(139,968)**	**(130,705)**

In 2015, the company did not receive dividends.

Note 15 Net non-recurring income/(expense)

(in thousands of euros)	Full Year 2015	Full Year 2014
Net gains/(losses) on fixed asset disposals	(617)	438,771
Provisions net of reversals	(12,273)	4
Other non-recurring income/(expense)	(2,000)	8,677
NET NON-RECURRING INCOME/(EXPENSE)	**(14,890)**	**447,452**

On December 31, 2015, EUR13 million in depreciation on treasury shares was booked.

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 2015 income tax due, for EUR106 million, which represents a EUR23 million increase on last year.

Schneider Electric SE is the parent company of the tax group comprising all French subsidiaries that are over 95%-owned. Tax loss carry forwards available to the company in this capacity totalled EUR1,627 million at December 31, 2015.

Note 17 Pension benefit commitment

The company had taken commitments towards its executives, active managers and retirees. In 2012, the company had closed the old plan to any new incomer and set up a new plan with a progressive acquisition of the rights according to the seniority in the Group and in the Executive Committee. The financing of this new plan, was then outsourced to AXA France VIE. Further to the decision of board of directors meeting dated February 18, 2015 to end to the benefit of the top hat executive pension plans, the company reversed a EUR14 million provision in 2015.

Note 18 Off-balance sheet commitments

18.1 – 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.

18.2 – Guarantees given and received

Commitments given

Counter-guarantees of bank guarantees: None

Other guarantees given: EUR2,628 million, mainly to Group companies

Commitments received

Bank counter-guarantees: None

18.3 – 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.

Schneider Electric SE does not hold any hedging instrument at December 31, 2015.

Note 19 Other information

19.1 – Workforce

At December 31, 2015, the company had one employee.

19.2 – 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.

19.3 – Subsequent events

At the date of financial statements approval by the board of directors, there is no material subsequent event.

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4. Statutory auditors' report on the annual 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, 2015 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 the 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 and of the results of its operations for the year ended, in accordance with French accounting principles.

II – Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters: The notes « Accounting Principles » and « Note 2 – Investments » to the financial statements, which present respectively the accounting methods and principles used to value investments and the detail of investment securities in the company's balance sheet.

As part of our assessment of the accounting principles and methods used by your company, we verified the appropriateness of the principles and methods specified above as well as the information provided in the notes 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 management 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 the French Commercial Code (*Code de commerce*) relating to remuneration and benefits received by corporate officers and any other commitments made in their favour, we have verified their 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 to 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 management report.

Paris-La Défense and Courbevoie, March 10, 2016,

The statutory auditors
French original signed by

MAZARS	ERNST & YOUNG et Autres
David Chaudat	Jean Yves Jégourel

5. List of securities held at December 31, 2015

Number amount *(in thousands of euros)*	Company	Carrying of securities
A. Major investments		
(Carrying amounts over EUR5 million)		
58,018,657	Schneider Electric Industries SAS	5,343,544
18,607,196	Schneider Electric SE own shares	1,005,694
		6,349,238
B. Other investments		
(Carrying amounts under EUR5 million)		1,092
C. Investments in real estate companies		-
D. Investments in foreign companies		141,123
Total		**6,491,453**
Marketable securities		
4,676,616	Schneider Electric SE own shares	144,423
TOTAL		**144,423**

6. Subsidiaries and affiliates

Company *(in thousands of euros)*	**Capital**	**Reserves and retained earnings & retained earnings prior to appropriation of earnings***	**Share interest held (%)**
I. Detailed information on subsidiaries and affiliates with a carrying amount of over 1% of the share capital of Schneider Electric SE			
A. Subsidiaries (at least 50% owned)			
Schneider Electric Industries SAS 35, rue Joseph-Monier 92500 Rueil-Malmaison, France	928,299	7,823,679	100.00
Cofimines Place du Champs-de-Mars, 5 Tour Bastion 1050 Brussels	96,884	42,324	99.84
B. Affiliates (10 to 50%-owned)			
II. Other subsidiaries and affiliates			
A. Subsidiaries not included in Section I: (+50%)			
a) French subsidiaries (aggregate)			
b) Foreign subsidiaries (aggregate)			
B. Affiliates not included in Section I: (0-50%)			
a) French companies (aggregate)			
b) Foreign companies (aggregate)	19,905	8,196	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	2015 Revenues (ex. VAT)	2015 Profit or loss (-)	Dividends received by the company during 2015
5,343,544	5,343,544	2,506,389	-	3,348,789	237,764	-
219,894	139,074	-	-	Holding company	(40)	-
15,288	1,038	-	-	-	-	-
-	-	-	-	-	-	-
130	53	-	-	-	-	-
21,249	2,049	-	-	-	464	-

7. The company's financial results over the last five years

Description	2015	2014	2013	2012	2011
Financial position at December 31					
Share capital *(in thousands of euros)*	2,354,938	2,338,765	2,247,832	2,221,668	2,195,772
Number of shares in issue	588,734,472	584,691,142	561,958,023	555,417,014	548,943,024
Number of convertible bonds in issue *(in thousands)*					
Maximum number of shares to be created *(in thousands)*:					
• through conversion of bonds					
• through exercise of rights	7,773	8,906	8,794	11,313	15,556
Results of operations *(in thousands of euros)*		-	-	-	-
Sales (ex. VAT)	209	182	2,194	695	215
Investment revenue, interest income and other revenue	54,587	104,963	135,866	533,420	1,652,422
Earnings before tax, depreciation, amortization and provisions	(139,013)	(134,722)	(154,000)	170,417	1,345,453
Income tax	(41,456)	(181,865)	91,443	42,875	168,347
Earnings after tax, depreciation, amortization and provisions	(52,585)	341,124	(132,771)	225,115	2,603,738
Dividends paid [1] excluding tax credit and with holdings	1,177,469 [2]	1,122,607	1,050,862	1,038,630	933,203
Results of operations per share *(in euros)*					
Earnings before depreciation, amortization and provisions	(0.06)	0.61	(0.28)	0.50	4.79
Earnings after tax, depreciation, amortization and provisions	(0.09)	0.58	(0.24)	0.41	4.74
Net dividend per share	2 [2]	1.92	1.87	1.87	1.70
Employees					
Average number of employees during the financial year	1	2	2	2	2
Total payroll for the financial year *(in thousands of euros)*	2,684	1,039	996	1,641	4,549
Total of employee benefits paid over the financial year (Social security, other benefits, etc.) *(in thousands of euros)*	1,028	653	459	1,963	1,170

(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 25, 2016.

7 Information on the company and its capital

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 (Annual Shareholders' 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 special 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 *(Code de commerce)* applicable to limited-liability companies, as well as by their articles of association. The provisions of the French Commercial Code regarding the management and governance of public limited-liability companies are applicable to the SE.

At December 31, 2015, the company's share capital was EUR2,354,937,888. Its head office is located at 35, rue Joseph-Monier, 92500 Rueil-Malmaison, France, telephone: +33 (0)1 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 incorporated in 1871. It is due to expire on 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 in 2014.

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, whatever the type, undertaking activities related to the company's business or such as to encourage its industry and commerce, and, more generally, all industrial, commercial and financial, asset and real estate operations related directly or indirectly in any way to the above objective.

The Company may 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 Annual Shareholders' 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).

2. Shareholders' rights and obligations

2.1 General Meetings (article 19 of the articles of association)

This section is included in the Chairman's report to the board of directors.

Annual Shareholders' Meetings are called and run in conformity with the conditions prescribed by law.

The meetings are held at the head office or any other address provided in the call to meeting. The board may decide, when each meeting is called, to organize the public transmission 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 an Annual Shareholders' Meeting, the board of directors may also decide to allow shareholders to participate or vote at Annual Shareholders' Meetings using videoconferencing facilities and/or any other telecommunication medium allowed under applicable legislation.

Remote voting procedures are governed by the applicable laws and regulations. In particular, shareholders may send proxy and mail ballot forms before Annual Shareholders' Meetings either in paper form or, if approved by the board of directors and stated in the Meeting Announcement and/or Notice, electronically.

When the decision is made to call an Annual Shareholders' Meeting, the board of directors may authorize shareholders to fill out and sign these forms electronically through a secure site set up by the Annual Shareholders' Meeting organizer using a process that complies with applicable laws and regulations (paragraph 2 of article 1316-4 of the French Civil Code) and consisting of a username and password.

Proxies or votes so submitted electronically before the Annual Shareholders' Meeting, as well as the related acknowledgments of receipt, will be considered irrevocable and binding documents. However, in the event that shares are sold before the applicable record date (midnight Paris time two business days before the meeting date), the Company will cancel or amend, as appropriate, any related proxy or electronic votes submitted before the Annual Shareholders' Meeting.

Meetings shall be chaired by the Chairman of the board of directors or in his absence by the Vice-Chairman, or in his absence by a member of the board of directors specially appointed for that purpose by the board of directors. In the event that no Chairman has been selected, the Annual Shareholders' Meeting elects its 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 Annual Shareholders' Meeting's secretary.

2.2 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 Annual Shareholders' Meeting takes place, subject to compliance with the provisions of the law. In the case of a bonus share issue paid up by capitalizing reserves, earnings or additional issue premiums, each bonus share allotted in respect of shares carrying double voting rights will also have double voting rights.

The shares are stripped of their double voting rights if they are converted into bearer shares or transferred, except in the case of the transfer from one registered holder to another as part of an inheritance or family gift.

Double voting rights may also be stripped by a decision of the Extraordinary 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 Annual Shareholders' Meeting, no shareholder may exercise, either in person or through a proxy, by virtue of single voting rights conferred by the shares they hold directly and indirectly and by virtue of the proxy votes entrusted to them, more than 10% of the total number of the voting rights conferred by shares in the company. However, if a shareholder also holds double voting rights directly or indirectly and/or as proxy, the limit set may be exceeded taking into consideration only the resulting additional voting rights, without the total voting rights thereby held exceeding 15% of the total number of the voting rights conferred by the shares in the company.

To apply these provisions:

- the total number of voting rights allowed are calculated as of the date of the Annual Shareholders' Meeting and announced to the shareholders at the beginning of such Annual Shareholders' Meeting;
- the number of voting rights held directly and indirectly are understood to include those conferred by shares held personally by a shareholder, those conferred by shares held by a legal entity controlled by a shareholder as defined by article L. 233-3 of the French Commercial Code, and those shares that are assimilated to the shares owned, as defined by the provisions of articles L. 233-7 *et seq.* of the 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 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.

2.3 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.

2.4 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.

2.5 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.

2.6 Identifiable holders of bearer shares (article 7 paragraph 3 of the articles of association)

The company may at any time request Euroclear to identify holders of bearer securities conferring immediate or future voting rights. This provision was adopted by the Combined Annual and Extraordinary Shareholders' Meetings of June 30, 1988 and May 5, 2000.

2.7 Disposal of shares (article 8 of the articles of association)

Shares in the Company are freely negotiable and transferable.

3. Capital

3.1 Share capital and voting rights

The company's share capital at December 31, 2014 amounted to EUR2,354,937,888 represented by 588,734,472 shares with a par value of EUR4, all fully paid up. 630,365,631 voting rights were attached to the 588,734,472 outstanding shares as at December 31, 2015.

3.2 Potential capital

At December 31, 2015, the potential capital consisted of:

- 1,983,139 shares under the stock option plans (plans 28 to 33);
- 5,789,875 shares under the performance shares or stock grant plans (plans 14 *ter* to 22 *ter*, excluding plans 15, 15 *bis*, 17 and 21) 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 7,773,014 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 would be 1.32% of share capital at December 31, 2015.

3.3 Authorizations to issue shares

The Combined Annual and Extraordinary Shareholders' Meetings of April 21, 2015 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 (200 million shares) by issuing shares or share equivalents with a ceiling of:
   - in the case of an issue with pre-emptive subscription rights, the ceiling stands at a nominal value of EUR800 million (200 million shares),
   - in the case of an issue without preemptive subscription rights, the ceiling stands at a nominal value of EUR230 million (57.5 million shares) with the possibility of:
     (i) proceeding to issue by private placements of shares subject to a ceiling with a nominal value of EUR115 million (28.7 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 9.8% 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 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;
4) 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.

In addition, the following authorizations were given to the board of directors at the Annual Shareholders' Meeting of April 25, 2013:

1) 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;
2) 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.

At its meeting on Wednesday, December 9, 2015, the board of directors authorized the issue of new shares to employees, within a limit of 0.63% of the capital. These capital increases reserved for employees, whether part of the Company saving plan or not, will take place in June 2016; the subscription prices will be set on that date.

A recommendation will be made at the Annual Shareholders' Meeting scheduled for April 25, 2016 (see pages 291 to 305) to renew the authorizations for new shares issued to employees as well as issues of free or performance shares and stock subscription and purchase options to employees and to corporate officers of the company and affiliated companies.

	Maximum par value of authorized capital increases	Number of shares *(millions)*	Authorization date/authorization expires	Amount used at Dec. 31, 2015 *(in millions of shares)*
I – Issues with pre-emptive subscription rights for shares or warrants,				
or other securities, giving access immediately or in the future to the capital	800 million [1]	200	Apr. 21,2015 June 20/2017	[3]
II – Issues without pre-emptive subscription rights				
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	230 million [1]	57.5	Apr. 21, 2015 June 20, 2017	[3]
b) to make private placements of shares	115 million [1] [2]	28.7	Apr. 21, 2015 June 20, 2017	
c) to issue new shares as consideration for unlisted AFS	9.8% of the capital [1] [2]	57.5	Apr. 21, 2015 June 20, 2017	
III – Employee share issues				
Company savings plan	2% of the capital [6]	11.8	Apr. 21, 2015 June 20, 2017	0.8[3]
Share issues to promote stock ownership among employees in foreign companies of the Group	1% of the capital [4] [6]	5.9	Apr. 21, 2015 Oct. 20, 2016	1.6[3]
Stock options	0.5% of the capital [7]	2.8	Apr. 25, 2013 June 24, 2016	–
Free shares or performance shares	1.8% of the capital [7]	10	Apr. 25,2013 June 24, 2016	5.8[5]

(1) The overall ceiling for issues are capped at EUR800 million in aggregate.
(2) Within the limit of the ceiling of EUR230 million of a).
(3) At its meeting on December 9, 2015, the board of directors authorized the capital increase reserved for employees, within a limit of 0.63% of the capital. These capital increases reserved for employees, whether part of the company saving plan or not, under a non-leveraged stock ownership plan, will take place in June 2016. The subscription prices will be set on that date. The capital increase restricted to employees who are members of the company savings plan will be deducted from the amount of the authorizations referred to in I and II a). In addition, capital increases reserved for employees issued in 2015 are counted towards these amounts, and resulted in the issue of 2.4 million shares.
(4) Issues of shares to entities reserved for employees in non-French subsidiaries will be deducted from the ceiling for capital increases restricted to employees who are members of the company savings plan.
(5) At the board of directors' meeting on March 31, 2014, 2.9 million shares were granted under the 2014 long-term incentive plan. The board of directors of March 27, 2015 granted 2.9 million performance shares (0.49% of the capital) as part of the long-term incentive plan for 2015. The board of directors of February 16, 2016 decided to grant performance shares at the end of March 2016 up to 3.2 million shares (0.54% of the capital) as part of the long-term incentive plan for 2016.
(6) On the date of the 2015 Annual Shareholder's Meeting, the capital is EUR2,340 million.
(7) On the date of the 2013 Annual Shareholder's Meeting, the capital is EUR2,226 million.

3.4 Three-year summary of changes in capital

The following table shows changes in Schneider Electric SA's share capital and additional paid-in-capital since December 31, 2012 through capital increases and the exercise of stock options:

	Number of shares issued or canceled	Cumulative number of shares	Total
Employee share issue	3,521,812		
Exercise of stock options and performance shares issued	2,952,178		
Capital at Dec. 31, 2012 (1)		**555,417,014**	**EUR2,221,668,056**
Employee share issue	2,752,071		
Exercise of stock options and performance shares issued	3,788,938		
Capital at Dec. 31, 2013 (2)		**561,958,023**	**EUR2,247,832,092**
Increase in share capital as a result of the contribution of Invensys shares	17,207,427		
Employee share issue	3,717,865		
Exercise of stock options and performance shares issued	1,807,827		
Capital at Dec. 31, 2014 (3)		**584,691,142**	**EUR2,338,764,568**
Employee share issue	2,413,939		
Exercise of stock options, warrants and performance shares issued	1,629,391		
CAPITAL AT DEC. 31, 2015 (4)		**588,734,472**	**EUR2,354,937,888**

(1) Increase in share capital (EUR25.9 million), increase in additional paid-in-capital (EUR195.5 million).
(2) Increase in share capital (EUR26.1 million), increase in additional paid-in-capital (EUR208.5 million).
(3) Increase in share capital (EUR90.9 million), increase in additional paid-in-capital (EUR1,137.1 million).
(4) Increase in share capital (EUR16.2 million), increase in additional paid-in-capital (EUR141.02 million).

3.5 Share buybacks

The Annual Shareholders' Meeting of May 6, 2014 authorized the company to buy back shares. This authorization was renewed at the Annual Shareholders' Meeting of April 21, 2015.

Pursuant to these authorizations, the Company bought back 10,623,464 of its own shares during the year.

Details of the share buyback program submitted for approval at the Annual Shareholders' Meeting of Monday, April 25, 2016 are as follows:

- number of shares and percentage of share capital held directly and indirectly by Schneider Electric SE (as of February 29, 2016):
  - own shares: 25,307,182 shares, *i.e.* 4,30% of share capital,
  - treasury stock: 1,058 shares,
  - total: 25,308,240 shares, *i.e.* 4,30% of share capital;
- overview of purposes for which shares have been held:
  - the 25,307,182 shares held in own shares are held for allocation on the exercise of stock options or performance shares,
- share buyback program objectives:
  - reduce the capital by canceling 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 29, 2016, a total of 58,873,559 Schneider Electric SE shares with a nominal value of EUR4,
  - taking into account treasury stock and own shares at February 29, 2016 (25,308,240 shares), the number of shares that could be bought back under the authorization is 33,565,319 or 5,7% of the capital as at February 29, 2016;
- 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,
  - EUR5,298,620,310;
- duration of the buyback program:
  - 18 months maximum, expiring on October 24, 2017;
- transactions carried out pursuant to the program authorized by the Annual Shareholders' Meeting 2014 and renewed by the Annual Shareholders' Meeting 2015 between January 1, 2015 and February 29, 2016:
  - transactions carried out by the company:
    - number of shares acquired: 12,646,834,
    - number of shares transferred since the beginning of the program: 631,766.

4. Ownership structure

4.1 Three-years summary of changes in capital (1) (2)

	Dec.31, 2015				Dec.31, 2014		Dec.31,2013	
	Capital	Number of shares	Voting rights	Number of voting rights	Capital	Voting rights	Capital	Voting rights
	%		%		%	%	%	%
Blackrock, Inc.	5.04	29,626,692	4.70	29,626,692	5.27	4.91	4.57	4.22
Group CDC	3.10	18,270,907	5.79	36,514,997	3.24	5.97	3.42	6.18
Capital Group Companies	0.00	7,228	0.00	7,228	4.16	3.88	5.44	5.01
Employees	3.84	22,609,167	5.96	37,551,765	4.01	6.26	4.19	6.52
Own shares	0.00	1,058	-	-	0.00	-	0.00	-
Treasury shares	3.95	23,283,812	-	-	2.27	-	1.41	-
Public	84.07	494,935,608	83.55	526,664,949	81.04	76.85	85.54	80.99
TOTAL	**100.00**	**588,734,472**	**100.00**	**630,365,631** (3)	**100.00**	**100.00**	**100.00**	**100.00**

(1) To the best of the company's knowledge.
(2) Table lists ownership stakes that have breached 5% ownership or voting rights threshold in previous 3 years.
(3) 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 18, 2015	BlackRock	5.04	4.73
December 17, 2015	BlackRock	4.99	4.68
December 8, 2015	BlackRock	5.02	4.69
December 3, 2015	BlackRock	4.99	4.67
November 30, 2015	BlackRock	5.02	4.69
November 12, 2015	BlackRock	4.94	4.63
November 11, 2015	BlackRock	5.00	4.69
November 6, 2015	BlackRock	4.98	4.67
November 5, 2015	BlackRock	5.12	4.80
November 3, 2015	BlackRock	4.99	4.68
October 28, 2015	BlackRock	5.23	4.91
October 26, 2015	BlackRock	5.43	5.09

Pledges on Schneider Electric SE shares

331,513 shares are pledged.

Pledges on subsidiaries 'shares

Schneider Electric SE has not pledged any shares in significant subsidiaries.

5. Employee incentive plans – Employee shareholding

5.1 Profit-sharing plans

Most of the Group's French companies have profit-sharing and other profit-based incentive plans.

The amounts paid by the Group's French entities over the last five years were:

(in millions of euros)	2015	2014	2013	2012	2011
Profit-based incentive plans and profit-sharing plans	66.4	63.5	76.7	50.9	59.9

In 2015, almost 59% of the total from incentives and profit-sharing was invested in the Schneider Electric shareholder fund and nearly 21% was cashed out by employees.

5.2 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 2015. This operation, without leverage effect, was offered to approximatively 90% of employees, 35% of employees subscribed to share capital increase and 2.4 million shares have thus been subscribed for a total amount of 135 million euros.

At December 31, 2015, Group employees held a total of 22.6 million Schneider Electric SE shares through the corporate mutual funds (FCPE) or directly, representing 3.84% of the capital and 6% 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: 34% in France where they represent 57% of employee shareholding, 6% in the United States and 60% internationally. More than 36% of employees are shareholders of the Group. They are spread among nearly 60 countries.

6. Shares and stock option plans

Shares and stock option plans (1)

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 was judged remarkable. There were 3,222 beneficiaries in the framework of the 2014 long-term incentive plan and 3,153 in the framework of the 2015 long-term incentive plan.

Allocations to Group Senior Management, including executive officers, represented 11.8% of the total attributions in the framework of the 2014 long-term incentive plan. They are of 10.9% in the framework of the 2015 long-term incentive plan.

Besides, Schneider Electric exceptionally grants free shares. These grantes are decided by the board of directors when it considers that, instead of allocating cash, a payment in shares is preferable to correlate this benefit with Group's long-term development through the evolution of the share price and/or create a retention element (see one-off lumpsum granted to executive officers under plans 19 and 20).

Description of performance shares allocated

For the French plans (plans 15, 15*bis*, 17, 17*bis*, 21 and 21*bis*), the vesting and lock-up periods for stock allocations are at least two years each.

For international plans (plans 11*bis*, 14, 14*bis*, 14*ter*, 16, 16*bis*, 18 and 18*bis*, 22 et 22*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 page 285).

Since January 2009, for executive officers, 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 was 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 had a 10-year life. They might be exercised until after the fourth year. However, they might be exercised before maturity in the case of a takeover bid for the company's shares.

Options could only be exercised by Group employees. In addition, exercise of all or part of the options was dependent on specific targets being met, detailed below (see page 282). All of the options granted to executive officers were 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 officers

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 *et seq* 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 *et seq*. The percentage is fixed at 25% for Jean-Pascal Tricoire and 15% for Emmanuel Babeau;

(1) *The figures below have been calculated where necessary to take account of the two-for-one share split, effective from September 2, 2011.*

- 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.

Executive officers formally commit for each grant of shares since 2014 not to engage in hedging transactions in respect of their own risks on the shares until the end of their duties as executive officers.

Stock options and shares held by executive officers

Mr. Jean-Pascal Tricoire

As of December 31, 2015, Mr. Jean-Pascal Tricoire's situation with regard to stock options and shares grants was as follows:

(i) 386,799 options may be exercised under plans 28, 30, 31, 33;

(ii) 194,000 shares are being acquired and are subject to performance conditions under plans 16, 17, 18, 19 a and b, 20 a, b and c, 21, 22;

(iii) 65,000 performance shares, of which 15,000 are vested under plan 15 and will become available as of March 28, 2017 and 50,000 are vested under plan 13 and will become available as of March 18, 2016;

(iv) 113,238 performance shares are vested and are available under plans 1, 3, 5, 8 and 10.

Mr. Emmanuel Babeau

As of December 31, 2015, Mr. Emmanuel Babeau's situation with regard to stock options and shares grants was as follows:

(i) 59,750 shares are being acquired under plans 17, 19 a and b, 20 a and b, 21 and 22;

(ii) 46,000 performance shares, of which 24,000 are vested under plan 15 and will become available as of March 28, 2017 and 22,000 shares are vested under plan 13 and will be available as of March 18, 2016.

6.1 Past stock option plans *

Plan	Plan date	Number of beneficiaries at inception	Number of options at inception	Exercise price *(in euros)*	Performance criteria	% of targets reached	Options cancelled by performance criteria(1)	Options outstanding at December 31, 2015(2)
28	21/12/2006	489	2,514,240	39.60	50% of options – 2007 and 2008 operating margin and revenue	100	-	615,357
29	23/04/2007	43	166,300	47.24	50% of options – 2007 and 2008 operating margin and revenue	100	-	53,951
30	19/12/2007	542	1,889,852	44.79	50% of options – 2008 and 2009 operating margin and revenue	-	887,952	313,628
31	05/01/2009	328	1,358,000	25.37	50% of options/100% for the management board – 2011 operating margin(4) and 2009 to 2011 EPS compared to a benchmark selection (3)	80	133,760	313,134
33	21/12/2009	391	1,652,686	36.92	50% of options/100% for the management board – 2010 and 2011 operating margin(2) and 2011 share of revenue generated in the new economies	100	-	687,069
			7,581,078			-	**1,021,712**	**1,983,139**

(*) The data above are adjusted of the two-for-one share split, effective September 2, 2011 and the adjustment made in May 2014 and May 2015.
(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.

6.2 Details on outstanding options (2015)*

Plan	Plan date	Type of plan[1]	Expiration date	Exercise price *(in euros)*[2]	Plans as at December 31, 2014	of which executive officers	Number of options exercised during the financial year	Number of options cancelled during the financial year	Options outstanding at December 31, 2015
28	12/21/2006	S	12/20/2016	39.60	693,388	165,925	(92,491)	14,460	615,357
29	04/23/2007	S	04/22/2017	47.24	65,398	-	(9,551)	(1,896)	53,951
30	12/19/2007	S	12/18/2017	44.79	380,578	44,283	(68,735)	1,785	313,628
31	01/05/2009	S	01/04/2019	25.37	395,791	73,930	(83,974)	1,317	313,134
33	12/21/2009	S	12/20/2019	36.92	929,495	133,486	(246,760)	4,334	687,069
					2,464,650	**417,604**	**(501,511)**	**20,000**	**1,983,139**

(*) 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 and May 2015.
(1) S = Subscription stock option plan.
(2) Average of the 20 quotations preceding the grant, with no discount or premium.

6.3 Situation of executive officers [1], broken down by plan (at December 31, 2015)*

28	Jean-Pascal Tricoire	165,905
30	Jean-Pascal Tricoire	44,298
31	Jean-Pascal Tricoire	73,930
33	Jean-Pascal Tricoire	102,681

(*) The data above are adjusted for the two-for-one split, effective September 2, 2011, and for the adjustment carried out in May 2014 and May 2015.
(1) In the role as executive officer at the date of attribution.

6.4 Past share plans (at December 31, 2015)*

Plan	Plan date	Number of beneficiaries at inception	Number of shares at inception	Acquisition/ delivery period	Lock-up period
11 *bis*	06/26/2011	1	5,882	4 years	-
12	06/26/2011	1	19,850	4 years	-
14 and 14 *bis*	12/16/2011	2,029	1,386,800	4 years	-
14 *ter*	07/27/2012	1	1,500	4 years	
15	03/28/2013	639	645,550	2 years	2 years
15 *bis*	10/24/2013	3	4,500	2 years	2 years
16	03/28/2013	2,207	1,844,830	4 years	-
16 *bis*	10/24/2013	15	19,600	4 years	-
17	03/31/2014	719	714,480	2 years	2 years
17 *bis*	10/28/2014	1	500	2 years	2 years
18	03/31/2014	2,504	2,177,320	4 years	-
18 *bis*	10/28/2014	15	30,900	4 years	
19 a and b	02/18/2015	2	14,025	2 and 3 years	3 and 2 years
20 a, b and c	02/18/2015	2	32,725	2, 3 and 4 years	3, 2 and 1 year(s)
21	03/27/2015	717	719,970	2 years	2 years
21 *bis*	10/28/2015	1	1,500	2 years	2 years
22	03/27/2015	2,438	2,095,610	4 years	-
22 *bis*	10/28/2015	20	32,650	4 years	-
22 *ter* (4)	10/28/2015	1	24,570	4 years	-
			9,772,762		

(1) Rights cancelled for non-achievement of targets.
(2) Rights after cancellations for non-achievement of targets.
(3) Excluding restructuring costs.
(4) Plan 14bis includes one beneficiary.
(5) Excluding rights created upon death and invalidity.
(6) In 2016, 83,455 shares under plan 17, 55 shares under plan 17 bis, 248,203 shares under plan 18 and 3,377 shares under plan 18 bis were cancelled as performance targets were partially met.

** The data below are adjusted for the two-for-one share split, effective September 2, 2011.*

Performance criteria	% of targets reached	Rights cancelled[1]	Executive officers[2]	Number of shares definitively granted in 2015	Total rights cancelled since the grant[5]	Rights outstanding at December 31, 2015
50% of the shares/100% for the management board – 2011 and 2012[3] operating margin and organic Group sales growth over 2011 and 2012 higher than world GDP average growth over same period	96.8	(94)	-	(5,788)	(94)	-
No performance conditions	-	-	-	(19,850)	-	-
50% of the shares/100% for the management board and Executive Committee – 2012 and 2013 [3] operating margin and change in the Planet & Society barometer at the end of 2013	100	-	-	(1,091,962)	(293,963)	-
As plan 14	100	-	-	-	-	1,500
50% of the shares/100% for the management board and Executive Committee – 2013 and 2014 [3] operating margin and change in the Planet & Society barometer at the end of 2014	100	-	39,000	(630,100)	(15,450)	-
As plan 15	100	-	-	(4,500)	-	-
As plan 15	100	-	35,000	(5,000)	(252,075)	1,586,955
As plan 15	100	-	-	-	(500)	19,100
50% of the shares/100% for the executive officers and Executive Committee – 2014 and 2015[3] operating margin, average ROCE for the years 2014 and 2015 and change in the Planet & Society barometer at the end of 2015	78	[6]	44,000	(700)	(7,650)	706,130
As plan 17	78	[6]	-	-	-	500
As plan 17	78	[6]	42,000	(4,000)	(179,230)	1,993,790
As plan 17	78	[6]	-		(200)	30,700
No performance conditions	-	-	14,025	-	-	14,025
No performance conditions	-	-	32,725	-	-	32,725
50% of the shares/100% for the executive officers and Executive Committee – 2015 and 2016[3] operating margin, average ROCE for the years 2015 and 2016 and change in the Planet & Society barometer at the end of 2016	-	-	25,800	(300)	(5,600)	714,070
As plan 21	-	-	-	-	-	1,500
As plan 21	-	-	60,200	-	(43,750)	2,051,860
As plan 21	-	-	-	-	-	32,650
No performance conditions	-	-	-	-	-	24,570
		(94)	**292,750**	**(1,762,200)**	**798,512**	**7,210,075**

6.5 Situation of executive officers [1], broken down by share plan (at December 31, 2015)

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 [2]
3	Jean-Pascal Tricoire	6,750 [2]
5	Jean-Pascal Tricoire	22,500 [2]
8	Jean-Pascal Tricoire	25,000 [2]
10	Jean-Pascal Tricoire	48,400 [2]
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
19 a, b	Jean-Pascal Tricoire	11,700
19 a, b	Emmanuel Babeau	2,325
20 a, b, c	Jean-Pascal Tricoire	27,300
20 a, b	Emmanuel Babeau	5,425
21	Jean-Pascal Tricoire	18,000
21	Emmanuel Babeau	7,800
22	Jean-Pascal Tricoire	42,000
22	Emmanuel Babeau	18,200

(1) In the role as executive officer 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, February 22, 2014 for plan 8 and March 17, 2016 for plan 10.

6.6 Options granted and exercised and stock grants made to the 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 (excluding executive officers) and options exercised by them

	Number	Exercise price/Average weighted price	Plans
Options exercised in 2015 of which the number of shares bought or subscribed is the highest	111,582	EUR36.17	28-30-31-33

Shares awarded to the ten most highly paid employees (excluding executive officers)

	Number	Plan
2015 Performance Shares grant (annual plan allocation of March 27, 2015)	213,000	21-22

7. Disclosure of information required in accordance with article L. 225-100-3 of the French Commercial Code (*Code de commerce*)

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 163) 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 42);
- statutory restrictions in the articles of association on the exercise of voting rights (see page 274) 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 (compartment 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)*	Value *(in millions of euros)*	High(1)	Low(1)	Number of trading sessions
2014	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
2015	January	51,163	3,242	69.00	56.52	21
	February	32,167	2,232	72.20	66.32	20
	March	36,712	2,654	74.82	69.76	22
	April	40,125	2,836	75.29	64.88	20
	May	38,445	2,640	71.35	65.56	20
	June	61,095	3,972	69.48	61.93	22
	July	47,682	2,981	64.68	59.01	23
	August	47,139	2,739	65.26	52.03	21
	September	53,400	2,839	57.04	48.57	22
	October	46,562	2,436	55.60	49.02	22
	November	39,011	2,232	60.00	54.16	21
	December	46,029	2,519	59.92	51.37	22
	TOTAL 2015	**539,530**	**33,322**	**75.29**	**48.57**	**256**
2016	January	56,570	2,744	51.95	45.57	20
	February	50,791	2,552	54.90	45.32	21

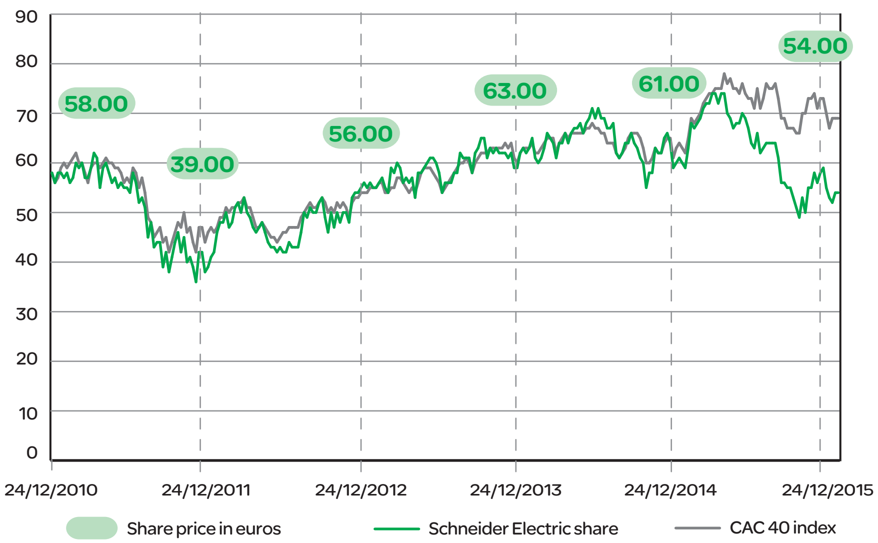
(1) The data are adjusted for the two-for-one share split, effective September 2, 2011.

Five-year trading summary

	2015	2014	2013	2012	2011
Average daily trading volume on the Paris stock exchanges (NYSE Euronext):					
• Number of shares *(in thousands)*	2,107.54	1,672.33	1,439.54	1,886.81	2,316.01
• in million euros	130.16	106.20	84.70	89.36	115.78
High and low share prices *(in euros)*					
• high	75.29	72.22	66.99	56.37	61.83
• low	48.57	52.59	52.49	39.40	35.00
Year-end closing price *(in euros)*	52.56	60.61	63.40	54.83	40.68
Yield *(%)*	3.81	3.17	2.95	3.41	4.18

The data correspond to trading volumes on NYSE Euronext.

The Schneider Electric SE share results versus the CAC 40 index over five years



MONEP

Schneider Electric SA shares have been traded on the MONEP market since December 20, 1996.

8.1 Ordinary bonds

The information is disclosed in note 9 of the company financial statements (pages 262 and 263).

9. Investor relations

9.1 Person responsible for financial information

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

9.2 Contacts

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.

9.3 Shareholders' Advisory Committee

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/

8 Annual Shareholders' Meeting

1. Report of the board of directors to the Combined Annual and Extraordinary Shareholders' Meeting

1.1 Ordinary Meeting

Approval of the parent company financial statements – First Resolution

We ask you to approve the transactions and financial statements for the year 2015, as presented, which show a net loss of EUR52.6 million. This loss is a result of the policy implemented by your company since 2013 to strengthen the company's equity from its wholly-owned subsidiary Schneider Electric Industries SAS. In effect, your company, which has EUR10 billion in equity, opts to leave at the level of Schneider Electric Industries SAS, which owns all of the entities which form the Group, any dividends and financial income that the latter receives from its own subsidiaries in order to allow it to have an appropriate level of equity.

Approval of the consolidated financial statements – Second Resolution

We request that you approve the transactions and consolidated financial statements for the year 2015, as presented, which show net income for the Group of EUR1,407 million and an adjusted net income from non-recurring items (asset impairment, restructuring costs, gains and losses linked to business disposals…) of EUR2,119 million.

Distribution: appropriation of income, withholding on share premiums and setting of a coupon of EUR2 per share - Third Resolution

We recommend offsetting the loss from the financial year and the losses carried forward on issue premiums associated with the contribution of Legrand shares.

We also recommend a distribution of **EUR2 per** EUR4 par nominal value share, which represents a distribution rate 53.2% of the Group's net adjusted income. It will be paid on **May 9, 2016** on 588,734,472 shares with dividend rights on January 1, 2015 that made up the capital on December 31, 2015. No dividend will be paid on shares held in treasury by the company on the payment date.

This distribution which amounts to EUR1,177,468,944 shall be drawn from issue premiums relating to the transfer of Legrand shares.

The distribution will be paid on May 9, 2016, according to the following schedule:

Coupon ex-date	Thursday, May 05, 2016
Record date	Friday, May 06, 2016
Coupon payment date	Monday, May 09, 2016

For individual shareholders resident for tax purposes in France, the distribution of EUR2 per share constitutes contribution repayment. On this basis, it cannot be imposed for income tax, in application of Article 112-1° of the French Tax Code, because all earnings and reserves other than the legal reserve have otherwise been allocated.

Shareholders are invited to consult their usual advisors for any further precision regarding the applicable tax regime.

Dividends paid by Schneider Electric SA in respect of the three most recent financial years are as follows:

EUR	**2012**	**2013**	**2014**
Net dividend paid per share in EUR	1.87	1.87	1.92

Agreements regulated by articles L. 225-38 and L. 225-42-1 – Fourth Resolution

We ask you to take note of the statutory auditor's report on regulated agreements and obligations prepared in accordance with Article R.225-40 of the French Commercial Code regarding the implementation during the financial year of agreements and obligations already approved by the Annual Shareholders' Meeting. These agreements and obligations mainly concern the compensation of the Lead Director and the status of Jean-Pascal Tricoire and Emmanuel Babeau.

Consultation of shareholders on individual Group compensation of corporate officers – Fifth and Sixth Resolutions

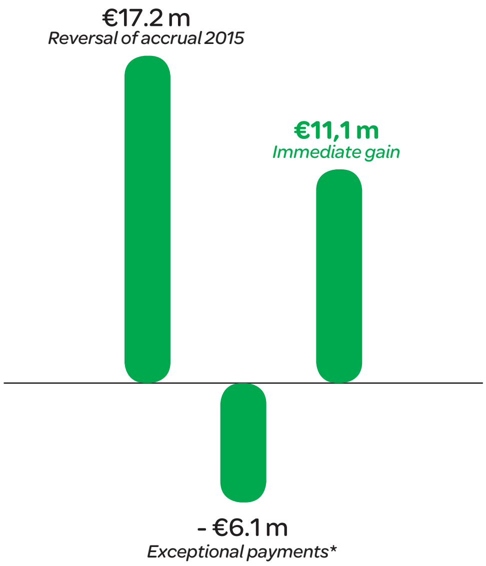
In accordance with the recommendations of the AFEP/MEDEF corporate governance guidelines, you are asked to give a favorable opinion on the compensation elements due or awarded to your company's corporate officers for the 2015 FY. These elements are presented in the tables below, and are further detailed in Section 3.7 of the registration document.

By the **Fifth Resolution** you are asked to give a favorable opinion on the elements of Mr. Jean-Pascal Tricoire's 2015 compensation and by the **Sixth Resolution** on those of Mr. Emmanuel Babeau.

You are reminded that at its meeting held on February 18, 2015, the board of directors decided to remove the right to a defined benefit pension scheme (Article 39) for corporate executive officers, and leave them to deal personally with building up their additional pension. For this purpose, the board of directors authorized complementary payments (see below) whose amount set by the board **leads to reducing by half (52%) the gross value** of what the persons concerned would have received from the supplementary pension scheme that has been eliminated.

Moreover, the decisions of the board of directors result in **a reversal of provisions of EUR17 million in the 2015 FY accounts and represent, at long term, savings then estimated at EUR18 million** in compulsory levies for the supplementary pensions of the two corporate executive officers, supposing that they both retire on reaching the age of 62.

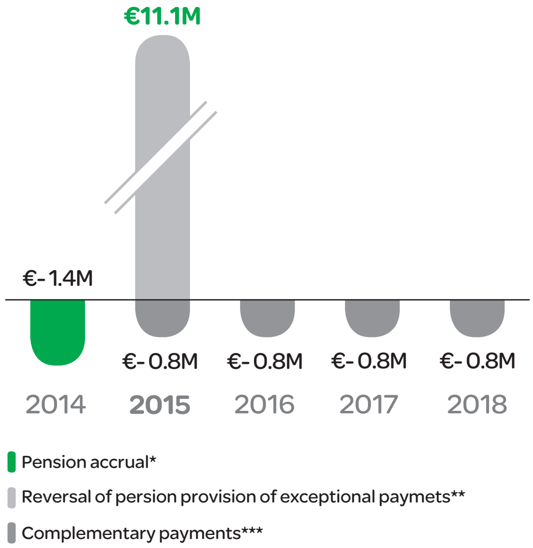
> IMPACT OF THE DECISIONS OF THE BOARD OF DIRECTORS CONCERNING RETIREMENT: AN IMMEDIATE GAIN OF EUR11.1 MILLION



* *Exceptional payments in cash and through allocation of shares, including social charges.*

> PROJECTED IMPACT FOR THE COMPANY ON THE REMOVAL OF THE SUPPLEMENTARY PENSION SCHEMES FOR MR. TRICOIRE AND MR. BABEAU

Change decided in February 2015 has resulted, on a non recurring basis, in a gain for the company through a reversal of provision and, on a recurring basis, in savings for the company equal to the difference between cost of annual accrual and complementary payments.



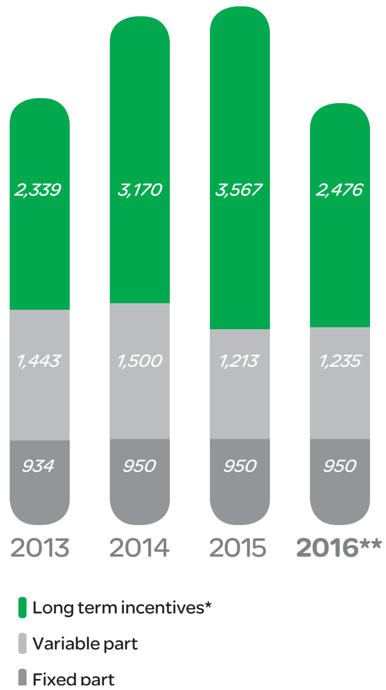
* *Supplementary pensions (article 39) provision*

** *Reversal of accrual net of exceptional components paid by the company, including full IFRS2 charge of free shares and 2015 social charges*

*** *Annual fixed and target variable complementary payments and social charges*

We draw your attention to the fact that total compensation and payments to Mr. Jean-Pascal Tricoire and Mr. Emmanuel Babeau for the year 2015 include exceptional, non-recurrent elements. The annual recurrent remuneration and payments for retirement are detailed in tables below.

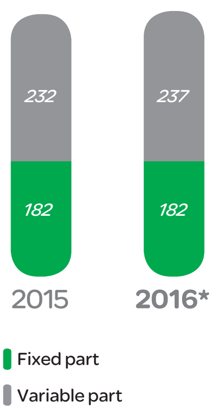
> ANNUAL FIXED AND VARIABLE COMPENSATION PLUS LONG-TERM INCENTIVES FOR MR. TRICOIRE (IN THOUSANDS OF EUROS) FOR THE YEARS 2013 TO 2016



* On the basis of an IFRS share valuation estimate of performance shares.

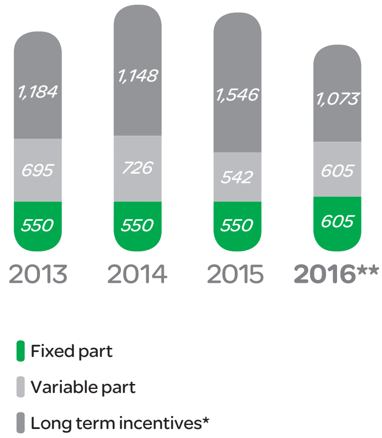
** Based on a target compensation.

> COMPLEMENTARY PAYMENTS (FIXED AND VARIABLE PARTS) FOR RETIREMENT TO MR. TRICOIRE (IN THOUSANDS OF EUROS) FOR THE YEARS 2015 AND 2016



* Based on a target compensation.

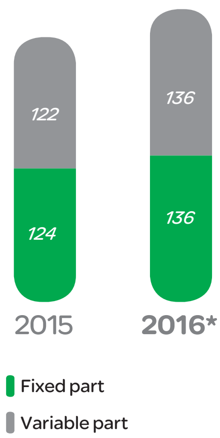
> ANNUAL FIXED AND VARIABLE COMPENSATION PLUS LONG-TERM INCENTIVES FOR MR. BABEAU (IN THOUSANDS OF EUROS) FOR THE YEARS 2013 TO 2016



* On the basis of an IFRS 2 valuation estimate of performance shares.

** Based on a target compensation.

> COMPLEMENTARY PAYMENTS (FIXED AND VARIABLE PARTS) FOR RETIREMENT FOR MR. BABEAU (IN THOUSANDS OF EUROS) FOR THE YEARS 2015 AND 2016



* Based on a target compensation.

Mr. Jean Pascal Tricoire, Chairman and CEO

I – Elements of compensation due or awarded for the past FY

	Amounts submitted to the vote	Description
1) Fixed portion	€950,000	Gross annual fixed compensation of €950,000 from January 1, 2015 to December 31, 2015 set by the board of directors on February 18, 2015. This compensation remains unchanged since 2013.
2) Variable portion	€1,213,182	The target variable portion amounts to 130% of fixed compensation. The variable portion may vary from 0 to 260% depending on achievement of objectives. In 2014 the target variable portion amounted to 120%, with a possible variation from 0 to 240%. Explanations on the executive officers' compensation policy and evolution of this compensation are set forth on page 151. As a result, it has been increased to strengthen: • Mr. Tricoire's position in relation to compensations for CEOs of CAC40 companies, as well as the market for CEOs of international companies (US and European) in the Group's activity sector defined by a panel; • the variability of Mr. Tricoire's total compensation in relation to the company's performance. At the Board meeting held on February 16, 2016, variable portions for 2015 paid in March 2016 were set at 127.7% of the fixed portion which represents an achievement rate of 98.23% on a base 100. This calculation is broken down as follows: 1) In connection with Group criteria (75%), the variable portion amounted to 93.7% of the fixed portion, *i.e.* an achievement rate of 96.1% on a base 100; Group criteria included: • A Group economic criteria component. These criteria are based on organic sales growth (15%), adjusted EBITA (15%) and cash generation targets (15%); • A component comprising criteria that are (i) in line *with the Schneider is On company program* (25%), evaluated amongst other things through customer satisfaction objectives (5%), services development (10%), development and succession plan of key talent (10%) as well as (ii) corporate social and environmental responsibility assessed through trends in the Planet & Society barometer (5%); 2) With respect to individual objectives (25%), which are specific objectives and, wherever possible, quantified, the board set the variable portion at 34%, *i.e.* an achievement rate of 104.6% on a base 100.
3) Complementary payments Exceptional payment	 €2,150,000 and €650,000 for 11,700 free shares according to IFRS valuation €1,500,000 for 27,300 free shares according to IFRS valuation	Complementary payments intended to take account of the fact that, following the decision of the board of directors on February 18, 2015 to remove the benefit from Article 39 defined benefit pension scheme for corporate executive officers, Mr. Tricoire is personally responsible to build up his additional pension. To determine this authorized complementary remuneration, the board of directors relied on the work of an independent expert, namely the firm TOWERS WATSON. Besides, the Board of Directors also ensured that this payment was in line with shareholders' interests. Accordingly, as regards: i) The exceptional component, which constitutes a one-off lump sum payment to build up a pension, it provided that payment be made half in cash and half in the form of company shares subject to acquisition/holding periods of five years. – 11,700 free shares were granted under the French plan to Mr. Tricoire in his capacity as Chairman and CEO of Schneider Electric SE – 27,300 free shares were granted under the International plan to Mr. Tricoire in his capacity as Schneider Asia Pacific CEO. This payment in share allows to correlate one-off lump sum to the company's long-term development through the evolution of its share price and to create a retention element.
Annual complementary fixed portion	€182,000	ii) The annual complementary component, it provided a split it into a fixed part and a variable part dependent on performance criteria. This variable part is aligned in terms of rate (target rate of 130% of the fixed complementary part and variable part varying from 0 to 260%) and criteria of the annual variable part (see above).

	Amounts submitted to the vote	**Description**
		All these complementary payments are intended to enable Mr. Tricoire to build up his pension. He formally agreed to redirect these complementary payments, net of taxes, to investment vehicles devoted to financing his additional pension. The decision of the Board of Directors to remove the benefits of the two corporate executive officers' supplementary pensions has notably resulted in a provision reversal of EUR17 million in the 2015 accounts for corporate officers. It will generate substantial savings for the company, and in turn for its shareholders, linked i) to the fact that the level of complementary payments set by the board of directors leads to reducing by half (52%) the gross value of what Mr. Tricoire would have received from the supplementary pension scheme that has been canceled and ii) savings then estimated at EUR18 million in compulsory levies for the supplementary pensions of the two corporate executive officers, supposing that they both retire on reaching the age of 62.
Annual complementary variable portion	€232,420	At the meeting held on February 16, 2016 the annual complementary variable portion for 2015 paid in March 2016 was set by the Board of Directors at 127.7% of the annual complementary fixed portion, *i.e.* an achievement rate of 98.23% on a base 100. The calculation was broken down in the same way as that of the variableportion presented in 2) above.
4) Performance shares	€1,093,680 for 18,000 performance shares according to IFRS valuation €2,473,380 for 42,000 performance shares according to IFRS valuation	These 18,000 performance shares were granted under the French plan to Mr. Tricoire in his capacity as Chairman and CEO of Schneider Electric SE • These 42,000 performance shares were granted under the International plan to Mr. Tricoire in his capacity as Schneider Electric Asia Pacific CEO. 100% of these performance shares are subject to performance criteria: • 70% of the shares are contingent on the level of achievement of an adjusted EBITA operating margin objective at constant scope (scope of consolidation on December 31, 2014) on 2015 and 2016 FY as follows: 0% if the level is ≤13%, 100% if the level is ≥14%, with a linear progression between the two points; • 15% of the shares are conditional on 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 between adjusted EBITA after tax and the average capital employed; • 15% of the shares are contingent on the progress of the Planet & Society barometer index at the end of 2016 as follows: 0% if the index is lower than or equal to 4, 100% if the index is higher than or equal to 5, with a linear progression between the two points. 25% of the shares vested are subject to a holding requirement until such time as Mr. Tricoire ceases his duties. Furthermore, in the event of vested shares being sold, Mr. Tricoire is required to reinvest 10% of the price of sale in Schneider Electric shares (net of taxes and contributions). These obligations are suspended insofar as Mr. Tricoire holds Schneider Electric shares with a value representing three times his annual fixed compensation. The percentage of capital represented by Mr. Tricoire's share allocation is 0.01%. Date of authorization by the Annual Shareholders' Meeting: April 25, 2013 Resolution number: Sixteenth Date of the award decision by the board of directors: March 27, 2015.
5) Attendance fees	€0	Mr. Tricoire has waived his attendance fees.
6) Other benefits	€1,404 €7,535	This concerns the employer matching contribution paid to subscribers to the capital increase reserved for employees. Date of approval by the board: February 18, 2015. Mr. Tricoire has benefited from the profit sharing Date of approval by the Board: February 18, 2015.

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	€0	Mr. Tricoire is entitled to involuntary termination benefits in case of change of control or strategy and taking into account the non-compete compensation described below, capped at twice the arithmetical average of his annual fixed and variable remuneration (*i.e.* inclusive of compensation and complementary payments) paid over the last three years and authorized by the Board of Directors. (See Section 3-7 of the 2015 Registration Document). Board decision of June 18-19, 2013. Date of approval by the Annual Shareholders' Meeting: May 6, 2014 (Fifth Resolution)
Non-compete compensation	€0	Mr. Tricoire may receive non-compete compensation for a period of one year capped at 6/10th of his average gross compensation – *i.e.* including annual complementary payments – fixed and target variable – over the last 12 months of service). (See Section 3-7 of the 2015 Registration Document). Board decisions of 2009, 2012, and June 18-19, 2013. Dates of approval by the Annual Shareholders' Meeting: 2009, 2012 and May 6, 2014
Supplementary pension scheme	€0	By decision of the board of directors' meeting of February 18, 2015, Mr. Tricoire has lost the benefits of the fixed benefit pension scheme of 1995 and 2012 for French executives (Article 39), as well as those from the Article 83 from which he previously benefitted. *See Section 3-7 of the 2015 registration document.* Board decision of February 18, 2015 Date of approval by the Annual Shareholders' Meeting: April 21, 2015 (Fifth Resolution)
Supplementary Life & Disability scheme	€0	Mr. Tricoire benefits from rights to (i) a life-time annuity to the benefit of his surviving spouse in the event of his decease before retirement or if he leaves the company after the age of 55 without taking up any other employment. This life-time annuity shall be equal to 60% of 25% of the average compensation paid (*i.e.* including annual complementary payments) over the three years preceding the date of his decease, less any theoretical income that may have been obtained under insurance conditions as a result of complementary payments already made (see above) (ii) a disablement pension, revertible to the surviving spouse, in cases of disablement leading to the cessation of any professional activity as from the date of his retirement, equal to 25% of the average compensation paid (*i.e.* including annual complementary payments) over the three years prior to his disablement, minus 1.25% per missing quarter required for obtaining a full-rate pension and less the theoretical income that may have been obtained through insurance schemes at the time of disablement resulting from any complementary payments already made. See Section 3-7 of the 2015 registration document. Board decision of February 18, 2015. Date of approval by the Annual Shareholders' Meeting: April 21, 2015 (Fifth Resolution) Moreover, in addition to the benefits of the collective providence scheme applicable to Schneider Electric SE and Schneider Electric Industries SAS employees covering risks of illness, disablement and decease, Mr. Tricoire also benefits from the complementary cover granted to French executives in the Group against risks of illness, incapacity, disablement and decease. Providence compensation and complementary cover are subject to performance conditions. Board decisions of 2009, 2012, and June 18-19, 2013 and February 18, 2015. Dates of approval by the Annual Shareholders' Meeting: 2009, 2012, 2013 and April 21, 2015 (Fifth Resolution)

Mr. Emmanuel BABEAU, Deputy CEO

Mr. Emmanuel BABEAU, Deputy CEO

I – Elements of compensation due or awarded for the past FY

	Amounts submitted to the vote	Description
1) Fixed portion	€550,000	Gross annual fixed remuneration of €550,000 from January 1, 2015 to December 31, 2015 set by the Board of Directors on February 18, 2015. This compensation remains unchanged since 2013.
2) Annual variable portion	€542,208	The target variable portion amounts to 100% of fixed compensation. The variable portion may vary from 0 to 200% depending on achievement of objectives. In 2014 the target variable portion amounted to 100%. The board of directors of February 16, 2016 set the variable portion 2015 paid in March 2016 to 99% of the fixed portion, *i.e.* an achievement rate of 99% on a base 100. This calculation was broken down as follows: 1) In connection with Group criteria (75%), the variable portion amounted to 77.3% of the fixed portion, *i.e.* an achievement rate of 103% on a base 100; Group criteria included: • a Group economic criteria component. These criteria are based on organic sales growth (15%), adjusted EBITA (15%) and cash generation targets (15%); • a component comprising criteria that are (i) in line *with the Schneider is On company program* (25%), evaluated amongst other things through customer satisfaction objectives (5%), services development (10%), the succession plan of key talents (10%) development and succession plan of key talents (10%) as well as (ii) corporate social responsibility assessed through trends in the Planet & Society barometer (5%); 2) With respect to individual objectives (25%), which are specific objectives and, wherever possible, quantified, the board set the variable portion at 21.25%, *i.e.* an achievement rate of 85% on a base 100.
3) Complementary payments Exceptional fixed payment	€870,000 and €130,000 for 2,325 free shares according to IFRS valuation €300,000 for 5,425 free shares according to IFRS valuation	Complementary payments intended to take account of the fact that, following the decision of the Board of Directors on February 18, 2015 to remove the benefit from Article 39 defined benefit pension scheme for corporate executive officers, Mr. Babeau is personally responsible to build up his additional pension. To determine this authorized complementary remuneration, the board of directors relied on the work of an independent expert, namely the firm TOWERS WATSON. Besides, the Board of Directors also ensured that this payment was in line with shareholders' interests. Accordingly, as regards: i) The exceptional component, which constitutes a one-off lump sum payment to build up a pension, it provided that payment be made half in cash and half in the form of company shares subject to acquisition/holding periods of five years. – These 2,325 free shares were granted under the French plan to Mr. Babeau in his capacity as Deputy CEO of Schneider Electric SE. – These 5,425 free shares were granted to under the International plan to Mr. Babeau in his capacity as CEO of Invensys This payment in share allows to correlate one-off lump sum to the company's long-term development through the evolution of its share price and to create a retention element.
Annual complementary fixed portion	€124 000	ii) The annual complementary component, it provided a split it into a fixed part and a variable part dependent on performance criteria. This variable part is aligned in terms of rate (target rate of 100% of the fixed complementary part and variable part varying from 0 to 200%) and criteria of the annual variable part (see above). All these complementary payments are intended to enable Mr. Babeau to build up his pension. He formally agreed to redirect these complementary payments, net of taxes, to investment vehicles devoted to financing his additional pension. The decision of the Board of Directors to remove the benefits of the two corporate executive officers' supplementary pensions has notably resulted in a provision reversal of EUR17 million in the 2015 accounts for corporate officers. It will generate substantial savings for the company, and in turn for its shareholders, linked i) to the fact that the level of complementary payments set by the board of directors leads to reducing by half (52%) the gross value of what Mr. Babeau would have received from the supplementary pension scheme that has been canceled and ii) savings then estimated at EUR18 million in compulsory levies for the supplementary pensions of the two corporate executive officers, supposing that they both retire on reaching the age of 62.

Annual complementary variable portion	€122 243	At the meeting held on February 16, 2016 the annual complementary variable portion for 2015 paid in March 2016 was set by the Board of Directors at 99% of the annual complementary fixed portion, *i.e.* an achievement rate of 99% on a base 100. This calculation was broken down in the same way as that of the variable portion presented in 2) above.
4) Performance shares	€473,928 for 7,800 performance shares according to IFRS valuation €1,071,798 for 18,200 performance shares according to IFRS valuation	These 7,800 performance shares were granted under the French plan to Mr. Babeau in his capacity as Deputy CEO of Schneider Electric SE. These 18,200 performance shares were granted to under the International plan to Mr. Babeau in his capacity as CEO of Invensys. 100% of these performance shares are subject to performance criteria: • 70% of the shares are contingent on the level of achievement of an adjusted EBITA operating margin objective at constant scope (scope of consolidation on December 31, 2014) on 2015 and 2016 FY as follows: 0% if the level is ≤13%, 100% if the level is ≥14%, with a linear progression between the two points; • 15% of the shares are conditioned on 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 between adjusted EBITA after tax and the average capital employed; • 15% of the shares are contingent on the progress of the Planet & Society barometer index at the end of 2016 as follows: 0% if the index is lower than or equal to 4, 100% if the index is higher than or equal to 5, with a linear progression between the two points. 15% of the shares vested are subject to a holding requirement until such time as Mr. Babeau ceases his duties. Furthermore, in the event of vested shares being sold, Mr. Babeau is required to reinvest 10% of the price of sale in Schneider Electric shares (net of taxes and contributions). These obligations are suspended insofar as Mr. Babeau holds Schneider Electric shares with a value representing twice his annual fixed compensation. The percentage of capital represented by Mr. Babeau's share allocation is 0.004%. Date of authorization by the Annual Shareholders' Meeting: April 25, 2013. Resolution number: Sixteenth. Date of the award decision by the board of directors: March 27, 2015.
5) Attendance fees	N/A	
6) Other benefits	€1,404	Mr. Babeau received the employer matching contribution paid to subscribers to the capital increase reserved for employees. Board authorization: February 18, 2015
	€7,535	Mr. Babeau benefited from the incentive plan, profit-sharing. Board authorization: February 18, 2015
	€14,881	Mr. Babeau benefited from a company car. Board authorization: February 18, 2015

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	€0	Mr. Babeau is entitled to involuntary termination benefits in case of change of control or strategy and taking into account the non-compete compensation described below, amounting to twice the arithmetical average of his annual fixed and variable portions (*i.e.* inclusive of compensation and complementary payments) paid over the last three years and authorized by the Board of Directors. (See Section 3-7 of the 2015 registration document). Board decision of June 18-19, 2013 and February 18, 2015. Date of approval by the Annual Shareholders' Meeting: May 6, 2014 and April 21, 2015 (Sixth Resolution).
Non-compete compensation	€0	Mr. Babeau may receive non-compete compensation for a period of one year capped at 6/10th of his average gross compensation (monthly average of total gross compensation, *i.e.* including annual complementary payments — fixed and target variable – over the last 12 months of service). (See Section 3-7 of the 2015 registration document). Board decisions of June 18-19, 2013. Dates of approval by the Annual Shareholders' Meeting: May 6, 2014 and April 21, 2015.
Supplementary pension scheme	€0	Mr. Babeau has lost the benefits of the fixed benefit pension scheme of 1995 and 2012 for French executives (Article 39), as well as those from Article 83 from which he previously benefited for French executives of the Group, due to giving up his employment contract with Schneider Electric Industries SAS, on February 18, 2015. See Section 3-7 of the 2015 registration document. Application of the board's February 18, 2015 decision relating to the cancelation of the benefit from an Article 39 supplementary pension scheme for corporate executive officers.
Supplementary providence scheme	€0	Mr. Babeau benefits from rights to (i) a life-time annuity to the benefit of his surviving spouse in the event of his decease before retirement or if he leaves the company after the age of 55 without taking up any other employment. This life-time annuity shall be equal to 60% of 25% of the average compensation paid (*i.e.* including annual complementary payments) over the three years preceding the date of his decease, less any theoretical income that may have been obtained under insurance conditions as a result of complementary payments already made (see above) ii) a disablement pension, revertible to the surviving spouse, in cases of disablement leading to the cessation of any professional activity as from the date of his retirement, equal to 25% of the average compensation paid *i.e.* including annual complementary payments) over the three years prior to his disablement, minus 1.25% per missing quarter required for obtaining a full-rate pension and less the theoretical income that may have been obtained through insurance schemes at the time of disablement resulting from any complementary payments already made. See Section 3-7 of the 2015 registration document. Board decision of February 18, 2015. Date of approval by the Annual Shareholders' Meeting: April 21, 2015 (Sixth Resolution) Moreover, in addition to the benefits of the collective providence scheme applicable to Schneider Electric SE and Schneider Electric Industries SAS employees covering risks of illness, disablement and decease, Mr. Babeau also benefits from the complementary cover granted to French executives in the Group against risks of illness, incapacity, disablement and decease. Providence compensation and complementary cover are subject to performance conditions. Board decisions of 2009, 2012, 2013 and February 18, 2015. Dates of approval by the Annual Shareholders' Meeting: 2009, 2012, 2013 and April 21, 2015 (Sixth Resolution)

Composition of the board of directors – Seventh to Twelfth Resolutions

Your board of directors, at its meeting on February 16, 2016, noted the decisions of Messrs. Noël Forgeard, Henri Lachmann and Richard Thoman not to renew their terms of office approaching expiry at the closing of the 2016 Generale Assembly. It also noted the resignations of Mr. Jeong Kim at the close of 2016 Shareholders' meeting and of Ms. Lone Fønss Schrøder.

Your board of directors was keen to highlight all the recognition that the company owes these individuals who have supported the Group through different step of it's strong development.

It paid tribute in particular to Mr. Henri Lachmann who was its Chairman and Chairman of the supervisory board.

Your board of directors decided, at the recommendation of its Governance and Remunerations Committee, to propose the following appointments and re-elections of directors for your approval:

- the appointment of Ms. Cécile Cabanis and Mr. Fred Kindle; and
- the re-election of Messrs. Léo Apotheker, Xavier Fontanet, Antoine Gosset-Grainville and Willy Kissling.

These recommendations are part of your Board's Policy of 'Regeneration': the aims of which are as follows:

- to increase its internationalization while maintaining a certain geographical balance;
- to increase the female quota with a view to achieving female representation of over 40% by 2017;
- to bring new skills on board, which also rejuvenate its composition;
- to achieve a tighter format.

Ms. Cabanis, Chief financial officer and member of the Executive Committee of Danone, was appointed by your board of directors as a non-voting member on October 28, 2015. She will bring to the board her excellent understanding of financial matters, her knowledge of marketing technologies and her experience, gained both in France and abroad, within a major multinational group.

Ms. Cabanis, aged 44 and of French nationality, graduated from Agro Paris Grignon, started her career in 1995 at L'Oréal in South Africa, where she occupied the positions of Logistics Manager and Management Control Manager, before moving to France where she worked as an Internal Auditor. In 2000, she became Deputy Director of the France Télécom Group's Mergers and Acquisitions Department. In 2004, she joined Danone as Corporate Finance Director. In 2005, she was appointed Business Development Director at Danone, and in 2008 became Financial Director for Fresh Dairy Products in the Western Europe region. In September 2010, Cécile Cabanis was appointed Financial Director for Fresh Dairy Produce. Since January 2015, she has been Chief financial officer and a member of the Executive Committee of Danone Ms. Cabanis is also Director of Danone Russia, Danone Industria, Danone CIS Holdings BV, Danone Djurdjura and the Danone pour l'Ecosystème Fund.

Ms. Cabanis will be an independent director. She holds 1,000 Schneider Electric SE shares.

Mr. Kindle, aged 56 and a citizen of Liechtenstein, is an independent consultant and Director for companies. He was CEO of the ABB Group from 2004 to 2008. He brings to the board his wealth of knowledge of the Group's activities and markets, his international experience and his strong operational and financial expertise.

He graduated from the Swiss Federal Institute of Technology (ETH) in Zurich and holds an MBA from Northwestern University, Evanston, USA. Fred Kindle started his career in Liechtenstein and after at joining McKinsey & Company in New York and Zurich. He then joined the Swiss group Sulzer. He was Chief Executive Officer of Sulzer Industries before being appointed CEO of Sulzer AG in 2001. In 2004, he joined the **ABB** group of which he was CEO from 2005 to 2008. He then became a partner at Clayton, Dubilier & Rice LLP, a private equity fund based in London and New York.

He will bring to the Board his deep knowledge in the group's Business Activities, his International experience and strong operational and financial expertise. He is currently Vice-President of **Zurich Insurance Group Ltd** (Switzerland) and Chairman of the board of directors of **VZ Holding AG**. He is a former Director of **Rexel**.

Fred Kindle will be an independent director. He holds 40,000 Schneider Electric SE shares. Mrs. Cabanis and Mr. Kindle will be appointed to the audit and risk committee.

The biographies of Messrs. Léo Apotheker, Xavier Fontanet, Antoine Gosset-Grainville and Willy Kissling can be found on pages 130. We would like to highlight that they are appointed as independent directors according to the definition provided in the Corporate Governance Code of listed AFEP/MEDEF companies, with the exception of Mr. Kissling since he has been on the Board for over 12 years.

If you approve these proposals, the board of directors will be 38.5% female, 45% of non-French origin and 74% independent directors. Indeed, your board of directors considers that in addition to Mr. Jean-Pascal Tricoire and Ms. Magali Herbaut, who represents employee shareholders, Mr. Willy Kissling and Mr. de La Martinière do not have the status of independent director. 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.

Review of attendance fees – Thirteenth Resolution

In the Thirteenth Resolution, your Board recommends increasing the budget of attendance fees allocated to members of the board, which was fixed in 2013 by the Annual Shareholders' Meeting, from EUR1,300,000 to EUR1,500,000. This review is made with a view to taking into account the directors' increasing workload. On this subject, the board held nine meetings in 2015 lasting 6 hours on average (3 hours 50 minutes in 2013). The work of the committees has also increased. However, the members of the Board are all members of at least one committee, and a third of them are members of two committees. Moreover, in addition to the preparatory work for every board and committee meeting, the members of the board are expected to attend training/information days and meetings with management, which totaled four days in 2015.

Furthermore, your board of directors also considers that a revaluation of the attendance fees allocated to directors is important in order to attract the best international skills. In this respect, the median compensation of S&P 500 US companies non executive directors is 255,000 US dollars in 2015.

We remind you that, in 2014, eight companies in the CAC40 reported an overall attendance fee package in excess of EUR1.3 million.

Re-appointment of statutory auditors – Fourteenth Resolution to Seventeenth Resolution

The board of directors, at the recommendation of the Audit & Risks Committee, proposes re-electing as statutory auditors for the company the firms Ernst & Young et Autres and Mazars, as well as re-electing the alternate auditors, whose terms of office are due to expire at the Annual Shareholders' Meeting to approve the 2015 annual accounts.

It has come to the Board's attention that in addition to the fact that the signatory partners of each of the two firms will have been reappointed respectively in 2015 and 2016, assuring a renewal to the approach to audits:

- in application of the new European standards on statutory auditing, the firm Ernst & Young et Autres may not be re-elected beyond 2022 and the firm Mazars beyond 2028;
- an invitation to tender would mean significant workload for the Group's teams, while, given the rules regarding incompatibilities, an invitation to tender of this kind in 2015 only offered a few alternatives;
- that an invitation to tender in 2022 should attract more applications because the new rules regarding statutory auditing focus mainly on identifying new players.

Accordingly, your board of directors considered that it was in the Company's best interests to re-elect the statutory auditors, particularly as they have an excellent understanding of the Group and are perfectly equipped to ensure good audit coverage, which are important factors to take into account in the current climate.

Your board of directors therefore requests that you appoint, for a term of six years, which will expire at the Annual Shareholders' Meeting to approve the 2021 annual accounts, the company Ernst & Young et Autres and the firm Mazars as statutory auditors and the company Auditex and Mr. Thierry Blanchetier as alternate auditors.

Share buybacks – Eighteenth Resolution

We request that you renew the authorization given to the company by the Annual Shareholders' Meeting of April 21, 2015, 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 purchase option plans or other share allocations to employees or corporate officers, fulfill obligations related to convertible bonds, and engage in external acquisitions and market making as part of a liquidity contract.

Shares bought back may be canceled under the authorization (Twenty-second Resolution) adopted by the 2015 Annual Shareholders' Meeting.

We remind you that in February 2016, Schneider Electric, which in 2015 had announced its intention to buy back its own shares in an amount of EUR1 to 1.5 billion over the period 2015-2016, stated that the Group had targeted a cumulative buyback amount of around EUR1.5 billion for the 2015-2016. These buybacks are part of a policy to neutralize the dilution resulting from capital increases linked to the acquisition of Invensys or reserved to employees, or resulting from performance action plans and the exercise of options.

As part of the authorization granted at the Annual Shareholders' Meeting on April 21, 2015, Schneider Electric proceeded in 2015 and early 2016 to buy back 12.65 million shares, for a total sum of EUR700 million.

Further information on your Company's share buyback programs can be found on page 278.

You are asked to authorize the company to buy back shares representing a maximum of 10% of the issued capital as of the date of the Meeting (for reference purposes, based on the issued capital on December 31, 2015: 58,757,304 shares). The maximum purchase price is set at EUR90. We remind you that this authorization may not be used during public offer periods.

1.2 Extraordinary Meeting

Authorization to the board of directors to allocate free shares (issued or to be issued) to officers and employees of the company or of companies affiliated therewith, subject to performance conditions, as applicable, within the limit of 2% of the share capital, with waiver by shareholders of their subscription rights - Nineteenth Resolution

Background to the authorization:

The authorization to allocate free/performance shares was granted by the Combined Annual and Extraordinary Shareholders' Meeting of April 25, 2013 for a period of 38 months. It expires on June 24, 2016. In This authorization allowed for the free allocation, to date, of a total of 5.9 million shares, representing 1% of the share capital at December 31, 2015. Detailed information on the plans for free/performance shares allocated to date under this authorization can be found on page 284 below.

Given the importance of this deferred compensation mechanism (see p. 155), you are requested to renew this authorization.

Structure of the authorization:

(i) Dilution

- the total amount of shares allocated may not represent more than **2% of the capital** over three years, subject to potential adjustments which may be applied in the event of a transaction involving the company's share capital;
- the annual number of shares granted to the company's senior corporate officers (the CEO and the Deputy CEO) pursuant to this authorization may not exceed [0.03]% of the capital per year.

(ii) Characteristics

- **beneficiaries**: shares may be allocated to senior corporate officers, members of the Executive Committee, key managers of the Group in all countries, and to high-potential employees or to those whose performance is deemed remarkable;
- **vesting/holding period**: under long-term incentive plans, the vesting period may be no shorter than three years. It may be accompanied, or not, by a holding period;
- under annual long-term incentive plans, all shares allocated to senior corporate officers of the company and to members of the Executive Committee will be subject to performance conditions. For other beneficiaries, the performance criteria will be on at least

70% of the shares granted. Due to the performance conditions, all or part of the performance shares may be canceled. For instance, 22% of shares subject to performance criteria of the 2014 long-term incentive plan were canceled due to the failure to meet these conditions (see below).

History of plans

a) for the 2014-2015 annual plan in March 2014:

The criteria were:

- for 70% of the shares allocated under performance criteria, an average level for 2014 and 2015 of adjusted EBITA operating margin, at constant scope, as follows: 0% if the level is ≤13%, 100% if the level is ≥14%, with a linear progression between the two points.

  This bracket, defined in March 2014, identical to the one for the 2013 annual plan, was selected to take into account the economic environment at the time and more particularly the risk of a continued slowdown in Western Europe and the significant impact of exchange rates from new economies;
- for 15% of the shares allocated under performance criteria, an average level for 2014 and 2015 of ROCE, as follows: 0% if the ROCE is ≤11%, 100% if the ROCE is ≥11.5%, with a linear progression between the two points. The 2013 proforma ROCE (calculated mainly to take into account the acquisition of Invensys) was 10.9% and the bracket reflects the Group's objective to gradually improve the ROCE in a climate of volatile exchange rates, affecting the base of capital employed;
- for 15% of the shares granted subject to performance criteria, an objective of increasing the "Planet & Society barometer" as follows: 0% if the index at the end of 2015 is ≤8/10, 100% if the index is ≥9/10, with a linear progression between the two points, where the level of the Planet & Society barometer was 7.5/10 at the end of 2013 and the objective of Connect was to bring it to 8/10 at the end of 2014.

The achievement rate of these objectives was 78% with:

- an average EBITA operating margin adjusted to constant scope for the 2014 and 2015 fiscal years of 13.9%, *i.e.*, an achievement rate of 90%;
- an average level of ROCE for 2014 and 2015 of 10.9%, *i.e.*, an achievement rate of 0%;
- a score of 9.69/10 for the Planet & Society barometer, *i.e.*, an achievement rate of 100%.

b) for the 2015-2016 annual plan in March 2015

The criteria are:

- for 70% of the shares allocated under performance criteria, an average level for 2015 and 2016 of adjusted EBITA operating margin, at constant scope, as follows: 0% if the level is ≤13%, 100% if the level is ≥14%, with a linear progression between the two points.

  This bracket, defined in March 2015, was selected to take into account the global growth prospects at the time, and more particularly the impacts of a slowdown in China, the fall in oil prices, and the volatility of currencies;
- for 15% of shares allocated under performance conditions, an average level of ROCE in line with the objective of returning, over two years, to a ROCE level comparable to that prior the acquisition of Invensys. The 2013 proforma ROCE (calculated mainly to take into account the acquisition of Invensys) was 10.9% and the bracket reflects the Group's objective to gradually improve the ROCE in a climate of volatile exchange rates, affecting the base of capital employed;
- for 15% of the shares granted subject to performance criteria, an objective of increasing the "Planet & Society barometer," which measures the progress of the Group with regard to environmental sustainability and social responsibility across 14 indicators (see page 104) as follows: 0% if the index at end 2016 is ≤5/10, 100% if the index is ≥6/10, with a linear progression between the two points, being specified that the level of the new Planet & society barometer was 3/10 on january 1, 2015.

New performance criteria

On the report of the Human Resources & CSR and Governance & Compensation Committees, the Board of Directors decided to review the performance conditions in order to bring them more in line with shareholders' long term interests. Accordingly, it established that from 2016 long-term incentive plan which, as for every year, would be implemented at the end of March:

- the performance conditions would be assessed over a period of three years instead of two years;
- Besides the criteria based on Adjusted EBITA operating margin and achievement level of the Planet & Society barometer, two new criteria will be used: A rate of cash generation and level in the "Total Shareholder Return" or "TSR" compared to that of a group of competitors. These two new criteria have been introduced by the Board with a view to promoting a long-term development.
  - Rate of cash conversion, which is a ratio of free cash flow and net income potentially adjusted for exceptional components. It is a key indicator of a company's capacity to effectively use its capital employed in the long-term in order to generate free cash flow which the company can use to strengthen its balance sheet, its external development and its dividends to shareholders.
  - TSR, which represents global return for the shareholder on his investment in Schneider Electric taking into account share performance and paid out dividends, assuming they are reinvested in Schneider Electric shares,
- Weighting of each of these criteria is as follows:
  - 40% for the adjusted EBITA operating margin,
  - 25% for the rate of cash conversion,
  - 15% for TSR and
  - 20% for the Planet & Society barometer.
- Their calculation method will be:
  - Adjusted EBITA margin, an average on a three-year period of the achievement rates of annual Adjusted EBITA margin vs. targeted Adjusted EBITA margin rate set, for each year, by the board of directors of Schneider Electric which will be in line with the objectives usually communicated at the beginning of the year to investors.
  - The rate of cash conversion, an average level set over a three-year period. For the 2016 Long Term Incentive Plan, the objective is 100%. This objective is in line with the long term objective announced to the market. It has been set taking into account the high cash conversion level of 2015 (113% cash generation).

    If the rate of cash conversion is between:
    - 100% and 80%, the achievement rate will be distributed on a linear basis down to 0%;
    - 100% and 120%, i.e. an achievement rate above target, the achievement rate of the criterion will increase on a linear basis up to 150%. This achievement rate will, on the one hand, enable achievement of 100% of the rate of cash conversion criterion over the period and, on the other hand, can offset non-achievement of the Adjusted EBITA target or

TSR target rate over the three-year period. However, final acquisition of shares at the end of the three-year period will nevertheless be capped at 100% of the number of shares originally subject to Adjusted EBITA margin and TSR criteria.

- TSR, an objective set based on Schneider Electric ranking within the following panel of companies (ABB, Legrand, Siemens and Schneider Electric for Europe, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation for the United States and Fuji Electric, Mitsubishi Electric and Yokogawa for Asia). This list may be revised in case of acquisition/merger of one or several companies of this panel. A ranking in:
  - First quartile (1st, 2nd, 3rd place) enables an achievement rate of up to 150%, with an average rate of 135%. This achievement rate will, on the one hand, enable 100% achievement of the TSR criterion and, on the other hand, can offset non-achievement of the Adjusted EBITA target or rate of cash conversion target over the three-year period. However, final acquisition of shares at the end of the three-year period will nevertheless be capped at 100% of the number of shares originally subject to Adjusted EBITA margin and rate of cash conversion criteria,
  - Second quartile (4th, 5th, 6th place) enables an average achievement rate of 87% of the criterion,
  - Third quartile (7th, 8th, 9th place) enables an average achievement rate of 13% of the criterion,
  - Last quartile (10th, 11th, 12th place) gives a zero achievement rate.

  TSR will be calculated over a period of 3 years using the average prices for the last 60 days prior to the month of grant, as well as the average prices for the last 60 days prior to the month of vest after three years.

  In order to limit impacts of short-term price volatility, TSR will be measured in euros for all companies of the panel.

  Considering significant threshold effects, on the one hand, and uncertainty of events that may occur during reference periods to the share price of the companies of the panel, it is established that, in the case that the gap between Schneider Electric TSR and the one of the company of the immediate upper rank is less than 3% in TSR value, Schneider Electric will have the same ranking as this latter.

- The "Planet & Society barometer," which measures the progress of the Group with regard to environmental sustainability and social responsibility across 14 indicators (see page 104) will be appreciated at the end of a three-year period based on a scale set by the board of directors.

(iii) Other characteristics

- The senior corporate officers are bound by obligations to retain their shares, which are presented on pages 281 *et seq*.
- In accordance with the provisions of the French Commercial Code, it is the responsibility of the board of directors to determine the identity of beneficiaries of the allocations, as well as the conditions and, where appropriate, the criteria for allocation of shares.
- Since the shares that may be so allocated may be shares to be issued, the authorization involves the waiver by shareholders of their pre-emptive right to free shares to be issued.
- Authorization is granted for a period of 38 months.

Authorization given to the board of directors to grant stock options to corporate officers and employees of the company and its subsidiaries and affiliates, with waiver by shareholders of their subscription rights – Twentieth Resolution

In April 2013, the Annual Shareholders' Meeting authorized the board of directors to grant options to corporate officers and employees of Schneider Electric SE and its subsidiaries and affiliates, as defined in Article L. 225-180 of the French Commercial Code, within the limit of the number of options granted and not yet exercised of 0.5% of the capital.

The board of directors did not make use of this authorization.

This authorization expires in June 2016. However, the board of directors recommends that you renew it for a period of 38 months under the following conditions:

- the total number of options granted and not yet exercised is limited to **0.5% of the capital**;
- the annual number of options granted to the Company's senior corporate officers (the CEO and the Deputy CEO) pursuant to this authorization may not exceed 0.03% of the capital;
- the period of validity of the options may not exceed 10 years;
- the exercise price may not be lower than the average of the opening prices quoted for the Company's shares over the 20 trading days preceding the decision to grant the options;
- 100% of the options granted to the Company's senior corporate officers and to members of the Executive Committee, in the framework of the Group's annual long-term incentive plans, will be subject to performance criteria. 70% of the options granted to other beneficiaries in this framework will be subject to performance criteria. These performance criteria will themselves be the same as those selected for the performance share plans.

We also remind you that the senior corporate officers are bound by obligations to retain a proportion of shares arising from the exercise of options, which are presented on pages 281 *et seq*.

The options granted in this way may be options to subscribe for shares. The authorization involves the waiver by shareholders of their pre-emptive subscription rights to shares to be issued upon the exercise of options.

Capital increases reserved for employees with cancelation of pre-emptive subscription rights of shareholders – Twenty-first and Twenty-second Resolutions

Schneider Electric is convinced of the importance of developing the company's employee shareholder base and issues new shares to employees each year. As of December 31, 2015, employees held 3.8% of the capital.

We remind you that the Twentieth and the Twenty-first Resolutions of the Annual Shareholders' Meeting of April 21, 2015, 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.

As part of these authorizations, at its meeting of December 9, 2015, the board of directors decided to renew the annual employee shareholder plan in 2016, within a limit of 3 million shares (approximately 0.51% of the capital). This plan, which will not include a leveraged offer, will be offered in 32 countries representing more than 80% of the Group's employees. The shares will be offered with a discount on the stock price of between 15% (for subscribers in France) and 20% (for subscribers outside France) and a maximum employer contribution of €1,400.

Your company carried out capital increases reserved for Group employees in 2015 (WESOP 2015). These transactions are presented on page 278 of this registration document.

To allow for the implementation of a new global employee share ownership plan in 2017, you are asked to renew these authorizations under the same conditions subject to the following reservation. To encourage employee shareholders outside France to hold shares for a long period of time, your board of directors intends to use the option granted by law of applying a discount of over 20%.

Such is the purpose of the Twenty-first and Twenty-second Resolutions.

Under the **Twenty-first Resolution,** you are asked to grant the board of directors the authority to carry out capital increases reserved for employees members of the Employee Stock Purchase Plan within the limit of 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 authority requires shareholders to waive their pre-emptive subscription right in favor of members of the Employee Stock Purchase Plan. It is valid for a period of 26 months; the authority in force as voted by the Annual Shareholders' Meeting of April 21, 2015 in its Twentieth Resolution shall cease to be effective as from June 24, 2016.

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 of the Shareholders' Meeting of April 21, 2015.

Under the **Twenty-second Resolution**, we ask you to renew the authorization to carry out capital increases reserved for employees of non-French 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 in relation to the benchmark stock price, which may be increased to 25% if the share lock-in period of five years is increased to at least seven years. The application of such discounts will be assessed by the board of directors in consideration, in particular, of the legal, regulatory and tax regulations of the foreign legal system applicable to beneficiaries of the issue. The maximum discount of 25%, if applied, will only be applied for a very limited number of countries. Issues performed will be deducted from the ceiling of 2% provided for by the Twenty-first resolution.

This authorization is valid for a period of 18 months and may only be used on or after August 1, 2016. As from August 1, 2016, it shall supersede the existing authorization granted in the Twenty-first resolution adopted by the Annual Shareholders' Meeting of April 21, 2015 for the amounts remaining unused at July 31, 2016.

Finally, under the Twenty-third Resolution we request you to grant us the powers necessary to carry out the formalities.

2. Report of the Vice-chairman independent lead director of the board of directors (for the period January-December 2015)

Mr. Apotheker hereby reports on the work he carried out in 2015 as part of his administrative functions as Vice-Chairman independent lead director.

At the Annual Shareholders' Meeting of May 6, 2014, the board of directors appointed Leo Apotheker as Vice-Chairman independent lead director for his remaining term of office (1).

1. Powers of the Vice-Chairman independent lead director

The Vice-Chairman independent lead director is appointed by the board of directors in application of article 12 of the by-laws, which provide 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 Vice-Chairman Independent Lead Director can be found on page 307 à 313. They are also published on the Company's website, www.schneider-electric.com.

2. Activities of the Vice-Chairman Independent Lead Director

Information of the Vice-Chairman Independent Lead Director

To be able to carry out his duties, the Vice-Chairman 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 all members of the Group Executive Committee.

In addition, he has continued the visits to Group sites around the world that he began 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 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 two executive sessions (July 1, 2015 and December 9, 2015) 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 about some elements of the Group's strategy, and about the succession plan of the Chairman.

The Vice-Chairman Lead Director returned the conclusions to the Chairman that same day.

Other duties

The Vice-Chairman 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 128 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, 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' 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 (April 2010).

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 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;
- 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 biennal 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 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 Annual Shareholders' Meetings,
   - approve corporate and consolidated accounts,
   - draw up management reports and reports for annual 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 French Commercial Code,
   - decide on the use of the delegations of authority granted at annual 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 Shareholders' Meetings,
   - authorize statutory conventions (conventions covered by Article L. 225-38 and following of the French Commercial Code),
   - authorize the issue of sureties, endorsements and guarantees,
   - decide on the 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 Shareholders' Meetings amongst members of the board of directors.

   In compliance with the provisions set forth in the French 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) EUR250 million 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 or her 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 or she has received further to the above 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 or her 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 four 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 the application of 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, in the sense of the application decree of Article L. 621-18-2 of the French 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 option plans in order to hedge stock option plans (*eg*: 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 insider 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 Shareholders' Meetings.
11. Members of the board of directors shall be remunerated by the payment of directors' fees allocated at Annual 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,
   - Human Resources and Corporate 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 and CEO or the CEO shall be kept informed of committee meetings. He or she 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.

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 Markets 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 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 CEOs.

The commitee 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 Corporate Social Responsibility Committee

1.Membership and operation of the Human Resources and Corporate 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 Corporate 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 projects to the board of directors on:

- the commitee 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 opinions 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.

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.

3.2 Charter of the Vice-Chairman independent lead 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 independent lead 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,
   - 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 biennal 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

4.1 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, conditions and the reasons for the interest of the company 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

We have been informed of no agreements and commitments authorized during the last year and requiring the approval of the Shareholders' Meeting by virtue of article L. 225-38 of the French Commercial Code.

Agreements and obligations 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.

- **With Mr. Jean-Pascal TRICOIRE (Chairman & Chief Executive Officer)**

Your Board of Directors, in its meetings of April 25, 2013, June 18/19, 2013, October 24, 2013 and February 18, 2015, authorized the commitments and agreements in favor of Mr. Jean-Pascal TRICOIRE as described hereunder:

- **Contingency and supplementary cover or insurance compensation plans**

Mr. Jean-Pascal TRICOIRE benefits from the collective pension plan applicable to employees of Schneider Electric SE and Schneider Electric Industries SAS covering the supplementary sickness, incapacity, disability and death.

Mr. Jean-Pascal TRICOIRE 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. Jean-Pascal TRICOIRE benefits 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[1], 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 benefits, 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 Directors1, 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 bonus1).

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.

- **Involuntary Severance Pay Scheme**

(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.*

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;
- requested dismissal, non-renewal or resignation as Chief Executive Officer when the average rate of achievement of performance objectives used to calculate the variable bonus in the four full financial years preceding his departure was 66 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 benefits 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.

The Board of Directors shall rule on the application or the non-application of the agreement at the time of departure of the interested person, unless the aforesaid departure results from a voluntary departure (excluding Involuntary Severance) and provided that the interested party:

- has satisfied the conditions criteria regulating the payment of Involuntary Severance Pay, and;
- is not nor shall not be entitled to accumulate his non-compete compensation with payments from a pension plan.

In all other cases, (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, Free Shares 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, free shares 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.

- **With Mr. Emmanuel BABEAU (Deputy Chief Executive Officer)**

Your Board of Directors, in its meetings of June 18/19, 2013, October 24, 2013 and February 18, 2015, authorized the commitments and agreements in favor of Mr. Emmanuel BABEAU as described hereunder:

– 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 the supplementary sickness, incapacity, disability and death.

Mr. Emmanuel BABEAU 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 benefits 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 , converted into a theoretical annuity equivalent that may be purchased upon death in conformity with insurance conditions (technical rate, mortality rate).

Mr. Emmanuel BABEAU benefits, 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[2], converted into a theoretical annuity equivalent that may be purchased upon disability in conformity with insurance conditions (technical rate, mortality rate).

(2) 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.

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 bonus2).

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.

– **Involuntary Severance Pay Scheme**

Mr. Emmanuel BABEAU 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 Deputy Chief Executive Officer in the six months following a material change in Schneider Electric's shareholder structure that could change the membership of the Board of Directors;
- dismissal, non-renewal or resignation as Deputy Chief Executive Officer in the event of a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in shareholder structure as described above;
- requested dismissal, non-renewal or resignation as Deputy Chief Executive Officer when the average rate of achievement of performance objectives used to calculate the variable bonus in the four full financial years preceding his departure was 66 percent (including financial years during which he fulfilled responsibilities as a member of the Management Board).

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. BABEAU's compensation for the three financial years preceding the date of the Board meeting at which the decision is made.

Hence, if the Group's performance rate is:

- less than 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. Emmanuel BABEAU 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. Emmanuel BABEAU 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. Emmanuel BABEAU benefits 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.

The Board of Directors shall rule on the application or the non-application of the agreement at the time of departure of the interested person, unless the aforesaid departure results from a voluntary departure (excluding Involuntary Severance) and provided that the interested party:

- has satisfied the conditions criteria regulating the payment of Involuntary Severance Pay, and;
- is not nor shall not be entitled to accumulate his non-compete compensation with payments from a pension plan.

In all other cases, (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, Free Shares or Performance Shares**

Mr. Emmanuel BABEAU retains forthwith, subject to performance criteria and only in the event of his Involuntary Departure, the benefit of all his stock options, free shares 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. Emmanuel BABEAU'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. Emmanuel BABEAU's termination does not occur as a result of serious or gross misconduct.

- With Mr. Leo APOTHEKER (Vice-Chairman Independent Lead Director)

Your Board of Directors, in its meeting of May 6, 2014, authorized the remuneration of Mr. Léo APOTHEKER with regard to his assignments as Vice-Chairman Independent Lead 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 was approved by the Shareholders' Meeting of April 21, 2015.

Compensation payable in respect of this agreement amounts to 250,000 euros for the 2015 financial year.

- Outsourcing agreement for the article 39 pension plan (closed)

Persons concerned: Mr. Henri LACHMANN (Director and Chairman of the Human Resources and CSR committee), Mr. Jean-Pascal TRICOIRE (until February 18, 2015) and Mr. Emmanuel BABEAU (until February 18, 2015)

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 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.

Mr. Jean-Pascal TRICOIRE and Mr. Emmanuel BABEAU are no longer concerned by this regulated agreement since the Board of Directors' meeting of February 18, 2015, that decided to cancel their right to pension plan with defined benefits (article 39).

Signed in Paris-La Défense and in Courbevoie, on March 10, 2016

The Statutory Auditors

ERNST & YOUNG ET AUTRES	MAZARS
Jean-Yves Jégourel	David Chaudat

4.2 Statutory auditors' report on the authorization to make grants of free shares, existing or to be issued, subject to performance conditions, as the case may be

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with Articles L. 225-197-1 of the French Commercial Code (*Code de commerce*), we hereby report on the proposed authorization to make grants of free shares, existing or to be issued, subject to performance conditions, as the case may be, to members of the staff or certain categories determined from among the employees of the Company or of companies affiliated therewith for purposes of Article L. 225-197-2, as well as to officers who meet the conditions set forth in Article L. 225-197-1 of the French Commercial Code, upon which you are called to vote.

The aggregate number of shares that may thus be granted shall not amount to more than 2% of the Company's share capital at the date of this Shareholders' Meeting, it being specified that the number of shares that may be granted annually to corporate officers of the Company under and pursuant to this authorization shall not account for a percentage greater than 0.03% of the Company's share capital at the date of this Shareholders' Meeting.

Your board of directors proposes that, on the basis of its report, it be authorized, for a period of 38 months from the date of this Shareholders' Meeting, to make grants of free shares, existing or to be issued.

It is the responsibility of the board of directors to prepare a report on these transactions with which it wishes to proceed. It is our responsibility to give you our comments, if we have any, on the information that you have thus been given about the proposed transactions.

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 particular, in verifying that the methods planned and set out in the board of directors' report comply with the provisions of the law.

We have no comments to make on the information set out in the board of director's report on the proposed authorization to make grants of free shares.

Signed in Paris-La-Défense and in Courbevoie, on March 10, 2016

The statutory auditors

ERNST & YOUNG ET AUTRES	MAZARS
Jean-Yves Jégourel	David Chaudat

4.3 Statutory auditors' report on the authorization to grant options to subscribe for or to purchase shares

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with Articles L. 225-177 and R. 225-144 of the French Commercial Code (*Code de commerce*), we hereby report on the proposed authorization to grant options to subscribe for or to purchase shares to members of the staff or certain categories determined from among the employees of the Company or of companies or groupings affiliated therewith for purposes of Article L. 225-180 of the French Commercial Code, upon which you are called to vote.

The aggregate number of options that may thus be granted under and pursuant to this authorization and not yet exercised or cancelled, shall not give rise to a right to subscribe for, or purchase, a number of shares greater than 0.5% of the share capital on the date of this Shareholders' Meeting, it being specified that grants to corporate officers of the Company shall not account each year for a percentage greater than 0.03% of the Company's share capital at the date of this Shareholders' Meeting.

Your board of directors proposes that, on the basis of its report, it be authorized, for a period of 38 months from the date of this Shareholders' Meeting, to grant options to subscribe for or to purchase shares.

It is the responsibility of the board of directors to prepare a report on the reasons for granting options to subscribe for or purchase shares as well as on the methods proposed for setting the subscription or purchase price. It is our responsibility to give you our opinion on the methods proposed for setting the subscription or purchase price of the shares.

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 particular, in verifying that the methods proposed for setting the subscription or purchase price are accurately set out in the board of directors' report and that they comply with legal and regulatory provisions.

We have no comments to make on the methods proposed for setting the subscription or purchase price of the shares.

Signed in Paris-La-Défense and in Courbevoie, on March 10, 2016

The statutory auditors

ERNST & YOUNG ET AUTRES	MAZARS
Jean-Yves Jégourel	David Chaudat

4.4 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 approved at the Shareholders' meeting of April 21, 2015.

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 June 30, 2016.

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 authorization, in case of issues of shares or of securities giving access to equity securities and in case of issues of securities giving access to equity securities to be issued.

Signed in Paris-La-Défense and in Courbevoie, on March 10, 2016

The statutory auditors

ERNST & YOUNG ET AUTRES	MAZARS
Jean-Yves Jégourel	David Chaudat

4.5 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 21st resolution of this Shareholders' meeting, but, which on the other hand is separate and apart from the limits set in the 14th and 16th resolutions approved at the Shareholders' meeting of April 21, 2015.

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, 2016.

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 authorization, in case of issues of shares or of securities giving access to equity securities and in case of issues of securities giving access to equity securities to be issued.

Signed in Paris-La-Défense and in Courbevoie, on March 10, 2016

The Statutory Auditors

ERNST & YOUNG ET AUTRES	MAZARS
Jean-Yves Jégourel	David Chaudat

5. Draft resolutions

5.1 Ordinary Meeting

FIRST RESOLUTION (Approval of the corporate financial statements for the 2015 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 2015 financial year as presented, as well as the transactions reflected in these statements or summarized in such reports showing a loss of EUR52,585,290.08.

SECOND RESOLUTION (Approval of consolidated financial statements for the 2015 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 2015 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 coupon and drawing from issue premiums)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary Meetings, at the proposal of the board of directors:

(i) after noting the negative impact on retained earnings of €4,511,520.00 and the fact that income for the financial year shows a loss of €52,585,290.08, decides to allocate the amount of retained earnings and the loss for the financial year to issue premiums relating to the contribution of Legrand shares;

(ii) decides, the distribution to the 588,734,472 shares at a par value of EUR4 comprising the share capital of December 31, 2015, and a dividend payment as of January 1, 2015, at EUR2 per share, and as a result sets at EUR1,177,468,944 the amount to withhold from issue premiums relating to the contribution of Legrand shares which, after allocation of retained earnings and the financial year loss total EUR2,545,972,683.52, to proceed with this distribution.

Issue premiums relating to the contribution of Legrand shares	**€2,603,069,493.60**
Net loss	**€52,585,290.08**
Retained earnings	€(4,511,520.00)
Distribution amount	€1,177,468,944.00
Amount of issue premiums relating to the contribution of Legrand shares after allocation of retained earnings and financial year loss, and withholding from the distribution.	€1,368,503,739.52

Fiscally, it is specified that this distribution of EUR2 per share for tax purposes is considered a reimbursement of a contribution, 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:

2012	2013	2014
1.87	1.87	1.92

FOURTH RESOLUTION (Information regarding agreements and regulated obligations undertaken during previous financial years)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary Meetings, takes due note of the information presented in the report of the statutory auditors regarding agreements and regulated obligations undertaken during previous financial year(s) and approved by the Shareholders' Meeting.

FIFTH RESOLUTION (Opinion on elements of the compensation due or awarded in respect of the 2015 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 November 2015, 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 2015 financial year to Mr. Jean-Pascal Tricoire as presented in the board of directors' report to the Shareholders' Meeting.

SIXTH RESOLUTION
(Opinion on elements of the compensation due or awarded in respect of the 2015 financial year to Mr. Emmanuel Babeau)

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 November 2015, 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 2015 financial year to Mr. Emmanuel Babeau as presented in the board of directors' report to the Shareholders' Meeting.

SEVENTH RESOLUTION
(Nomination of a director: Ms. Cécile Cabanis)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary Meetings, having considered the board of directors' report, appoints Ms. Cécile Cabanis as director for a period of four years, expiring at the close of the Shareholders' Meeting to be held in 2020 to review the financial statements for the financial year ending December 31, 2019, as a replacement for Henri Lachmann whose term of office as a director is due to expire after this Shareholders' Meeting and who has not expressed the desire to have his term renewed.

EIGHTH RESOLUTION
(Nomination of a director: Mr. Fred Kindle)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary Meetings, having considered the board of directors' report, appoints Mr Fred Kindle as director for a period of four years, expiring at the close of the Shareholders' Meeting to be held in 2020 to review the financial statements for the financial year ending December 31, 2019, as a replacement for Mr. Forgeard whose term of office as a director is due to expire after this Shareholders' Meeting and who has not expressed the desire to have his term renewed.

NINTH RESOLUTION
(Renewal of a directorship: Mr. Léo Apotheker)

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. Léo Apotheker as director for a term of four years, expiring at the close of the Shareholders' Meeting to be held in 2020 to review the financial statements for the financial year ending December 31, 2019.

TENTH RESOLUTION
(Renewal of a directorship: Mr. Xavier Fontanet)

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. Xavier Fontanet as director for a term of two years, expiring at the close of the Shareholders' Meeting to be held in 2018 to review the financial statements for the financial year ending December 31, 2017.

ELEVENTH RESOLUTION
(Renewal of a directorship: Mr. Antoine Gosset-Grainville)

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. Antoine Gosset-Grainville as director for a term of four years, expiring at the close of the Shareholders' Meeting to be held in 2020 to review the financial statements for the financial year ending December 31, 2019.

TWELFTH RESOLUTION
(Renewal of a directorship: Mr. Willy Kissling)

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. Willy Kissling as director for a term of two years, expiring at the close of the Shareholders' Meeting to be held in 2018 to review the financial statements for the financial year ending December 31, 2017.

THIRTEENTH RESOLUTION
(Determination of the amount of directors' fees to be awarded to the board of directors)

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 set at EUR1,500,000 the annual amount of directors' attendance fees to be paid to the board of directors.

FOURTEENTH RESOLUTION
(Re-election of Statutory Auditor)

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 the company Ernst & Young et Autres as Statutory Auditor for a term of six financial years, expiring at the close of the Shareholders' Meeting to be held in 2022 to review the financial statements for the financial year 2021.

FIFTEENTH RESOLUTION (Re-election of alternate auditor)

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 as alternate auditor of the company Ernst & Young, the company Auditex, for a term of six financial years, expiring at the close of the Shareholders' Meeting to be held in 2022 to review the financial statements for the financial year 2021.

SIXTEENTH RESOLUTION (Re-election of statutory auditor)

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 the company Mazars as statutory auditor for a term of six financial years, expiring at the close of the Shareholders' Meeting to be held in 2022 to review the financial statements for the financial year 2021.

SEVENTEENTH RESOLUTION (Re-election of alternate auditor)

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 as alternate auditor of the company Mazars, Mr. Blanchetier, for a term of six financial years, expiring at the close of the Shareholders' Meeting to be held in 2022 to review the financial statements for the financial year 2021.

EIGHTEENTH 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 or have acquired 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 (for exchange, payment or other purposes) 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 Annual Shareholders' Meeting (*i.e.*, for indicative purposes, 58,873,447 shares on the basis of the share capital as of December 31, 2015).

The maximum share purchase price is set at 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 purchase options.

As a result of the aforesaid limits, the maximum aggregate amount of share buy-backs shall not exceed EUR5,298,610,230.

The acquisition, sale, or transfer of such shares may be made on one or more occasions by any means, in the market, on a multilateral trading facility (MTF), via a systemic internalizer, or by individual, person-to-person (over-the-counter) trade 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.

These transactions may be carried out at any time, in accordance with current regulations, **except during public offerings on the company's share capital.**

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 Annual Shareholders' Meeting of April 21, 2015.

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 Annual Shareholders' Meeting.

5.2 Extraordinary Meeting

NINETEENTH RESOLUTION (Authorization to the board of directors to make grants of free shares (on the basis of existing shares or shares to be issued) to corporate officers and employees of the Company or of companies affiliated therewith, subject to performance conditions, as the case may be, up to a limit of 2% of the share capital, without the shareholders' pre-emptive subscription right)

The Shareholders' Meeting, acting on the basis of the quorum and majority requirements applicable to Extraordinary Meetings, having heard the report of the board of directors and the Special report of the statutory auditors and acting in accordance with Articles L. 225-197-1 *et seq*. of the French Commercial Code:

- hereby resolves to authorize the board of directors to make grants, on one or more occasions, to members of the staff or certain categories thereof that it shall determine from among the employees of the Company or of companies affiliated therewith for purposes of Article L. 225-197-2, as well as to officers who meet the conditions set forth in Article L. 225-197-1 of the French Commercial Code, of free existing shares or shares to be issued of the Company;
- hereby resolves that the board of directors shall determine who is to benefit from the grants, the number of shares for each recipient as well as the terms and conditions thereof and the performance criteria, if any, to which all or part of the shares granted under and pursuant to annual long-term incentive plans shall be subject, provided, however, i) that 100% of the shares granted to officers of the Company and to members of Schneider Electric's Executive Committee under and pursuant to long-term incentive plans shall be subject to meeting performance goals, and 70% of the shares granted to the other beneficiaries, in such connection, shall be subject to meeting performance goals, and ii) that the performance goals shall be assessed over a period of at least three years;
- hereby resolves that the aggregate number of shares granted shall not amount to more than 2% of the Company's share capital on the date on which this Shareholders' Meeting is being held;
- hereby resolves that the shares granted annually to corporate officers of the Company under and pursuant to this authorization shall not account for a percentage greater than 0.03% of the Company's share capital on the date on which this General Meeting is being held;
- hereby resolves that the grants of shares to the beneficiaries or recipients thereof shall be final, subject to the terms and conditions and meeting the performance goals established by the board of directors, as the case may be, at the end of a vesting period set by the board of directors. The board of directors shall have the right to set the vesting and lock-up or holding periods in accordance with Article L. 225-197-1 of the French Commercial Code and to provide for a minimum vesting or holding period of three years for all or a portion of the shares, provided that the vesting period of the shares granted under and pursuant to the long term incentive plan, cannot be shorter than three years;
- hereby resolves, as an exception to the foregoing paragraph, that final effectiveness of grants of shares and the right to sell or transfer them freely shall vest, however, in a beneficiary or recipient thereof, if he or she should become subject to any of the cases of disability set forth in Article L. 225-197-1 of the French Commercial Code;
- hereby resolves to authorize the board of directors to make adjustments, as the case may be, during the vesting period to the number of shares in connection with possible transactions involving the Company's share capital, so as to protect and preserve the rights of the beneficiaries and recipients;
- hereby take note that this authorization shall constitute automatically and *ipso jure* an express waiver by the shareholders in favor of the beneficiaries and recipients of free shares of their preferential right to subscribe for and acquire the shares to be issued that are awarded on a free basis. The capital increase corresponding thereto shall be fully and finally completed solely as a result of the final and effective grant of the shares to the beneficiaries;
- hereby resolves to set at 38 months from and after this General Meeting the period of validity of this authorization, which shall nullify and render void the authorization granted in the Sixteenth Resolution at the General Meeting held on April 25, 2013, in respect of the amounts thereof not used by the board of directors.

The Shareholders' Meeting hereby resolves to grant any and all authority to the board of directors, with the right to grant subdelegations of authority within the limits provided by law, to implement and give effect to this authorization, undertake and perform any actions, formalities, and statements or declarations, make any adjustments, as the case may be, to any transactions involving the Company's share capital, record the increase or increases in share capital completed pursuant to this authorization, amend the Articles of Association as a result thereof, and generally do whatever may be necessary.

The shareholders hereby take due note that the board of directors shall set the terms and conditions of lock-up and holding period applicable to shares granted to eligible corporate officers, in accordance with Article L. 225-197-1 II of the French Commercial Code.

TWENTIETH RESOLUTION (Authorization to the board of directors to grant to officers and employees of the Company or of companies affiliated therewith options to subscribe for or to purchase shares up to a limit of 0.5% of the share capital, without the shareholders' preferential subscription right)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary meetings, having heard the report of the management board and the Special report of the statutory auditors:

- hereby resolves to authorize the board of directors to grant, on the terms and conditions set forth in Article L. 225-177 *et seq*. of the French Commercial Code, on one or more occasions, to persons it may designate from among the members of the staff and officers of the Company and the companies or groupings affiliated therewith, on the terms and conditions set forth in Article L. 225-180 and L. 225-209 of the French Commercial Code, options carrying the right to subscribe for new shares of Schneider Electric SE or to purchase existing shares of the Company acquired by Schneider Electric SE on the terms and conditions provided by law:

- provided, however, that the subscription or purchase price on the date the option is granted may not be less than the average trading price quoted during the twenty trading sessions preceding the date of grant, provided, however, that the purchase price, furthermore, shall not be less than 80% of the average purchase price of the shares owned by the Company under and pursuant to Articles L. 225-208 and L. 225-209 of the French Commercial Code,
- provided, however, that:
  (i) the aggregate number of options granted under and pursuant to this authorization and not yet exercised may not give rise to a right to subscribe for, or purchase, a number of shares greater than 0.5% of the share capital on the date of this Shareholders' Meeting, not taking into consideration adjustments that might be made to protect the rights of beneficiaries or recipients in accordance with law or regulations, as well as applicable contractual provisions, and that within such limit of 0.5% the grants to Company corporate officers shall not exceed annually 0.03% of the share capital on the date of this Shareholders' Meeting (excluding adjustment),
  (ii) the options shall have a term of between five and 10 years, and
  (iii) the total number of the options granted to corporate officers of the company and to members of Schneider Electric's Executive Committee in connection with annual long-term incentive plans shall be subject to meeting performance goals, and that 70% of the options granted to the other beneficiaries and recipients shall be subject to meeting performance goals;

- this authorization shall automatically and *ipse iure* constitute an express waiver in favor of the beneficiaries and recipients of the subscription options by the shareholders of their preferential right to subscribe for and acquire the shares to be issued as the options are exercised;
- hereby resolves to grant any and all authority to the board of directors, within the limits set forth hereinabove, to implement and give effect to this authorization and, in particular:
  - to determine any and all terms and conditions of the transactions, set the terms and conditions on which and to whom the options shall be granted, and designate the beneficiaries and recipients of the options, as well as the granted number to each one of them,
  - set the length of validity of the options, the dates or periods for exercising the options,
  - to determine the terms and conditions on which the price and number of shares to be acquired by subscription or purchase may be adjusted to take into consideration financial transactions undertaken by the company,
  - to carry out, or cause to be carried out, any and all actions and formalities to make final the capital increase or increases undertaken under and pursuant to this authorization, amend the Articles of Association as a result thereof, and generally do whatever may be necessary,
  - all under and subject to the law and regulations applicable on the date the options are granted.

The shareholders hereby take note that the board of directors, under and pursuant to Article L. 225-185 of the French Commercial Code, shall set the terms and conditions for exercising the options granted to the eligible officers of the company.

The board of directors each year shall report at the Ordinary General Meeting on transactions undertaken in connection with this authorization.

This authorization shall remain valid for a maximum of 38 months from and after the date of this General Meeting.

It shall nullify and render void the authorization granted in the Seventeenth Resolution approved at the General Meeting held on April 25, 2013, in respect of the amounts thereunder not used by the board of directors.

TWENTY-FIRST RESOLUTION (Authorization to the board of directors to undertake capital increases reserved to participants in a Company Investment Plan up to a limit of 2% of the share capital, without the shareholders' pre-emptive subscription rights)

The Shareholders' Meeting, having fulfilled the quorum and majority requirements required for Extraordinary Meetings, having considered the report of the board of directors and the special report of the statutory auditors, pursuant to the provisions of Articles L. 3332-1 *et seq*. 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 subdelegate, for a period of twenty-six months from and after the date of this Annual 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 French Code of Commerce and L. 3344-1 of the French 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 Annual Shareholders' Meeting of April 21, 2015 and (ii) this authorization may be used only from and after June 30, 2016;
- hereby resolves 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 Annual Shareholders' Meeting, however, hereby resolves 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 resolves 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 resolves to waive in favor of the participants in a Company Investment Plan the shareholders' pre-emptive right to subscribe for and acquire the shares and securities carrying the right to acquire shares to be issued under and pursuant to this Resolution;
- acknowledges that this authorization entails a waiver by law to pre-emptive subscription rights to shares to which the securities issued on the basis of this resolution may carry the right to acquire;

- decides that this authorization cancels, effective June 30, 2016, the authorization given by the Annual Shareholders' Meeting of April 21, 2015 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 power to subdelegate authority, to undertake the transactions set forth in this resolution and to record and complete the capital increases resulting therefrom.

TWENTY-SECOND RESOLUTION (Authorization to the board of directors to undertake capital increases reserved to a category of beneficiaries: 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 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 subdelegations 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 Twenty-first Resolution of this Annual 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 Annual Shareholders' Meeting on April 21, 2015, (ii) this authorization may be used only from and after August 1, 2016;
- hereby resolves 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 Code and Article L. 3344-1 of the French Labor Code and the registered office of which is located outside France; (ii) and/or OPCVM mutual investment funds or other entities, with or without legal personality, of employee shareholders invested in equity securities of the Company the unitholders or shareholders 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 takes 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 Twenty-first Resolution approved by the Annual 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, and/or by applying a discount of a maximum of 25% of the trading price of the Company's shares determined in accordance with the same methods, provided that the lock-up period set forth by the plan is equal to at least seven years; 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:
  - to determine the characteristics of the securities to be issued, to decide on the issue price, dates, time periods, terms and conditions of subscribing therefore, paying the paid-in capital, or nominal amount thereof, delivery and effectiveness of the shares and equity securities, the lock-up and early release period, within applicable limits of law and regulations,
  - to record and determine the capital increase, to undertake the issuance of the shares and other securities carrying the right to acquire shares, to amend the Articles of Association accordingly,

- and, as a general matter, to 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, to do whatever may be necessary,

- resolves that this delegation shall nullify as of August 1, 2016 the authorization given by the Annual Shareholders' Meeting of April 21, 2015 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 18 months from and after this Shareholders' Meeting.

5.3 Ordinary Meeting

TWENTY-THIRD RESOLUTION (Powers for formalities)

The Annual 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.

Persons responsible for the registration document and audit of the financial statements

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 contained an observation referring to the change in accounting standards related to pension obligation.

March 17, 2016

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 year ended December 31, 2013, registered with Autorité des Marchés Financiers (AMF) under number D14-0175 on March 20, 2014;
- the consolidated financial statements and corresponding Auditors' reports provided in Chapter 5 of the registration document for the year ended December 31, 2014, registered with Autorité des Marchés Financiers (AMF) under number D15-0169 on March 19, 2015;
- the parent company financial statements and corresponding Auditors' reports provided in Chapter 6 of the registration document for the year ended December 31, 2013, registered with Autorité des Marchés Financiers (AMF) under number D14-0175 on March 20, 2014;
- the parent company financial statements and corresponding Auditors' reports provided in Chapter 6 of the registration document for the year ended December 31, 2014, registered with Autorité des Marchés Financiers (AMF) under number D15-0169 on March 19, 2015;
- the management report provided in Chapter 4 of the registration document for the year ended December 31, 2013, registered with Autorité des Marchés Financiers (AMF) under number D14-0175 on March 20, 2014;
- the management report provided in Chapter 4 of the registration document for the year ended December 31, 2014, registered with Autorité des Marchés Financiers (AMF) under number D15-0169 on March 19, 2015.
- Passages not incorporated in this document are either irrelevant for the investor or covered in another section of the registration document.

Persons responsible for the audit of the financial statements

	Date appointed	Appointment expires
Statutory auditors		
Ernst & Young et Autres Tour First-1, place des Saisons - 92037 Paris-la-Défense-Cedex Represented by Jean-Yves Jégourel	1992	2016
Mazars Tour Exaltis - 61, rue Henri-Regnault - 92400 Courbevoie Represented by David Chaudat	2004	2016
Alternate Auditors		
Auditex	2010	2016
Thierry Blanchetier	2010	2016

Ernst & Young et Autres and Mazars are members of the Auditor's Regional Company of Versailles.

Financial Calendar

Investor relations

April 25, 2016	Shareholders' Annual Meeting (Paris)
Mai 9, 2016	Dividend payment

Financial releases

February 17, 2016	2015 Annual Results
April 21, 2016	Q1 2016 Sales
July 28, 2016	Half Year Results
October 27, 2016	Q3 2016 Sales

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